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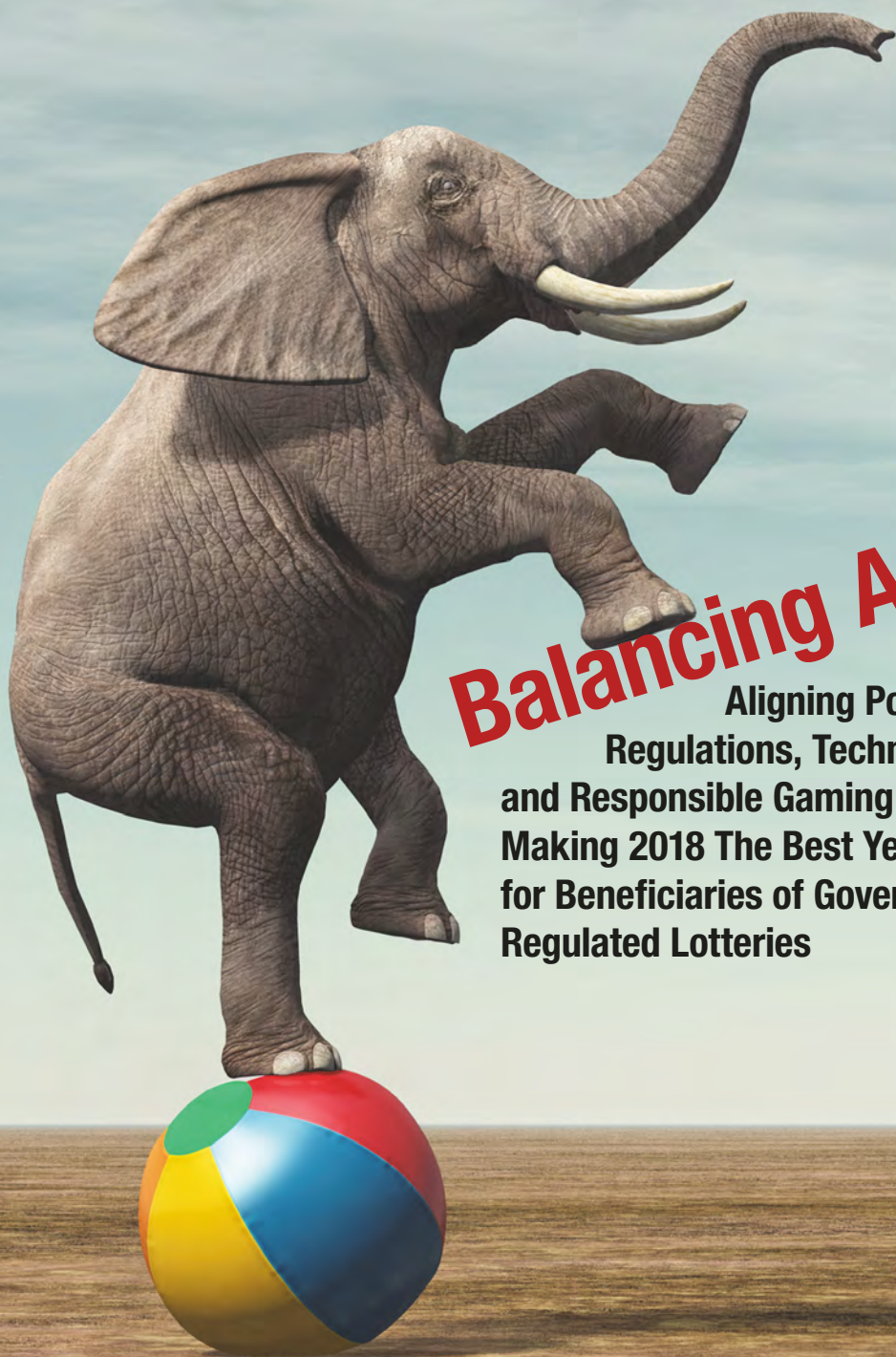
January/February 2018

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The political battlefield shifts from Brussels to the capitals of the EU Member States

Optimizing Portfolio of Draw-Games



## Balancing Act:

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Hansjörg Höltkemeier



Kelly Black



Richard Bateson

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# #1

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## From the Publisher

Doesn't it seem like, more than ever, the government-gaming sector is confronted with an interesting combination of formidable obstacles right along-side of incredible opportunity, which is a recipe that calls for decisive leadership. We can see how the industry is changing, and in ways that do not always play to our strengths. For instance, the consumer has come to expect to be offered a broader variety of gaming options, and new venues and e-portals to play the games, and they expect fresh and new all the time even though they get tired of the fresh and new almost as soon as they are christened the game that will kill all other games. Game developers and operators do their best to adapt to these trends and consumer expectations. The economics appear to be almost like the movie business. Try to create the Next Big Thing, squeeze out maximum profit in the first year or two of over-hyped success, then transition into the "long tail" of the product life-cycle when demand falls off a cliff but it's still generating profit because there's no residual



costs as the marketing/promotional budget has been shifted over to the new next Next Big Thing. Remember the anxiety we felt when we saw the incredible popularity of online "casual" games like Angry Birds and Candy-Crush. And then Pokemon Go and Fantasy Sports. Now, maybe it's e-sports. Popular consumer games seem to come and go, typically falling off the radar of popular consciousness within two or three years.

This is not the Lottery model. Thankfully. It was looking like the new-age economics of the modern consumer gaming market-place would become the rule, the model that everyone would need to adopt. Now, it's looking like the obstacles and challenges for Team Government Lottery are not the existential threat that some of us once feared, and the opportunities are definitely more promising than some of us realized.

It's Lottery games that have a lasting appeal. Check out the **IGT article** on optimizing performance of the current portfolio of existing draw-games. And **Scientific Games article** on the next generation of Instant Games. Certainly, there will always be a place for refreshing the games themselves. But the evidence is in that consumers continue to love Lottery games.

There exists tremendous opportunity to innovate on other fronts to drive sales growth. In our interview, **Pat McHugh** of Scientific Games describes real-world examples of how Lotteries are transforming the way that Lottery products are made available to the consumer. That's what will drive sales growth in the coming years. And **Greg Doucette** and **Kelly Black** of GLI help us understand the imperative to invest in IT upgrades. The technology that is transforming retailing, e-tailing, iLottery, and distribution in general simply can't be implemented on obsolete server and communications platforms.

**Mark Hichar** explains the lay of the land for sports-betting in the U.S. The Supreme Court decision is not expected to render a decision for a few months. It's hard to imagine a more impactful event than the lifting of the U.S. federal prohibition of sports-betting.

And **Hansjörg Höltkemeier** and **Philippe Vlaemminck** cautiously describe a regulatory scene that shows signs of stabilizing. The trend towards liberalization of the markets, i.e. opening up to multiple licensees, does continue. But at least for the time being, destruction of the Lottery monopoly model won't be jammed down the throats of unwilling EU member states by the European Union Commission. Even the threat of "secondary lotteries" like Lottoland may be checked by a UK Gaming Commission, the Australian government authorities, and others who recognize that the model of betting on the outcome of lottery draws represents a profound threat to the Government Lottery model that protects the vulnerable, operates with integrity, and channels billions of dollars of economic benefit to *Good Causes*. **Richard Bateson** of Camelot UK National Lottery reports from the hotbed of gambling and Lottery competition that Great Britain has become. The success strategies that emerge will be most interesting guideposts for the rest of us!

Add to all this good news the observation that the leadership of the government-gaming industry is way more entrepreneurial than it has ever been. The sense of urgency is complemented by a thoughtful yet decisive approach towards the build-out of over-arching strategy that are translated into executable action-plans.

We switched the PGRI conference dates so that the Spring SMART-Tech Conference is now being held in Miami (March 27 to 29), and the Fall Lottery Expo Conference is being held in New York City (October 24 to 26). We hope to see you at **PGRI's SMART-Tech Conference in Miami**. Visit [PublicGaming.org](http://PublicGaming.org) for conference info, updates, registration and room reservations.

Wishing everyone the very best as we move ahead to make 2018 the best year ever for government-gaming operators. 🍀

Paul Jason, Publisher  
Public Gaming International Magazine



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# Corporate Social Responsibility Combines with RG and Diversity and Gender-Equality in the work-place for a broader impact on Society



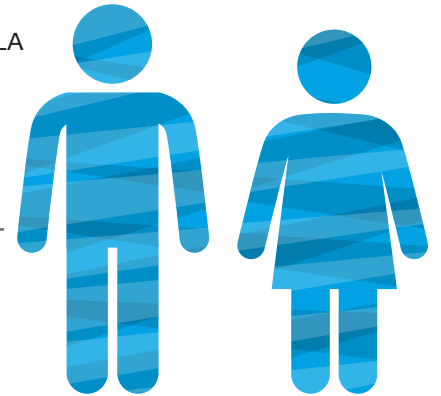
## Rebecca Hargrove

President & Chief Executive Officer,  
Tennessee Education Lottery Corporation

Senior Vice President, World Lottery Association (WLA)

Chair of Corporate Social Responsibility Committee, WLA

Chair of Women's Initiative in Lottery Leadership (WILL)



The world around us is constantly changing. I am convinced it is appropriate, perhaps even necessary, for our lottery world to consider actions we might take to build on the successes of the past while producing positive change in the future. We are at a most opportune juncture, a time when a spotlight is being shone on the commitment of corporate entities to serve not only their own shareholders but to serve society as well. The meaning of “stakeholder” is being broadly redefined to include everyone, not just those who are directly impacted by and vested in the success of the enterprise. Business entities are taking responsibility to harness their resources for the benefit of this new definition of stakeholder. Changing also is the vision for how Corporate Social Responsibility (CSR) can be the catalyst to drive positive change across a wide spectrum of activities, initiatives and societal concerns. By definition, CSR is about focusing all enterprise actions to align with the bigger and broader picture of society’s long-term interests which include Diversity in the work place, Gender Equality and the highly successful platform of Responsible Gaming (RG).

It is indeed a most exciting time to be part of a movement that can promote positive change. As chair of both CSR for the World Lottery Association and Women’s Initiative in Lottery Leadership, I foresee that we will work together with a more ambitious vision to build synergies among the widest spectrum of CSR and WILL missions to leverage our power and resources for the benefit of society.

A study of the recent history of successful CSR initiatives as they have been applied in other industries reveals some interesting developments over the past few years. It was not long ago when a person or perhaps a team was appointed to implement a Responsible Gaming and/or CSR program as if it were something separate and apart from the primary mission of the business. RG, for instance, would be brought in as one of the final steps in the Game Development and Advertising and Promotion process to make sure the proposed games and initiatives were aligned with respectable RG standards. There were occasions when CSR served as a public relations platform to promote the social consciousness of the enterprise.

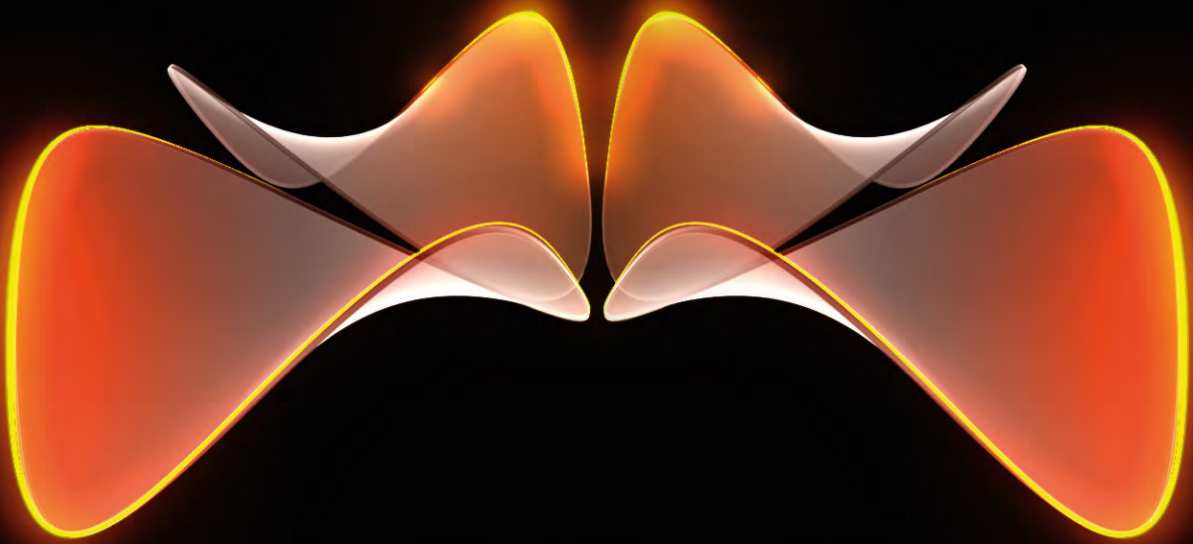
Thankfully times are changing. CSR, RG, Diversity in the work-place, and Gender-Equality are no longer isolated silos of well-intentioned initiatives. The big change happened when the mission to serve a higher purpose, to serve society and drive hard for positive change, was embraced at the CEO level. Engagement of top management in the mission of CSR was the necessary step towards material action and integration of this concept into the hearts and minds of the entire organization. That cultural embrace hopefully translates directly into concrete actions and activities of all the business units. The spirit of genuine enthusiasm and optimism for the potential for CSR, RG, Diversity and Gender-Equality in the work-place, promise to change the world for the better. But the journey

has just begun, and progress won’t happen without focus and dedication. Awareness for these issues, for the challenges we face and for the opportunity we have to make a difference has produced incredible momentum. Let’s not let it die! The time is right for us all to join together to galvanize our sphere of influence to reshape the very mission of our organizations.

The mission of the World Lottery Association is to advance the interests of state-authorized lotteries while upholding the highest ethical principles in support of its members based upon a foundation of the core values of Responsibility, Integrity and Professionalism. In serving a global community, I believe WLA is strengthened by the diversity and differing cultural backgrounds as well as the shared goals and mutual agreements of its members. Government lottery operators have always set the highest standards for our industry. As we continue in this tradition let us also raise the bar and reinvent a fresh, new vision for how our enterprises can serve society.

The CSR Committee stands ready to work with and serve WLA members. I need your input and guidance in our mutual efforts to shape an effective action plan for optimizing the role of CSR in our businesses for the betterment of the good causes we support. ■

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## Hansjörg Höltkemeier

Chief Executive Officer and Member of the Board of Deutsche Klassenlotterie Berlin  
President, European Lottery Association (EL)

# Is the Regulatory Environment Finally Moving in the Right Direction?

### PGRI Introduction:

*These are most interesting times for the lottery industry in Europe! After many years in which regulatory change has not always favoured state-authorized lotteries, and illegal operators find new ways to avoid prosecution, there are indications that the tide is turning. EL has always been an outspoken advocate for its members, promoting the importance of integrity and preservation of the traditional lottery model. Now it appears the efforts are starting to yield some promising results. Hansjörg Höltkemeier discusses the meaning and import of some of the events and trends that are impacting the state-authorized lotteries in Europe.*

*Hansjörg Höltkemeier has been a member of the EL Association's Executive Committee since 2009 and the President of EL since 2015. He has also been a member of the Managing Board of the Deutsche Klassenlotterie Berlin since 2005.*



### Paul Jason:

**What is your comment on the recent closure of the infringement cases by the European Commission?**

**Hansjörg Höltkemeier:** With the recent closure of the infringement cases, EL achieved an enormous success. The European Commission stated clearly that the regulation of gambling can be best served on a national level. That is exactly what EL has advocated for many years. But even though this fight may have been won, the battle is still going on. It seems clear that this European Commission considers other issues to be a bigger priority in its agenda in today's political reality. Nevertheless, we have to keep a close eye on secondary legislation and initiatives that can undermine the government lottery model of service to society which EL stands for. And we have to monitor closely the legal cases that arise at the national level. At least for the foreseeable future, the regulatory framework that affects EL members will be decided at the national level.

**What, if anything, are the implications of the recent judgement by the Munich court that supposedly declares lottery monopolies to be "unlawful"?**

**H. Höltkemeier:** It was just one judgement by a lower court in Munich. This decision is not the one that will overhaul the German situation, nor will it change the situation in Europe as a whole. In general, the higher courts are deciding more and more in the favour of their state-authorized Lottery, as the promises of better regulation in private-operator models have failed to come true, and the negative impacts of the multiple-license model are clearly visible. The closure of the EU Commission infringement-cases

provides another push in the right direction. My personal belief is that future regulation will be less dependent on court decisions and driven more by developments in the marketplace and the ability of governments to protect licensed operators as well as players from unregulated and illegal offers.

**Does the licensing of multiple operators for charity lotteries to compete for the lottery business represent an existential threat to "traditional government lotteries"?**

**H. Höltkemeier:** In some countries, the 'EL family' of lotteries is faced with regulatory frameworks that allow all kinds of lotteries



such as small-scale charity lotteries. This seems to work alright as long as those operations live up to EL-lottery values; responsibility, sustainability, and integrity. These are the values that are consistent with the best interests of society. These are the values that ensure players are protected and profits are dedicated to good causes.

The problem is that as the number of legal offers exceeds a critical mass, it becomes difficult for the state to properly monitor and supervise them, and the player is not able to recognize the difference between legal and illegal offers anymore. Therefore, neither the legalization of illegal offers (as called for by

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unlicensed operators) nor the licensing of a large number of lottery-operators seems to be a promising strategy for gambling-regulation. Clearly, multiple lottery operators competing with each other is not the best model for promotion of responsible gaming and optimizing funds for good causes. From this perspective, a strict limit of offers makes much more sense, and the monopoly-model chosen by most EU member states shows its real strength.

Without limits to the number of competing operators, and without powerful and effective law enforcement, licensing multiple lottery operators becomes a very real and dangerous threat to traditional government lotteries, as there is no longer a level playing field in the market.

State-Lotteries are market-leaders and highly competitive in the legal market-space. An unwavering drive to innovate, together with a productive partnership with their suppliers, will enable state lotteries to preserve their leadership role in the games-of-chance market-place. And that leadership is now translating to the online sphere as well as the retail environment. Illegal and grey market operators do constitute a threat to traditional government lotteries and the good causes supported by lottery funding. They also constitute a threat to civilized society which depends on the rule of law to protect the consumer, to protect integrity in the market-place, and to protect the financial interests of law-abiding business enterprises.

### **What can be done to inspire political leaders to take action and enforce the laws over against operators whose actions are so harmful to society by hijacking revenues that belong to the people?**

**H. Höltkemeier:** One of the most important ways to fight illegal gambling and to avoid the hijacking of revenues, is to focus on the enforcement of existing laws. The problem of illegal lottery operators would be solved if politicians simply gave priority to proper enforcement of existing laws that apply to the field of gambling and lottery. Effective law enforcement requires money, the political will to do the right thing for society instead of special private interest groups, and mechanisms that facilitate the exchange of information between national and international regulators and police forces.

That is why it is so important that the fairy tales being told by unlicensed operators be

exposed for the Fake News that it is. EL works hard in Brussels and in the capitals of the member-states to ensure that legislators and regulators understand the impact that illegal operators have on the stability of the industry, the efficacy of regulatory and taxation frameworks, and the welfare of the good causes supported by state lotteries. Licensing multiple operators creates competition which results in lower margins and less funding for good causes that help society. Private operators also lobby for the reduction of regulatory requirements which results in profoundly negative impacts on society in the form of player addiction, money laundering, and fraud.

I am confident that these realities will be heard and understood by our political leaders. The evidence and real-world examples are numerous and they all point to the conclusion that a strong regulatory framework

## **At least for the foreseeable future, the regulatory framework that affects EL members will be decided at the national level.**

that supports the traditional single-operator lottery model is what serves the best interests of society. The evidence and real-world examples all point to the fact that the multiple operator model with lighter regulations and lax enforcement of existing laws is harmful to the consumer and simply channels profits away from service to society and into the pockets of private shareholders.

Lotteries today are facing what the sports betting sector already experienced in years past. Reacting to a growing illegal market in sports betting, many states decided to liberalise and increase the number of sports betting licenses. They projected that increasing the number of licensed operators who were taxed would increase revenues. They were wrong. The data and numbers are now available, and they clearly show that turnover (i.e. the amount being gambled) increased dramatically, but profits and income to the state in the form of taxes did not. More competition translates into lower margins and taxable income. The result of licensing multiple operators is that gambling

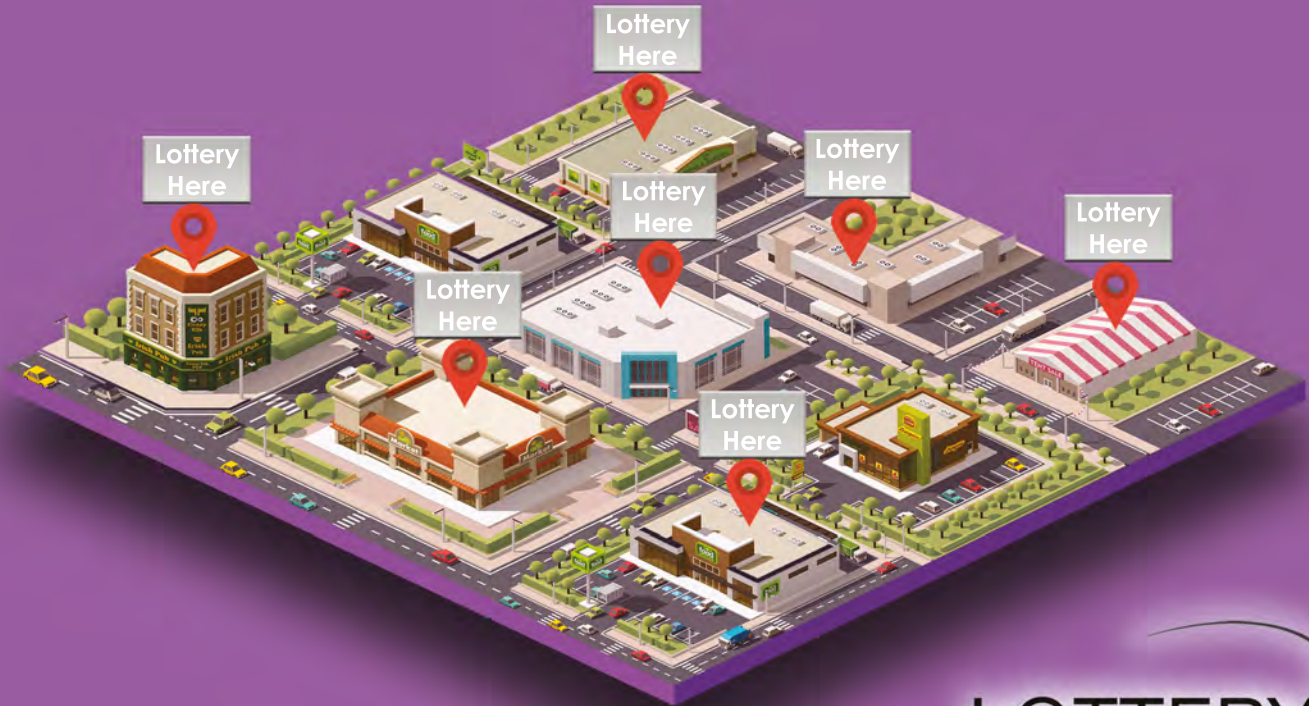
increases but net funds to the state in the form of taxes do not increase. This is the worst of all possible outcomes. Gambling increases, profits flow to private operators, and revenues that go to the service of society decrease. An informed political leadership shouldn't and won't make the same mistake in the lottery-sector.

### **What is EL's opinion on "secondary" lottery operators entering the market?**

**H. Höltkemeier:** Secondary lotteries are even worse than the multiple-licensee model! They do not innovate or create anything on their own. They just copy brands and products and misappropriate trademarks and game pictorials and logos of licensed operators and mislead players to believe they are playing with the licensed operator. The result is terribly damaging to the lottery industry and to society which depends on the funds generated by the state lottery. Why should secondary lotteries, or parasite lotteries as they are also called in some jurisdictions where they operate without license, be allowed to turn funding intended for good causes that benefit society into their own private profit? Thankfully, their activity is finally drawing the attention of regulators and policy-makers. It is vital that action be taken to prevent the model of secondary lotteries from proliferating. As we speak, the model is being replicated as more illegal operators copy the secondary lottery operator model. So it is therefore encouraging that regulators are rethinking the conditions for these secondary lotteries. We are hopeful that the licenses of secondary lotteries are revoked, and that their websites are blocked in jurisdictions where they are not licensed. Several governments are successfully blocking the websites of these secondary operators as being illegal. And some court cases are being decided in the favour of support for licensed government lotteries over these illegal operators. There are lots of encouraging signs that our political and regulatory constituents are attempting to solve this problem.

EL takes very seriously its responsibilities to defend the interests of its members. We work hard to face these issues proactively, to be a positive force for preservation of the state-authorized lottery model which has served society so well for so many decades. EL stands ready to serve at the national and international scale whenever and wherever possible. Our mission continues to be to serve our members, to serve society, and to protect and educate players so they might enjoy the games of their legal operator. 🎲

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## Richard Bateson

Commercial Director, Camelot UK  
(operator of the UK National Lottery)

# Re-Shaping Lottery to Compete in the Modern Market-Place

### PGRI Introduction:

*Camelot UK Lotteries Ltd has operated the UK National Lottery since 1994. Over the past decade, Camelot has grown UK lottery sales by over 40%, and the UK National Lottery has become one of the nation's best-known consumer brands, delivering around £30 million to Good Causes every week. However, the global industry is now at a very interesting juncture, one that includes fresh opportunities along with formidable obstacles. Nowhere is this more evident than in the UK.*

*Since joining Camelot in 2001, Richard Bateson has served in a wide variety of leadership roles within both Camelot UK and more recently in Camelot Global. His recent appointment back to the UK as Commercial Director tasks him with invigorating growth in the UK National Lottery after 18 months of sales decline. Operating in what is by far the most intensely competitive games-of-chance market-place, team Camelot has their work cut out for them!*

### Paul Jason:

**Richard, you recently re-joined Camelot UK as Commercial Director after five years at Camelot Global – what were your first impressions coming back into the business?**

**Richard Bateson:** My main observation from day one was that our competition has intensified drastically in the five years I have been away. I had obviously known that this was something that lotteries around the world have been facing for quite some time, but it didn't quite hit home for me until I saw in black and white what it meant for Camelot.

## CAMELOT

In the UK, our main competition is coming from bet-on-lottery firms, such as Lottoland, purporting to offer the same products as The National Lottery and from large 'umbrella-style' society lotteries – like the Health Lottery and the People's Postcode Lottery. As you know, The UK National Lottery was set up on a single-operator basis and, as its sole licensed operator, we have a very strictly limited advertising and marketing budget. These companies do not come even close to approaching our revenue, but they are regularly outspending us on advertising and marketing. This causes our 'share of voice' to decline, but it also means that we have to pay more online to maintain our search terms – particularly for EuroMillions where the bet-on-lottery firms are bidding directly against us.

So, while I would never want to use competition as an excuse – as we have always operated in a competitive market and have vied for consumers' discretionary spend – it needs to be on a level playing field. To my mind, the stark difference between 2013 and now is the fact that we are regulated as a monopoly, but are operating in an increasingly competitive space.

**You mentioned Lottoland – a company that has been making a name for itself around the world and which has caused many lottery operators to speak out in protest. What is the current situation with Lottoland in the UK?**

**R. Bateson:** The problem we have been having with Lottoland here is that they are offering bets on the outcome of the EuroMillions draw to UK consumers, but companies aren't allowed to take bets on the outcome of The National Lottery and its draws. Lottoland has been getting around that by saying they are offering bets on the outcome of the Spanish EuroMillions draw or the Austrian EuroMillions draw, but we all know there is just one EuroMillions draw across the nine countries – which is coordinated by La Francaise Des Jeux in Paris.

This has been causing confusion for UK consumers because they are seeing what they think are EuroMillions tickets offered through a different website, at a different price – our price is £2.50 because we have an add-on game that makes two millionaires in every draw and offer various promotions throughout the year, but Lottoland has been undercutting us with its product at £2. Also, a fundamental point is that people know that when they buy a National Lottery





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game, a portion of that ticket price goes to Good Causes – so they just assume that the Lottoland offer is the same.

Thankfully, the UK Government recognised that this was a loophole, launched a consultation and recently took the decision to prohibit third party betting on non-UK EuroMillions draws – we look forward to this coming into effect.

**Camelot's sales have been down recently, but a strategic review was announced last summer and Nigel Railton (former CEO of Camelot Global) has now been confirmed as Camelot CEO – does this mean that things are looking up?**

**R. Bateson:** Well, that's the million-dollar question, isn't it? But, seriously, I was honoured to be asked by Nigel to come back into the UK business at this pivotal time – and I think we both felt I could bring a lot of what I'd learnt from working with various European and US lotteries back here to the UK.

The strategic review is now complete and, in some ways, I think you could look at what is coming out the other side as almost going back to basics. We've been analysing every element of our business to determine what's working well, what's not working so well, and where there are any gaps.

So, for example, we're looking to ensure our games, both draw-based games and instants, are as good as they can be – making sure we have the right number of games, the right variety, that they are all offering distinct prizes, and that there is a wide assortment of price points. Where we've been quite reliant on only a couple of games in our portfolio over the past few years, our focus will now be on growing the whole portfolio and offering an improved range of games with prizes and prices to suit different tastes and pockets.

We're also looking at how we can make more of The National Lottery's primary purpose. Yes, making lots of winners is obviously really important, but the reason The National Lottery exists is to raise money for Good Causes. So, we'll be put-

ting more marketing spend behind promoting this and we'll also be working closely with the National Lottery Distribution Bodies – the 12 independent organisations that allocate National Lottery funding – to deliver a clear brand with one voice. This will help us all more effectively communicate the uniqueness of The National Lottery and the life-changing good that it does.

From a channels perspective, we'll continue to invest in our digital capabilities as consumers continue their shift towards digital. We need to make sure we're continuing to meet consumer expectation in terms of giving people convenient ways to play. In particular, we'll be focusing on player experience and enhancing our mobile offer. And we're also in the process of upgrading our CRM so that we can provide a more tailored, personalised experience without it being intrusive.

But I think our biggest shift back to basics probably comes in the form of what we're planning in retail. The retail landscape in the UK is constantly changing, so we need to adapt our presence to better reflect the different ways in which people are shopping. For example, we're looking to make National Lottery games available at self-checkouts, as well as in discount supermarkets whose market share has grown considerably in recent years. In addition, we're doubling the size of our sales force and investing £20 million in retail initiatives designed to boost levels of engagement and improve in-store display, merchandising and game availability.

**That is very interesting about your investment in in-store initiatives, as many lotteries around the world are going the opposite way and shifting their focus to digital. What is your reasoning behind this?**

**R. Bateson:** It all depends on what stage you're at and, more importantly, what your players want. Here in the UK, we were one of the early adopters of selling tickets online when we started back in 2003. This has been hugely successful – we now have over 10.5 million registered online players, our digital sales reached a record £1.58 billion in 2016 and sales through mobile reached an all-time high of £619 million last year. So, it's clearly important that we continue to meet customer demand by having a fantastic and evolving digital presence.

However, retail purchases still make up nearly 80 per cent of all our sales – so it's vitally important that we're doing both channels

justice. This retail push aims to improve our engagement with our 46,000 retail partners and uses some of our learnings from other jurisdictions to make our in-store offering as good as it can possibly be. This is also in light of the fact that more and more people are becoming multi-channel players. For example, many of our players might normally buy a ticket from a shop on their way home from work, but if they don't have time, they're just as comfortable buying a ticket via the app instead. Either way, we need to be providing a consistent, high-quality experience no matter how they choose to play.

We've also been taking it even further back to basics in recent months by asking all 750+ Camelot employees to let us know if they spot an issue in any of our retailers. So, when people are going about their daily lives and in a shop buying milk or bread or whatever, we're asking them to have a look at the National Lottery displays and to flag anything that's incorrect. This could be anything from gaps in the Scratchcards dispenser to a retailer having an out-of-date poster displayed. We've set up a dedicated employee helpline and online form where colleagues can report this sort of thing, and we've had various incentives to encourage them to get involved.

We have a great group of people working for us – they're engaged, excited and passionate colleagues. And this is about encouraging everyone – whether they work in marketing or IT or HR – to take pride and ownership in the National Lottery brand, and to make our in-store presence the best it can be. It's a win-win because it helps our retail partners, but it also ensures we're raising as much money as possible for Good Causes.

**You also talked about making your games the best they can be. As part of your strategic review announcement, you said you were looking at an annuity game and changes to your main Lotto game. Was the annuity game your idea, Richard, given the success that annuity games have had in many US states, and do you have any update on Lotto?**

**R. Bateson:** I'd love to say that the annuity game was purely my idea, but sadly, I can't make that claim. Obviously, I've seen it work really well with 'Cash4Life' and 'Lucky for Life' in the US, but it's something that Nigel has been keen on for a long time and it makes a lot of sense when you look at our portfolio.



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# The Supreme Court Hears Argument in the New Jersey Sports Betting Case: Five Justices seem ready to let the States Decide Whether to Allow Sports Betting within their Borders



## By Mark Hichar

Partner with the Hinckley Allen law firm and Chair of its Gaming Law Practice Group. Mark represents operators of casinos, internet gaming and fantasy sports contest operators, and providers of lottery and gaming systems, software, equipment and services.

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On December 4, 2017, the U.S. Supreme Court heard argument in the case of *Christie v. NCAA, et al*<sup>1</sup> (the other respondents include the NFL, NBA, NHL and MLB). At issue is New Jersey's 2014 law which repealed the State's sports betting prohibitions, but only to the extent applicable to Atlantic City casinos and New Jersey horse racetracks.<sup>2</sup> Thus, the law allowed unregulated sports betting at such locations, which are otherwise regulated in respect of the gambling they offer. In a 9 to 3 decision, the U.S. Court of Appeals for the Third Circuit enjoined implementation of the law, holding that it was tantamount to state "authorization" of sports gambling at the specified locations and therefore violated the Professional and Amateur Sports Protection Act ("PASPA").<sup>3</sup> PASPA is the federal law that makes it unlawful for states to operate, promote, license or authorize gambling (including lotteries) based on sports events, and it also prohibits non-state operators from conducting sports betting pursuant to state law.

The legal question to be decided is whether PASPA "commandeers" states to maintain state-law prohibitions on sports betting in violation of the 10th Amendment to the U.S. Constitution (which reserves to the states or the people the powers not given to the federal government) and the Supreme Court's related decision in *New York v. United States*. That decision stated that it is unconstitutional for Congress to "directly... compel the States to require or prohibit [certain] acts."<sup>4</sup>



Former Solicitor General Theodore ("Ted") Olson, arguing on behalf of New Jersey, argued that PASPA's prohibition on states repealing their bans on sports gambling violates the 10th Amendment anti-commandeering principle just as do federal laws that compel states to enact state-law prohibitions. In both, he maintained, the federal government is dictating state law, and Congress cannot commandeer state law in pursuit of federal legislative goals. Olsen also argued that the lower court's injunction prohibiting New Jersey from implementing its "partial repeal" law constituted a federal requirement that states maintain and enforce their prohibitions on sports gambling at casinos and racetracks. This, he argued, is commandeering.

Former Solicitor General Paul Clement, arguing on behalf of the NCAA and other respondents, argued that PASPA does not commandeer, but rather preempts the 2014 New Jersey law. Commandeering, he argued, occurs only when Congress requires states to affirmatively act. Further, Clement argued that PASPA does not compel states to enact, maintain, consider, or enforce state-law prohibitions on sports gambling. Rather, PASPA merely prohibits states from sponsoring or operating sports gambling, from authorizing or licensing a third party to sponsor or operate sports gambling, and from

advertising or promoting sports gambling. Clement claimed that PASPA is a lawful preemption in which Congress prohibits states from engaging in certain activity unless the states comply with federal law and policy. Finally, the United States, as amicus curiae, argued that PASPA does not prohibit all repeals of sports gambling prohibitions, and perhaps some de minimis social sports betting could be made lawful. However, it argued that New Jersey's 2014 law was merely a tactic to circumvent federal preemption by enacting a partial repeal that amounted to authorization.

Many observers of the oral argument came away with the impression that a majority of the Supreme Court justices were leaning in favor of striking down PASPA as unconstitutional. This article examines the questions asked by Justices to see if such optimism is warranted.

### Leaning in favor of the leagues?

From their questions below, **Justices Ginsburg and Kagan** seemed skeptical of the appellant's argument that PASPA unconstitutionally commandeers the states.<sup>5</sup>

### Justice Ruth Bader Ginsburg:

Mr. Olsen argued that "Congress may regulate interstate commerce directly, but it may not regulate states' regulation of interstate commerce." In response, Justice Ginsburg asked: "[I]sn't that what the government does whenever it preempts state laws? It says you can't regulate?" Justice Ginsburg also noted that only that part of the law referring to state licensing and authorization was being challenged. The prohibition on the operation of sports betting by states and private parties was not. Justice Ginsburg stated: "So, if you took this statute and you take the prohibition on private parties and you can have a comparable prohibition on the state, what do you accomplish by knocking out the authorized by, if you have two parts that are not constitutionally infirm and they achieve almost the same thing?" Olsen argued that PASPA would still be unconstitutional, because Congress didn't attempt to regulate interstate commerce directly. Had Congress

done so, he argued, it could then regulate the states as market participants to the same degree as it was regulating private citizens in that capacity.

Justice Ginsburg made clear that she viewed dimly the United States' change of position in the case. She said the following to Jeffrey Wall, Deputy Solicitor General, who appeared in the case for the United States, as amicus curiae: "Mr. Wall, the last time around, the government did say, in recommending that we deny cert, that PASPA does not require New Jersey to retain prohibitions it adopted. Pre-PASPA, it is free to repeal those prohibitions in whole or in part. That's what the government represented to this Court. [W]as that statement inaccurate?" Mr. Wall responded: "I think we did not take into account the gamesmanship in which New Jersey was going to engage."

### Justice Elena Kagan:

Justice Kagan asked: "Mr. Olson ... you're suggesting that the federal government, in order to preempt state activity, has to itself enact some kind of comprehensive regulatory scheme; and the question is, ... what would we be looking for ... if that were our test? When do we know that they've enacted a sufficiently comprehensive regulatory scheme in order to allow preemption of state rules?" Olsen responded that Congress must take responsibility to regulate in that field, and that once it has done so, then it can preempt inconsistent or contradictory state laws under the Constitution's Supremacy Clause.

Justice Kagan said to Mr. Olson: "So suppose I read [our past rulings] as setting up a principle that the federal government can't conscript state officials for its own purposes, you know, the federal government ... does whatever it wants, consistent with the Commerce Clause, but it can't conscript state officials in order to ... help the federal government do it. If that's the way I see these cases, ... who is being conscripted in order to do what here?" Olsen replied: "What is being conscripted here is the legislature of New Jersey [which] has been told that it may not regulate an activity that's taking place in New Jersey, all over New Jersey, it's - there is illegal gambling going on. It can't regulate that activity."

Justice Kagan remained skeptical. She responded: "I mean, just the way you say that, Mr. Olson - the federal government is

saying to the states you can't do something - so that sounds to me [like] the language of preemption. All the time the federal government takes some kind of action, passes a law, and then says to the states: you know what, we've got this; you can't do anything." Mr. Olson countered: "[T]he difference is that in those circumstances where Congress has taken the step of regulating commerce, it can preclude state efforts that interfere with that or conflict with that. But...here we have a situation where a court has...told New Jersey, you

**... based on the Justices' questions asked during oral argument, it seems that five of the nine justices favor New Jersey's argument that PASPA unconstitutionally 'commandeers' states to maintain state-law prohibitions on sports betting or that New Jersey's 'partial repeal' law does not violate PASPA. The Supreme Court's decision is expected by the end of June 2018 and has the potential to change the gaming landscape in the United States**

can't repeal a statute that you've tried to repeal. You must keep it on the books." Justice Kagan remained unconvinced. She said: "So do you see no difference between the federal government saying to a state, look, you can't take some preferred policy option that you would like to take, and, on the other hand, the federal government saying to a state, you must help us do something? Because I thought that our cases were all about the second thing. You must help us. ... I guess what I'm asking you for is how is New Jersey being put in that position with respect to this statute?" Mr. Olson responded that "New Jersey is being told it may not regulate in the way it chooses - its legislature chooses to exercise its discretion with respect to an activity taking place in that state. It must enforce a law and keep a law on the books. ... [T]he executive branch and the legislative branch of the state of New Jersey have been conscripted."

**Leaning in favor of New Jersey?** Five Justices - Chief Justice Roberts, and Justices Breyer, Kennedy, Alito and Gorsuch - appeared to be in favor of overturning PASPA or finding New Jersey's 2014

law partially repealing its sports betting prohibitions as not in violation of PASPA:

### Justice Stephen G. Breyer:

Justice Breyer restated the appellant's argument and seemed to agree with it. To Mr. Olson, he said:

Now, I think what you actually say is the federal government makes a determination of what interstate commerce will be like in respect to this particular item. It can do that. ... Once it makes that determination, it can forbid state laws inconsistent with that

determination. That's called preemption. But what it can't do is say that our determination is that the states roughly can do it as they want, but they can't do it that way; for to do that is to tell the state how to legislate, in which case, it is the state and not the person who becomes the subject of a federal law.

Justice Breyer also said the following to Mr. Clement:

One of the purposes...is the notion that federal statutes should address themselves to individuals and not to states. All right? Now, that can't be 100 percent true because we have all preemption, but you can still look at it as basically true with preemption being a commerce cause based, for example, exception. Then ask, what have we here? ... So all we have here are a group, if you like, of provisions, all of which are addressing themselves to what kind of law a state may have without a clear federal policy that distinguishes between what they want states to do and what the federal government is doing. Given those circumstances, ... the subject matter of this law is the state. That's what this is about, telling states what to do, and therefore, it falls within commandeering."

## Chief Justice John G. Roberts, Jr.:

Chief Justice Roberts also seemed to sympathize with the appellants. Mr. Clement said: “[O]ne set of federal statutes you should look at in interpreting PASPA are the preexisting provisions in Title 18 that already told private parties that, if they engaged in a sports gambling scheme or a gambling business in violation of state law, that was already a federal felony,” citing the Wire Act at 18 U.S.C. 1084, the anti-lottery laws at 18 U.S.C. 1301 – 1304 and the Illegal Gambling Business Act at 18 U.S.C. 1955. The Chief Justice responded: “But, that’s a very odd way...to phrase something. It’s illegal if it’s pursuant to state law. ... In other words, if the state law says you can do it, that’s the only situation in which it’s illegal. If the state law doesn’t say anything about it, well, feel free, you can do it.”

Later the Chief Justice had the following exchange with Mr. Wall:

Chief Justice Roberts: [W]hat if the repeal is across the board, no exceptions?

Mr. Wall: If New Jersey just repeals its prohibitions, we have said we don’t have a problem with that.

Chief Justice Roberts: Well, is that serious? You have no problem if there’s no prohibition at all and anybody can engage in any kind of gambling they want, a

12-year-old can come into the casino and – you’re not serious about that.

Mr. Wall: I’m very serious about it, Mr. Chief Justice. The problem that Congress was confronting was state sponsored and sanctioned sports gambling schemes. It didn’t care if I bet with my buddy on the Redskins game or we had an office pool. It wasn’t going after all sports gambling. Chief Justice Roberts: [B]ut when you put the state in a position that that’s the only thing they can do, that’s not a real choice.

## Justice Anthony M. Kennedy:

Justice Kennedy suggested that PASPA was unconstitutional in his colloquy with Mr. Clement. He said: “[PASPA] leaves in place a state law that the state does not want, so the citizens of the State of New Jersey are bound to obey a law that the state doesn’t want but that the federal government compels the state to have. That seems commandeering.” Mr. Clement argued that PASPA doesn’t operate that way and instead allows New Jersey to repeal all its prohibitions on sports gambling, but that the partial repeal at issue was forbidden.

Justice Kennedy also stated that PASPA “blurs political accountability. The citizen doesn’t know it is [the sports betting

prohibition] coming from the federal government, is this coming from the state government[?] That’s precisely what federalism is designed to prevent.”

## Justice Samuel A. Alito, Jr.:

Justice Alito also seemed skeptical of the respondent leagues’ arguments. Justice Alito said: “Congress could have prohibited sports gambling itself. So what federal policy is served by [PASPA, which prohibits state authorization of sports betting] that would not have been served by [a federal ban on sports gambling]? Mr. Clement responded: “Two things, Justice Alito. First is Congress could have prohibited all sports gambling, but that would have required it to regulate individuals as sports gamblers as opposed to entities, businesses that were providing sports gambling schemes.” Justice Alito seemed unsatisfied. He responded: “All right. So I amend the question. Congress could have prohibited gambling enterprises itself. No question it could have done that, assuming it’s within the Commerce Clause. What policy does this statute serve that that would not?” Mr. Clement responded that, as a result of PASPA’s direction on states, the states were free to have different punishment schemes for violations of sports betting bans imposed under state law.

## Justice Neil M. Gorsuch:

Justice Gorsuch seemed to lean toward upholding PASPA as constitutional and finding New Jersey’s “partial repeal” law compliant with it. He asked Mr. Olson: “[W]e normally interpret statutes in ways to avoid constitutional difficulties ... [Y]ou’d take a win on statutory grounds, wouldn’t you?” Mr. Olson responded: “We would take the win except, Your Honor, the consequence of that is that we would have a statute intending to prohibit the spread of sports betting, and our opponents say, well, in order to make that statute constitutional... we can allow you to eliminate all prohibitions of sports betting. So... an effort by Congress to



stop the spread of sports betting would lead to an interpretation, in order to hold it constitutional, where all limits on sports betting were removed.”

Justice Gorsuch also wondered to what extent sports betting prohibitions could be repealed without the respondents claiming that a partial repeal would constitute “authorization” under PASPA. He asked Mr. Clement: “But where is the line? The Third Circuit said *de minimis* private gambling isn’t covered. [Y]ou indicate maybe the state could have a certain dollar threshold, and that wouldn’t be authorizing. ... I’m really not clear why that wouldn’t be authorizing if you specify a threshold dollar amount in state law. ... [W]hat if they said you can do it at the Elks Club, is that authorizing? [W]here does the government draw the line?” Mr. Wall responded that whenever the state “is channeling sports gambling to ... state preferred providers, that’s an authorization.” Justice Gorsuch countered: “But [we] have no record about that, as Justice Sotomayor points out. And the Respondent took the position that authorizing means any repeal of any degree of any kind. Why shouldn’t the Respondent have to live with that invited error, perhaps, now in this case?”

**Justice Sonia Sotomayor’s position is less clear:** Justice Sonia Sotomayor’s position is less apparent than the positions of the other justices, because she was critical of both the appellant’s and the respondents’ arguments. After Mr. Olsen admitted that gambling is a commercial activity, Justice Sotomayor asked: “So...if it is a commercial activity by the state, haven’t we already said that the federal government can regulate that activity by the state? ... So why is it that telling the states [sic] that it can’t license, participate in, authorize, or otherwise involve itself in gambling a strict prohibition of a commercial actor?” Mr. Olsen responded that if Congress had regulated sports betting rather than prohibit states from allowing it, Congress could have preempted inconsistent state laws.

However, Justice Sotomayor also seemed skeptical of Mr. Wall’s argument on behalf of the United States. Justice Sotomayor asked: “[W]hy is a partial repeal unconstititutional – or in violation of the preemption clause? Because if the law didn’t exist, the fact that they’ve carved out a certain section of the – of the population for whom the law will stay in existence, that’s not actually authorizing. That’s just

merely repealing.” Mr. Wall responded: “[W]hen the state says, we’re going to repeal our law in such a way that nobody in the state can run a sports lottery or sports book, except for the 12 state licensed casinos and racetracks that already conduct authorized gambling operations.” Justice Sotomayor countered: “[Y]ou might be right if the licenses that those two [sic – probably 12 was intended] facilities hold really are... general and say, you’re authorized to do any gambling permitted by law. Then you might have an argument. But if all they do is repeal, what does it matter?”

## Conclusion:

In summary, based on the Justices’ questions asked during oral argument, it seems that five of the nine justices favor New Jersey’s argument that PASPA unconstitutionally “commandeers” states to maintain state-law prohibitions on sports betting or that New Jersey’s “partial repeal” law does not violate PASPA. The Supreme Court’s decision is expected by the end of June 2018 and has the potential to change the gaming landscape in the United States. A decision favoring New Jersey could (1) remove the federal prohibition on state-authorized sports betting (if PASPA were struck down entirely) or (2) provide a road-map for other states to follow in order to permit sports betting (if New Jersey’s “partial repeal” law were held compliant with PASPA). In either event, online interstate wagering would still be prohibited under the federal Wire Act. A holding in favor of New Jersey would permit states to decide for themselves whether to allow sports betting within their borders. ■

<sup>1</sup>Christie v. NCAA, et al., 832 F.3d 389, 396-397 (3rd Cir. 2016), cert. granted, 2017 U.S. LEXIS 4279 (2017) and consolidated with *New Jersey Thoroughbred Horsemen’s Association, Inc. v. NCAA, et al.*, U.S. Sup. Ct. Nos. 16-476 and 16-477. Respondents are the National Collegiate Athletic Association, the National Basketball Association, the National Football League, the National Hockey League and Major League Baseball.

<sup>2</sup>N.J. 2014 P.L. c. 62, §. 28 U.S.C. §§ 3701 – 3704.

<sup>4</sup>*New York v. United States*, 505 U.S. 144, 166 (1992).

<sup>5</sup>All quotes are from the transcript of the oral argument before the U.S. Supreme Court, available at [https://www.supremecourt.gov/oral\\_arguments/argument\\_transcript/2017](https://www.supremecourt.gov/oral_arguments/argument_transcript/2017) (last accessed December 28, 2017). Justice Clarence Thomas did not ask any questions during the oral argument and therefore this article does not speculate on his view of the case.

*Richard Bateson continued from page 18*

At the moment, we have EuroMillions with its huge, rolling jackpots and Lotto which has multi-million-pound jackpots, and then also a game called Thunderball with a top prize of £500,000. However, we don’t currently have any games for people who dream of lifelong financial security, rather than just big jackpots overnight. We don’t yet have any details about the prizes, cost of play or anything like that – as we’re still looking at all the potential options and aren’t looking to introduce such a game until 2019 – but think an annuity game will fit well in our portfolio.

In terms of Lotto, we made some changes to the matrix and prizes back in 2015 that were intended to meet player demand for bigger, rolling jackpots. But the game hasn’t performed as expected – primarily because a long series of rollovers has made some players feel like the jackpot is now too difficult to win.

So, we’ve listened to what people (players, non-players, retailers) are telling us they want from Lotto – decent jackpots that can be won regularly but without further major disruption to the game – and we’re planning to make improvements to the game this year. We’re currently testing a number of possible game options, but think we can give people a better game without the upheaval caused by changing the matrix again. That’s good news because it means we can improve the game for them more quickly. So, watch this space.

**It sounds like you and the Camelot team have a lot to do in 2018 and beyond – do you have any final words of wisdom to share?**

**R. Bateson:** I’ve said it already, but I think one of the main things I have been reminded of since returning to the UK business last summer is what a fantastic bunch of people we have working for us. I think it’s really important that all lottery operators remember that it’s the people who make up your organisation that really make your business – and bring your brand to life.

Our next focus will be on transforming our commercial capability – and, again, it comes back to people. You need to have the right people, following the right processes and then the right support functions to execute your plans.

Yes, we have a big job ahead of us, but we’re all up to the challenge. ■

# The Future of Advertising



**Peter Bunarek**  
Managing Director, BBDO Atlanta

The following article is based on the keynote address I gave at the PGRI Lottery Expo Conference in Atlanta. My client, the Georgia Lottery, asked me to speak with the directive to “be provocative, be interesting and tell us about the future of advertising.” OK, not an easy brief, but I’m always up for a challenge!

Full disclosure: with the rate of change in advertising, media, and technology, I don’t believe it is possible for anyone to predict the future of advertising. Technology makes information available faster to us than ever before. It’s 24/7 information overload from every conceivable angle. It’s times like these when I think back to my father’s old saying, “the more you know, the more you know you don’t know.” So, while I don’t profess to “know” the future, here are five interesting topics worth nothing and watching.

## We need more effective advertising

Who among us hasn’t had the awful customer experience when shopping online, where you click on some shoes and then for the next month or so, advertisements for shoes follow you around the internet? This is not advertising - It’s stalking! And it’s not even a smart use of technology. What this data-driven, re-targeted “ad” has neglected to connect is that I bought those shoes 29 days ago. Now it’s become an annoyance which is beginning to make me question if I chose the shoes and brand wisely. Yet many in the industry are obsessed with this kind of advertising, seeking a ‘click’ as proof of customer intent to buy. These customer “actions” are be used as evidence that the marketing investment is paying off. But is it?

The proliferation of this form of advertising

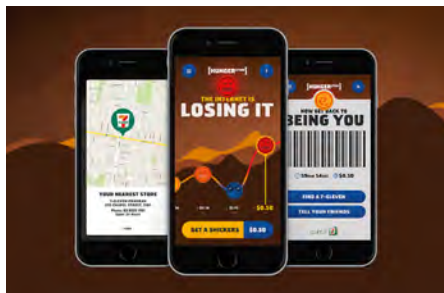
led industry creative leader Tim Lindsay CEO of D&AD to quip:

*“A semi-automated leaden footed pop-up ad that chases me around the internet because its perpetrators have harvested our social data is still a piece of crap, however cleverly it’s been targeted and bought.”*

The point is we need better advertising. And with proper care and custody, we can use the volumes of data the internet provides to make something amazing. Take this great example from BBDO client Snickers, the “Hungerithm”.

## The Famous Hungerithm Campaign:

Snickers’ Australia wanted to build on its wider, ‘You’re Not You When You’re Hungry’ campaign with an eye catching in-store and digital effort. Clemenger BBDO Melbourne came up with “Hungerithm”, a campaign that gauged the mood of the Internet and adjusted the price of its candy bars in 7-Eleven convenience stores accordingly, in real time. Literally feeding on the rage of Twitter users, Mars and BBDO teamed up with the Melbourne Institute of Technology to create the ‘Hungerithm’ algorithm; which tracks the mood of online commentators and changed the price of a Snickers accordingly. The grumpier the internet became, the cheaper a Snickers was at any Australian 7-Eleven store. The cost could be slashed by as much as 80%.



The Hungerithm campaign saw a massive 1740% increase in social traffic for the brand, along with a 67% increase in sales over the period that the campaign was running. Now that’s satisfying!

## Brands as forces for positive social change

At a time when people are looking for stability in institutions, brands can be forces for good and change. But there’s much work to be done according to the Edelman Trust Barometer. Edelman Intelligence’s 17-year ongoing trust and credibility report, which surveyed tens of thousands of people across dozens of countries about their level of trust in business, media, government, and NGOs, found that 2017 was the first time trust declines were seen across all four of these institutions. In almost two-thirds of the 28 countries Edelman surveyed, the general population did not trust the four institutions to “do what is right.”

Despite the fear and loathing of business, expectations are high for business to do more. Three-quarters of people agreed that “a company can take specific actions that both increase profits and improve the economic and social conditions in the community where it operates.” This raises a provocative challenge to the business community. Continue focusing only on their companies’ financial performance or use this “crisis of confidence” as the opportunity to start a conversation about societal issues that impact their communities?

## P&G is one company taking action.

As part of its ‘My Black Is Beautiful’ initiative, P&G set out to teach kids about racial bias. BBDO NY, in partnership with the Egami Consulting Group, created the film called “The Talk.” It can be found on P&G’s YouTube channel. The story is about how black parents in America have long had to have “the talk” with their children to discuss the realities of being black in this country, understanding the racial bias and the prejudices they will face. P&G decided to showcase what those conversations might look like in the commercial as part of its long standing My Black Is Beautiful initiative, a group started in 2006 “to spark a broader dialogue about black beauty.”

*Continued on page 42*





## Pat McHugh

Senior Vice President,  
Global Lottery Systems, Scientific Games

# Simplifying Complex Product and Technology Environments to Deliver the Optimal User/Player Experience

### PGRI Introduction:

*Today's consumers are given more and more options for how they interact with merchants – and they have come to expect a multitude of options from all of their purchasing relationships, including Lottery. Now the challenge is to build an “omni-channel” lottery gaming system that delivers a seamless, user-friendly consumer experience ... a better overall user experience (UX). While the quest is for a simplified UX, the technology is anything but simple. Scientific Games' new omni-channel system is simplifying complex product and technology environments in our industry.*

*Pat McHugh heads up global lottery systems at Scientific Games. We discussed the company's recent acquisition of NYX Gaming Group, which includes OpenBet, as well as two major technology projects he recently led – one a gaming systems conversion for Atlantic Lottery Corporation in Canada, one a technology expansion for the Pennsylvania Lottery. The acquisition and these projects demonstrate technology's potential to change the lottery player experience beyond anything our industry has imagined.*

### Paul Jason:

**Why is Scientific Games' acquisition of NYX so significant to the future of Lottery technology, and how will it help your customers?**

**Pat McHugh:** Our acquisition of NYX, one of the fastest growing B2B real money digital gaming and sports betting platforms in the world, is really phenomenal. The acquisition fits perfectly with our strategy of integrating expanded product and channel offerings to grow our customers' profits. This positions Scientific Games as the industry leader for mobile and internet

new products, technology and the expertise of people. We see ourselves as a technology provider that creates products and services to drive our lottery customers' business. That's why we're investing in acquisitions like NYX to grow our technology platforms and be able to serve new content. Our role as a provider is to offer the broadest, most integrated portfolio of technology platforms, systems, content and services as possible. We are the supplier of choice for lotteries that want to maximize their profits. That's how we differentiate ourselves.

In fact, if you look back at our history, we have proactively sought business relationships that either add value for our customers or help bring products to market – and in many cases, advance the lottery industry as a whole. You'll see this is the case if you look at some recent examples of this strategy, for instance our acquisition of longtime business partner Lapis Software expanded our offering of sales force and retail performance tools. And by working with third-party companies, Scientific Games was first to market with cashless lottery payments, first to market with pay at the pump and ATMs with Linq3, and first to market expanding distribution points with gift cards through InComm.

Our support of the Maryland Lottery's monitor game program is another good example of us finding partners that can add value for our customers. Some years ago, we were exploring ways to expand lot-



platforms, digital game content and sports betting systems – and it expands our current distribution network. So it's a fantastic addition to what we can offer our customers across iLottery, iGaming and sports betting.

Scientific Games as a company has always looked at where the industry was going and what our customers need or will eventually need, and we shape the future through partnerships or very often, through mergers and acquisitions. NYX is a perfect example of how we expand our offerings by integrating

tery monitor games content, such as with virtual sports content. So we found the best content to add to Maryland's mix of monitor games by partnering with a third-party company, and integrated their game into our system to bring the horse racing game Racetrax to market. At the time, Maryland was one of the highest-performing Keno jurisdictions based on per capita. And we knew there would be competition from the expansion of gaming with the casinos that were coming to the state. Today, Racetrax is the best performing monitor game in North America behind Keno.

**Your global teams have taken part in a long list of innovative technology projects over the years. Why were the recent projects in Pennsylvania and Canada so high profile, and what's next?**

**P. McHugh:** Very true. And if you look at everything we've done with acquisitions and partnering with other companies on projects, it's really expanded how we view the lottery systems business. Both the Atlantic Lottery and Pennsylvania Lottery projects are real-world examples, live and in production today, of Scientific Games coming to market in ways that deliver huge value to our customers. These two initiatives represent very different expanded consumer offerings, the similarity is Scientific Games' ability to integrate in a seamless manner. Think about iTunes – it's great technology, however what's most impactful is the user experience of having relevant products and services that work together. We take a complex environment which can be challenging for lotteries to manage, and can sometimes be disjointed from the consumer UX, and we simplify it with our ability to integrate. While these two lotteries have completely different sets of product offerings, they both ride on Scientific Games' omni-channel technology that allows us to pull together our content and third-party content.

In Pennsylvania, we integrated multiple third-parties via APIs in a standard manner – sales at gas pumps, first-in-the-nation cashless payments through our lottery point of sales equipment, and expansion of the Lottery's distribution by connecting to a national gift card point-of-sale network. We launched all three of these third-party integrations within eight weeks, all riding on the same core technology. This translates to simplicity: an omni-channel platform that is easily managed on an ongoing basis, of-

fering low maintenance for the operator and simple navigation for the user.

For the Atlantic Lottery, we combined a number of disparate systems into a new, omni-channel platform – tying together retail, internet, and mobile channels to offer the Lottery's full product line to players. In addition to retail sales, players have access to electronic versions of draw games, digital scratch games, sports betting, and bingo all through one unified wallet in a seamless experience. Our platform offers bonusing and promotional opportunities at both retail and online, the ability to fund a player's

player, but it's immensely important to lottery product managers to have ability to manage their product roadmap more easily, with more choices and faster speed to market.

**Could you describe some specific examples of how the unified player experience works?**

**P. McHugh:** In the digital world, unified player experience is one mobile or web user interface that easily serves up different game content, allows simple registration, easy participation in promotional programs such as

**We are the supplier of choice for lotteries seeking the best products and solutions to maximize their profits, and that's how I've structured our global lottery systems organization. This means being innovative and embracing the best solutions in the market, including both Scientific Games content and third-party content.**

ewallet at retail, and sales performance analytics across all channels and product lines, so it really ties it all together. Our technology platform integrated over 20 separate systems from 10 different suppliers. Moving forward, Atlantic Lottery can now add new game content much more easily.

As for what lies ahead, I am very excited. This spring, we're planning to launch another omni-channel platform for Danske Spil in Denmark – again integrating retail and internet with product verticals serving traditional retail games, digital instant games, digital casino games, and sports betting. And we expect many more projects like these to come to Scientific Games because of the kind of work we're doing.

**Creating more options and ways for the consumer to interact with Lottery and play the games is certainly an important start. Doesn't the need to learn more protocols and ways to play Lottery get confusing for the consumer? Is the purpose of the unified player experience to make it an easy-to-use player interface?**

**P. McHugh:** That's exactly right, Paul. For the player, product choice has to be easy to navigate, and it has to be fun. What happens behind the scenes is less important to the

loyalty and second chance drawings, and the ability to use that same mobile app when playing at retail – such as checking winning tickets, funding the mobile wallet, collecting loyalty rewards whether at retail or online. The visual cues and navigational protocols are intuitive to make it easy for the player to migrate from one platform to the others. That's what is happening at the Atlantic Lottery in Canada right now.

Overall, the retail solutions we are implementing for customers allow players more options at retail. There are now more payment options, and more places to play through expanded retail distribution channels – for example, purchasing a game at a gas pump. Today, so many consumers don't carry cash. Players can pay with a card or mobile device through our system. It's integrated right into the retail transaction, so the workflow is easy for the retailer and player, and lotteries can manage the transaction fees and the retailer's economics. So the retailers are not losing their commission by absorbing the transaction fees, and they are not losing a sale from consumers who are not carrying cash. Since implementing cashless, we're seeing small incremental spend increase across a broad base of players, which

adds up to a significant aggregate increase for a lottery. Making it more convenient for the consumer to play lottery games directly drives sales. This is exactly the kind of responsible growth lotteries want to achieve.

Maryland's recent lottery systems procurement is also a good example of how RFPs are being constructed to drive profit for lottery beneficiaries more than simply providing technology. Lottery profit margins absolutely favor a growth investment strategy because return on investment is so high. Wisely, that is precisely what Maryland's RFP did. Creating alignment between the Lottery and its commercial partners is key to driving maximum long-term success for the benefit of good causes.

### **What is involved from the systems and communication infrastructure to enable this seamless integration of UX across multiple channels?**

**P. McHugh:** As I mentioned, we have created standard API interfaces combining our retail and internet platforms, and an overall architecture that is built around our business model of integrating expanded game content, marketing programs and channels to increase our customers' profits. We are the supplier of choice for lotteries seeking the best products and solutions to maximize their profits, and that's how I've structured our global lottery systems organization. This means being innovative and embracing the best solutions in the market, including both Scientific Games content and third-party content. We don't view lottery systems as the retail point-of-sale and transaction engine that sells draw games; or being limited to just lotto and instant scratch-offs. Scientific Games has the most diverse gaming product portfolio on the planet, and nearly every product or service we offer is in use today under our lottery systems' contracts – from game design, to instant product management, marketing services, loyalty programs, iLottery, iGaming, sports betting, gaming machines, and VLT central monitoring systems. These are all part of our systems' product offering.

### **Will the single API solution be transformational in opening up multi-state retailers?**

**P. McHugh:** There has been a lot of focus recently, particularly in the U.S. lottery market, on a standard API for expanding distribution. Scientific Games is a leader in setting standards for the gaming industry. We not only fully embrace this, I've personally been a vocal advocate on opening up our industry beyond the traditional view of closed systems and distribution channels. In fact, Scientific Games has a long history of industry firsts integrating third party companies in areas such as game content, distribution channels and payment methods. 'One size does not fit all' for our customers or our retailers. That's why we will support the standard API, and continue to go even beyond the standard API, and offer additional solutions that connect our lottery customers to value added programs. We've been doing this for years outside the U.S. and are excited to share solutions between markets for our customers.

### **Amazon's superiority in all aspects of customer relationship management (CRM) is its primary competitive advantage. Will CRM become the decisive competitive differentiator in the gaming and Lottery sectors that it is in retail?**

**P. McHugh:** Yes, and CRM is actually at the core of our player account management platform. Lotteries need to manage player engagement seamlessly across their portfolio. Our ability to provide tools and services to effectively manage player acquisition and retention is critical to maximizing performance. And that's what CRM is all about.

An interesting similarity with the traditional retail business is how we view our Lapis acquisition and their suite of gem | Intelligence® and gem | Retailer™ products. We see this as an extension of Retailer Relationship Management (RRM), which really is a suite of CRM tools for managing retail and sales force performance by managing those relationships effectively. ■

## **Scientific Games Completes Acquisition of NYX Gaming Group January 5, 2018**

### **Combination Creates Leading B2B Provider of Digital Gaming and Sports Betting Technology, Platforms, Products and Content**

"Today, Scientific Games moves forward as a leading digital provider of sports betting, iGaming and iLottery technologies, platforms, content, products and services," said Kevin Sheehan, Scientific Games Chief Executive Officer and President. "As we look to 2018, we are truly excited by the opportunities that this acquisition presents to us."

Together, Scientific Games, a world leader offering customers a fully integrated portfolio of technology platforms, robust systems, engaging content and services, and NYX, one of the fastest growing B2B real-money digital gaming and sports betting platforms in the world, form an industry-leading force across iGaming, iLottery and Sports.

Scientific Games will now be perfectly positioned to capitalize on future regulatory developments in real-money wagering and sports betting by adding NYX's industry-leading OpenBet Sportsbook. NYX's digital Sportsbook can be seamlessly delivered throughout Scientific Games' global gaming and lottery networks in existing and future regulated U.S. and global markets.

In addition, NYX's worldwide channels, markets and customer base offer new growth opportunities to build on the significant momentum of Scientific Games' existing interactive gaming business.





**Greg Doucette**

Vice President,  
Solutions Delivery & GRC  
Bulletproof, a GLI Company



**Kelly Black**

Managing Director, Solutions Delivery  
Bulletproof, a GLI Company

# Preparing for the onslaught of technological solutions that are changing the way business operates

## PGRI Introduction:

*New technology and innovation are transforming the way business operates. There is a huge bottleneck, though, when it comes to the ability of older central systems to support new technology integrations at government lotteries. Central systems that were implemented ten or eight or even five years ago do not have the functionality and capability to enable this integration. The high cost of continuous software customizations and re-engineering of old hardware is driving a wave of new central system implementations. It's important to get it right – to build the IT foundation that will support the incredible influx of new technology that will be transforming business process over the next ten years. Some call it future-proof. GLI calls it Bulletproofing. Whatever we call it, GLI is reinventing the space where project management intersects new technology integrations.*



## Paul Jason:

**When we talked three years ago at the World Lottery Summit in Rome, GLI was just beginning the process of building its professional services business. Project Management of new technology integrations has now become core to the mission of GLI. What accounts for this explosive growth?**

**Greg Doucette:** As you point out, GLI never set out to expand the brand into



**BULLETPROOF**

a GLI company

services outside of our original charter of testing and auditing. That changed as a direct result of customer demand. We were helping the Atlantic Lottery implement an end-to-end replacement of their video lottery system. The process involved creating a project management model that provided an entirely new level of multi-vendor and system integration, along with a CRM platform and a broad range of additional business process functionality. GLI's scope of responsibilities expanded during that specific project to meet the needs of the broader objectives of the Lottery.

Since its inception in 1989, GLI has been acquiring proprietary expertise in testing

and ensuring that technology, terminal software, and systems performed to spec. The Atlantic Lottery project became the catalyst that thrust GLI into a new mission – to apply our resources and skill sets toward a more expansive charter of IT consulting and implementation.

**Kelly Black:** Now, flash forward six years later, the vision is being realized in bigger ways. Bulletproof has become a full-service, end-to-end Project Management Office (PMO) implementer for lotteries. We can help clarify and define the requirements for RFPs for lottery system modernization projects, and we can also implement the project management framework, working with all the vendors who are delivering the system to ensure their actions and methods are aligned with the objectives of the lottery. We work with lotteries to ensure the governance structures are established so that each component part of the project is managed effectively from conception to launch and beyond. Bulletproof can perform the broad spectrum of PMO functions, can serve as third-party auditor or testing lab, or can perform specific tasks on an as-needed basis.

The complexity of programs to modernize lottery operations requires new methods to integrate systems, products, services, and business process for all manner of functions like CRM, e-commerce, and supporting giant multi-state retail operations. Our global experts are well-versed in each of these areas. We also apply quality assurance programs and platforms for delivering ongoing adjustments to adapt to a dynamic environment

of change and growth. Lotteries understand that integration of their central systems with multiple vendors and a whole variety of enterprise-wide technological functions will meet the needs of their marketplace, driving the bottom line and increasing returns to the state for public programs. Lottery systems are complex systems that are in a continuously dynamic state of modification and re-invention, and like other pieces of complex technology, need updating and upgrading from time to time.

quickly discerned the need to create a Project Management Office, or PMO, to harness and organize resources for a more complex set of multiple goals. That included quality assurance, ongoing testing programs, IT platform and hosting environments, vendor management, the release management program, maintenance and patching cycle management, vulnerability assessments, security programs, etc. The common thread to this diversity of services is technology and business process. GLI's engineering, techno-

**K. Black:** Absolutely. It can be a comprehensive end-to-end solution, or the client can retain our assistance to provide individual solutions. In fact, the process typically begins small, with a specific assignment that has a limited scope of work. We then identify other opportunities for improvement and other issues that need attention with the client. That sometimes results in expanding the scope of our work. Over the past few years, as we perform the broader range of services for more and more clients, our knowledge and competencies continue to grow.

**We work with lotteries to ensure the governance structures are established so that each component part of the project is managed effectively from conception to launch and beyond. Bulletproof can perform the broad spectrum of PMO (Project Management Office) functions, can serve as third-party auditor or testing lab, or can perform specific tasks on an as-needed basis.**

**Are there some other Solutions Delivery implementations that you could describe?**

**K. Black:** Let's use the Oregon State Lottery as a model. Our assignment began with the traditional GLI services of testing and certification. The Oregon Lottery needed assistance in quality assurance, systems integration and overall project management. Just as with the Atlantic Lottery, we realized that GLI is in the best position to help them accomplish this broader range of IT and business process objectives.

We started with our core competencies of testing and program management and

logical, and project management competencies are now being leveraged to serve the customer in the end-to-end implementation of their modernization projects.

We are also assisting the Pennsylvania Lottery and LOTTO Hamburg in Germany with their systems modernization projects. In addition we have been working with the Illinois Lottery on their private manager transition project.

The client has the option of retaining your services for a specific project like testing equipment or auditing a process, don't they?

The expansion of the range of services Bulletproof offers has been a natural, organic process. One reason for that is that we freely share information with our clients. We do whatever we can do to help our clients, sharing insights and suggestions regardless of whether something is within our specific scope of work. The client is free to take whatever we give them and use it in whatever ways they choose. Sometimes the client may choose to hand off our suggestions to another service provider. Sometimes the client chooses to expand our scope of work to help them address the broader range of business objectives. This perfectly illustrates GLI's lottery service model from the company's inception – put the customer first.

**How challenging is future-proofing when technology is changing so fast? And how difficult is integration when more clients are migrating to a best-of-breed model that includes multiple vendors?**

**K. Black:** GLI is the recognized expert for critical testing and independent verification in the games-of-chance industry, and has been for decades. In that capacity, our standard go-to assignment is to assess deliverables from the vendors. That used to consist primarily of making sure the gaming machine performed to spec and ensuring that it could be integrated with the central system. The best-of-breed model requires the gaming machine to be integrated into a system that includes a multitude of products and software from other vendors and other technology providers. Future-proofing is our core-competency. We feel GLI's vast global experience gives us a unique perspective and ability to deliver future-proofed solutions.

**G. Doucette:** Because technology has evolved, today, many lotteries are looking to replace their core gaming system. That ends up affecting every aspect of the Enterprise Information System, and all the products



Steve Burns, CEO, Bulletproof and  
James Maida, CEO, GLI

*Continued on page 44*

# The Next Generation of Instant Games Has Arrived



## HD GAMES™

**Just when you thought lottery instant games couldn't get any better, *HD Games™* have literally burst onto the scene with vibrant, contemporary imaging, play symbols and premium paper stocks that provide the ultimate player experience.**

From the creator of the world's first secure instant lottery game more than 40 years ago, come *HD Games* – the next generation of instant games from Scientific Games. A technology-driven twist on an \$80 billion product played around the world, *HD Games* tickets feature sharp, high-resolution imaging for today's highly visual consumer.

Made possible through several years of research by dozens of the industry's top instant product experts and highly advanced game manufacturing technology, *HD Games* are a definite hit with lottery product managers and players.

### Imagine the Possibilities

The patent-pending line of *HD Games* products are produced with significantly increased dots per image (DPI) in a complex printing process that creates a higher-resolution clarity not offered by any other lottery instant game supplier to date. Highly-detailed play symbols are applied on layers of inks recently developed by the company's technologists.

"With the enhanced imaging, game themes can be extended throughout the play area with stylized, sophisticated play

symbols that make scratching more fun," said Jeff Martineck, Vice President, Instant Product Development at Scientific Games. "The ability to image highly-detailed play symbols opens up exciting new play actions that appeal to our customers' loyal players – and the game innovation possibilities can help attract new players to instant games."

Martineck said the new *HD Games* tickets also provide lotteries with the opportunity for more dynamic, and more exciting bonus win symbols.

What appeals most to players? The company's consumer research found that players immediately responded to the new line of games, stating benefits including:

- More appealing to the eye
- Scratching is more of an experience
- Bigger contrast between play symbols and play area provide better visibility
- Symbols, numbers and prizes are clearer and easier to read



All of the technology and inks behind the *HD Games* product line were developed in the last several years at Scientific Games' global lottery headquarters just north of Atlanta, the largest of its five instant game manufacturing facilities worldwide.

In fact, Scientific Games first unveiled at the North American State & Provincial Lotteries conference held in Atlanta in the fall of 2016.

## High Def Performance

Throughout 2017, seven different games from the new *HD Games* product line launched in a number of U.S. states and are performing well, with more games rolling out in the coming months.

The Ohio Lottery tested *HD Games* products with *Cashing Thru the Snow*, a \$2 holiday game launched in October 2017.

"*Cashing Thru the Snow* is already outperforming all \$2 holiday games that have launched over the last three years," said Ron Fornaro, Instant Ticket Product Manager for the Ohio Lottery Commission. "We pride ourselves in offering an innovative collection of holiday games for Ohio players every year, and our trial of the new *HD Games* product line with a holiday specialty game was a hit."

Washington's Lottery was seeking a new innovation for its *SEATTLE SEAHAWKS*® branded instant games and opted to launch the \$5 *Seahawks Fever* game as an *HD Games* product this year.

"Our *SEATTLE SEAHAWKS* games have always performed well, and we wanted to take that success to the next level," said Gaylene Gray, Instant Product Manager for Washington's Lottery. "We've had requests from players and retailers to make every game an *HD Game*."

The Montana Lottery just launched the new product as a \$3 crossword game, *Crossword Electro HD*.

"The Montana Lottery has always had a great portfolio of crossword games that appeal to our demographic of more mature players, and *HD Games* products are a natural progression for this portfolio," said Jay Boughn, Instant Products Manager for the Montana Lottery. "*HD Games* feature a crystal clear font over our classic crossword games and offers our players great readability – perfect for crossword play styles."

Martineck said, "It's been very exciting to introduce this new, engaging product line to lotteries and their players, and we congratulate all of our customers on their successful launch of this next generation of instant games in their markets."

## More Strategy, More Security

Like any consumer product, strategy is crucial to success. Martineck explained that lotteries have the opportunity to impact consumers' purchase behavior with strategic construction of their instant games.

"Lotteries can make a difference in pick-up appeal with the use of a variety of printing enhancements like specialty inks and coatings, and eye-catching substrates such as holographic and foil, and through the use of relatable and recognizable licensed brands," he shared. "These value-adds can help attract players to take an initial interest in the games. And their overall experience can influence how many times they come back for more purchases of a game."

This is where prize structure, play style and internet components have a significant impact, and where *HD Games* tickets have the greatest benefit.

"The reveal of exciting and easy-to-see play and prize symbols gives players reassurance that they are capturing all wins, and improves their overall play experience, which in turn encourages additional game purchases," said Martineck.



HD Games also offer enhanced security features. "Our technologists worked with our game security experts to add strength to the retailer ticket authentication process using the company's new SecurTag™ security coating beneath the scratch-off coating," explained Martineck.

This new secret coating is completely invisible to the naked eye, but is easily identifiable when viewed through a special viewing device.

"Every member of the product development group directing what we call 'the HD Games movement' has been at the forefront of lottery imaging and printing for more than 20 years," he said. "The knowledge and experience of this team just doesn't get any better."

Lucky for players, the instant games these teams create just keep getting better and better.

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*Scientific Games is the world's largest instant games provider. The company supplies an innovative portfolio of games, technology and services to more than 150 lotteries globally, including 24 of the top 25 lotteries in the world for instant game per capita sales (La Fleur's Almanac).*



**HD Games**  
Product Development Team



# 5/9/4

## **GLOBAL** CAPABILITIES

With five manufacturing facilities and nine presses on four different continents, our customers – no matter where they are – can rest easy that they will get their tickets when and where they need them. Scientific Games is the largest instant ticket manufacturer in the world and we are proud to deliver the games and services that have a real impact on our customers' bottom line.



Because Real Counts



## Philipp Vlaemminck

Founder & Managing Partner, Pharumlegal, Brussels  
Pharumlegal.eu

# The legal and political battlefield shifts from Brussels over to the capitals of the EU member states

### Paul Jason:

Commercial online gaming operators have brought countless “infringement cases” which call upon the EU to force the member-states to open up the markets and allow multiple operators to compete for the business. The European Union Commission issued a statement in December that they are not going to hear any more of these infringement cases, at least for the time being. Is this a win for “subsidiarity” (the right of member-states to decide their own regulatory framework)?

**Philipp Vlaemminck:** The decision of the European Commission to not proceed further with infringement cases does shift the regulatory authority back to the national capitals. It reflects an understanding on the part of the European Commission that regulation of gambling and lottery is a very sensitive and complicated matter that should not be undertaken lightly. Lottery is a multi-billion euro sector with profound economic and non-economic implications for all stakeholders, especially the good causes supported by Lottery and government lottery operators and the general society. Any regulatory decisions on the part of the EU Commission also needs to consider the social costs associated with gambling.

Combine these issues with the further fact that each member-state has its own gambling culture and its own public policy priorities. The EU Commission is implicitly acknowledging that, while we defend a number of universal principles, there is no uniquely correct regulatory structure that should be implemented by all member states. That is

what makes it so difficult for the EU Commission and CJEU to adjudicate legal and regulatory issues on a member-state level. That is why the member-state is in the best position to decide the regulatory framework that will serve its citizens in the best way. And so the EU Commission is wisely declining to proceed further with infringement cases for the time being.

We should acknowledge that the EU Commission is not making a definitive decision that they will never take cases forward to the CJEU brought to protest inconsistent regu-

pharumlegal  
GUIDANCE - PROTECTION

latory constraints in the future, or that all regulatory issues are now left to the member-state to decide. I do think the EU Commission is concerned that actions on their part may not contribute to the healthy and stable development of the market. And member-states have demonstrated competence in their ability to regulate their own markets.

It should be emphasized, though, that the CJEU has made crystal clear that the legal basis for regulations that constrain free and open cross-border trade is to preserve “Public Order”, i.e. protect the consume, minimize problem gambling and social costs and combat crime. Constraint of trade that has as its sole purpose to favor an economic sector, including the beneficiaries of lottery funds, is as such not fully consistent with EU law.

It seems like maybe it was a misguided strategy on the part of private operators to bombard the EU Commission with infringement complaints. Maybe it caused the Commission to recognize the folly of trying to impinge on the role of the individual member-states to determine their own gambling regulations?

**P. Vlaemminck:** I would agree that the multitude of cases being brought to the Commission made it even more clear how complicated and nuanced the issues are, and how they vary from case to case and jurisdiction to jurisdiction. It is the EU Commission’s job to adjudicate issues that affect multiple EU member states and/or important questions of EU law. The court’s decisions that apply to the specific circumstances of a singular case are not easily applied to other situations. The EU Commission was finding itself getting sucked into a black hole of never-ending litigation with little likelihood of meaningful resolution.

We are also living in a time when there are many profoundly crucial issues being addressed. The time and resources of the EU Commission are more taxed than ever, and the Commission wants to avoid rendering decisions on less consequential matters that might create discord with its members when it comes to more important. Issues like BREXIT and immigration and EU position as regards to external affairs like the Middle East and Russia logically take precedence over gambling and will require the full attention of everyone.

Further, there is already a large body of European Court of Justice case law that makes

clear what member states can do to stay compliant with EU laws. At this point, it is quite logical that the EU Commission refer the issues back to be decided by the national courts. The European Commission was never obliged to accept these complaints, and now they are choosing not to accept them.

Maybe the U.S. federal government will take a similar view towards allowing the states to decide their regulatory stance on online gaming and sports-betting?

**Many European countries have liberalized their regulatory systems not because they wanted to but because they felt like the EU Commission would bring them to court if they did not. Is it possible that European member-states might re-institute some of the regulatory constraints? Or is it hard to put the toothpaste back in the tube?**

**P. Vlaemminck:** The EU Commission still requires compliance with EU laws. The laws do allow for the monopoly model as regards to Lottery and also other games of chance. But it must be for the purpose of consumer protection and/or fight against crime, and the application of laws must be consistent with that purpose. If turnover is growing rapidly, or if the incidents of addictive gambling are rising, and the economic benefit is being channeled towards a particular sector, then the country may still be sued for an illegal application of the monopoly model.

France and Belgium and others have adopted a model of controlled opening and licensing of online gambling. They realize that the inevitable trend is towards opening up of consumer options towards multiple gambling operators and offers. The fact that it is inevitable does not mean, however, that it should happen any more quickly than necessary. As the consumer demand for a particular gambling product increases, as the underground illegal market grows, there reaches a point where it makes more sense to channel and regulate the activity as opposed to continuing to attempt to prohibit it unsuccessfully. Of course, this can also be done through an exclusive operator model like Finland does.

Sports-betting in the U.S. is an example where the size of the illegal market has grown to such a level that it is long past the time where that activity should be regulated and taxed.

**So now the national courts have a little more freedom and ability to decide on what is truly best for them?**

**P. Vlaemminck:** Yes they will. That is a good thing but now we will need to be addressing the issues as they arise in 28 different national capitals. We can be sure that Brussels will still be relevant, and that there will be CJEU court cases in Luxembourg. Now we need to make sure we also defend the interests of Lottery in each of the member-state capitals.

The national lotteries are typically a political institution, and subject to the political oversight that entails. It is often not a part of

which are the powers vested in the EU by the member-states as per the Treaty. Law enforcement is not a power that has ever been conferred to the EU by the Treaty.

Law enforcement is a matter left up to the member-states to execute as they see fit. The EU may facilitate the cooperation between judicial systems by providing rules, procedures, and guidelines for how a judgement might be enforced in another jurisdiction. It is neither the role nor the competence of the European Union institutions or the Court of Justice to enforce member-state's laws in other jurisdictions.

**The EU Commission was finding itself getting sucked into a black hole of never-ending litigation with little likelihood of meaningful resolution... The decision of the European Commission to not proceed further with infringement cases shifts the regulatory authority back to the national capitals. The EU Commission is implicitly acknowledging that there is no uniquely correct regulatory structure that should be implemented by all member states.**

the Lottery charter to lobby the government on behalf of its constituents. The associations like NASPL and EL could and perhaps should also be the agents to advocate for the interests of their members at the national level. We know that legislators are hearing the arguments of representatives from other groups, like the EGBA and RGA who promote the interests of commercial online betting operators. We need to make sure our voice is heard as well.

**One of the problems seems to be that there are inadequate legal mechanisms to enforce laws across borders, even within the EU. So Germany can't compel Lottoland to obey its laws even though Lottoland is based in Gibraltar, an EU country. Why doesn't the EU provide support for the execution of international laws within the EU?**

**P. Vlaemminck:** It's a complicated legal matter but the European Union has only a limited number of competencies. The European Union Treaty includes very technical wording used to describe "conferred powers",

**Well, how then are EU member-states to proceed in enforcing their laws that prohibit secondary lotteries over against Lottoland in Gibraltar?**

**P. Vlaemminck:** That can and is being done to great effect. In Belgium, the National Lottery wrote a letter to the Gaming Commission, bringing to their attention that a betting game is being offered on the Belgium market without a license to do so. The Belgium Gaming Commission proceeded in accordance with a memorandum of understanding and transferred it to the federal computer crime unit which in turn transferred it to the association of ISP's (internet service providers). That memorandum makes clear that anybody who helps illegal operators work in the Belgium market is criminally liable under the law. The ISP's blocked the DNS and posts a warning message to the consumer's computer when they try to access the illegal website. The legality of these actions to enforce the laws have been challenged in court, but without success. These are legal actions, they are being effectively executed in practice, and they are

effective deterrents to illegal operators. Now, the blacklisted operators must pay a huge fine and absolve their criminal record for their application for license to even be considered. This approach initiated by the Gaming Commission is a great success. Even Nevada regulators follows carefully the methods that European regulators and others around the world are effectively prohibiting operators from entering their markets illegally.

Other countries in Europe are using this same basic methodology to prevent illegal operators from disrupting their market-place. Actual implementation may vary somewhat, but the result is the same. The state just needs a thoughtful, comprehensive regulatory structure that is legally enforceable. It does not work where the state has not set up an appropriate and enforceable legal and regulatory system. Without that, the judgement can be challenged. In the end, though, we do have the legal basis and the capability to stop illegal operators.

**You moderated a session at the EL Congress in Krakow. Caroline Larlus, the Department Head with the French regulator ARJEL, indicated that they are very successful at preventing illegal operators like Lottoland from entering their market.**

**P. Vlaemminck:** I think she made a distinction that was quite fundamental. There are companies, like secondary lotteries who try to enter your market without a license which is illegal, but when you actually block them, they stop. There are also what she described as the more dangerous criminal organizations from Eastern Europe and Russia. These operators have no regard for the laws because it is not their intention to operate a fair betting game, much less comply with laws and pay taxes. They exist solely to steal the consumers' money. They open and close operations as quickly as needed, changing their IP address every day. A legally enforceable solution against these operators is more difficult.

**I see that the UK Gaming Commission is taking steps to reign in Lottoland and apply other restrictions to the expansion of gambling. Is the most liberal hotbed of gambling markets deciding that enough is enough?**

**P. Vlaemminck:** The UKGC has always endeavored to assure a fair market-place, and an advertising and marketing communications environment that properly informs the consumer. The UKGC is also reviewing the way they allocate licenses and the options to reduce the number of licenses. I believe

they are giving more consideration to Public Order and problem gambling. There are more fines being levied to hold operators to a higher standard, which indicates that the UKGC is taking steps to reduce the social costs and risks of gambling in England.

**The member-state is in the best position to decide the regulatory framework that will serve its citizens in the best way. Member-states do have the legal basis and the capability to stop illegal operators.**

**The model of the Health Lottery in the UK seems to be spreading to other countries. What can government Lotteries do to keep them from taking market share?**

**P. Vlaemminck:** The enabling legislation allowed small local organizations and municipalities to operate lotteries. This was the only exception to the exclusivity provided the national lottery. It was clearly not the intention that these small local lotteries be organized into the sophisticated nation-wide enterprises that they have become. And now this model is being applied in Norway, Netherlands and other markets. They are not illegal so there does not appear to be a legal remedy. Public Policy makers just need to decide if they want their national Lotteries to continue to grow and generate funds for good causes, in which case they need to provide legal protection to the intended exclusivity status of the national lotteries. The community of Lotteries should make sure their political stakeholders make informed decisions and don't just ignore the situation. Lawmakers do have the prerogative to clarify the laws so that this exception to exclusivity stay true to its original intention of only allowing the operation of small local charity lotteries.

Additionally, though, government Lotteries need to develop market-driven strategies to compete with these threats, and retain their customer base.

I believe there is huge untapped potential for government Lotteries to engage in much

more extensive collaboration. The operation of multi-national games demonstrate that Lotteries are quite capable at creating and implementing complex initiatives. They need to apply that resourcefulness to other spheres of business operations. Cloud computing, sharing central server capacity and functionality, API's to rationalize the relationships between operators, retailers, and commercial partners ... these are just some examples. Some betting products, like sports-betting, would be significantly improved if there could be an international cooperation. The community of Lottery operators commands significant power in the market-place. Working together in these ways will unlock even more capabilities to put even more distance between them and their competitors. Lotteries can win the battle if they improve and enhance cooperation.

**What about 3rd party online re-sellers like theLotter.com which make lottery products available everywhere. They buy the lottery ticket from the authorized operator, so the revenues are going to the beneficiaries of the legal operator.**

**P. Vlaemminck:** Yes but they are selling illegally into jurisdictions where neither the game, nor the 3rd party re-seller, nor the operator itself is licensed to operate. That is illegal. And it is illegal for the operator to sell to retailers who turn around and sell to illegal 3rd party re-sellers like theLotter.com. I see that Florida appears to have just terminated one of their very largest retailers for selling to theLotter.com. That is the right thing to do. Operators do, after all, have an obligation to make sure their distribution partners are complying with all laws. Selling to re-sellers who violate the laws of other jurisdictions should clearly be prohibited. Aiding and abetting illegal activity makes one equally responsible under the laws of most jurisdictions.

This is not the first time this method of illegal re-selling has been attempted. The legal recourse to prevent this kind of unauthorized re-selling has been effective. Not that some are not successfully evading legal consequence, but the legal basis is there for preventing this kind of unlicensed activity.

**I would be concerned, too, that U.S. lotteries be careful not to open Pandora's box. The biggest, richest market in the world is the U.S. U.S. lotteries have much more to lose than they have to gain by the globalization of lottery sales.**

**P. Vlaemminck:** You know, the Antigua case was never actually resolved. The World Trade Organization (WTO) accepted the public order exception invoked by the US but ruled partially against the U.S. right to prohibit the sale of online gambling products from Antigua into the U.S in the horse racing sector due to an active interstate sales policy. But if U.S. lotteries were to sell their products outside of the U.S., or to be complicit in the sale of those products through 3rd party re-sellers, it would become quite untenable for them to prevent others from selling their products into the U.S. Do U.S. Lotteries really want to go there?

Of course, that does not close the door to a cooperation agreement with other licensed operators to sell the product in other jurisdictions, but on a legal basis.

**We know that legislators are hearing the arguments of representatives from other groups, like the EGBA and RGA who promote the interests of commercial online betting operators. We need to make sure our voice is heard as well.**

**Now a Munich court declared lottery monopolies to be unlawful. Is there no end to the discord in the Germany regulatory situation?**

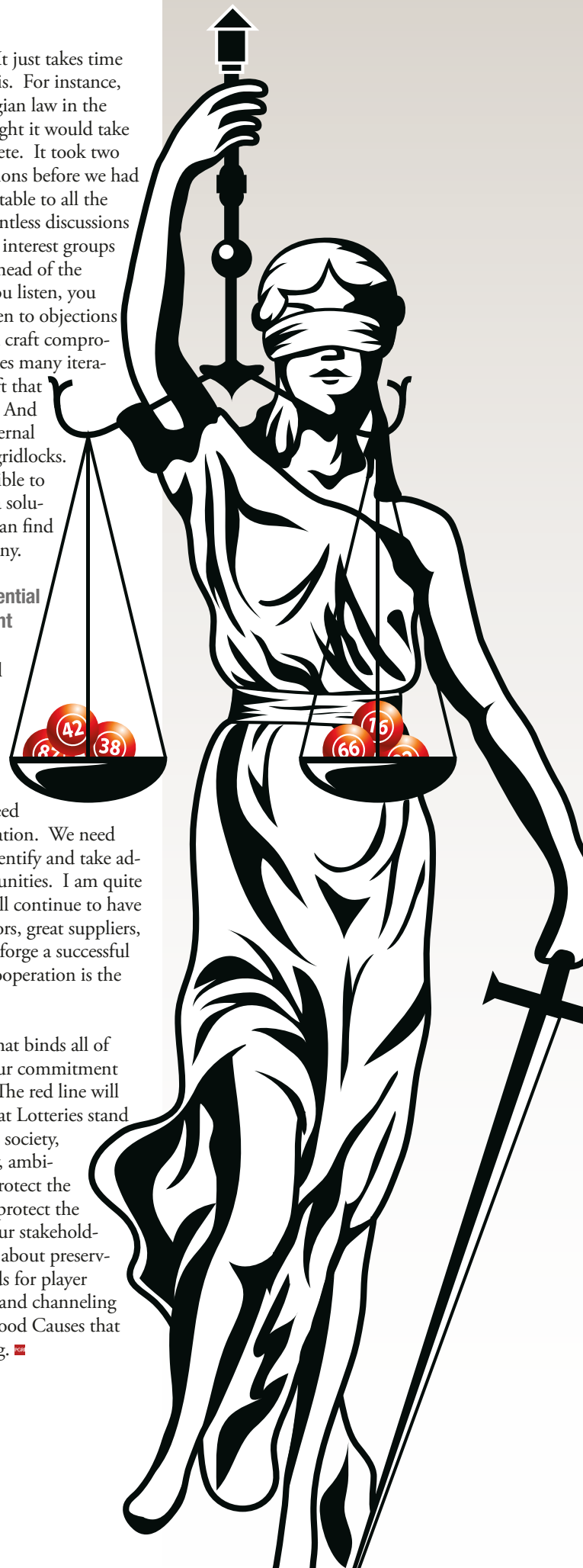
**P. Vlaemminck:** That is just one court and does not necessarily telegraph the direction of things in Germany. In any case it does not put an end to the monopoly but requires the legislator to adopt some changes. Germany is a market-place with many controversial hurdles when it comes to regulations and stability. Germany needs to find a proper solution. But you know, there is always a

solution to any problem. It just takes time and persistence and analysis. For instance, I started to redraft the Belgian law in the year 2000. Everyone thought it would take a couple months to complete. It took two years. I drafted thirty versions before we had a final draft that was acceptable to all the relevant parties. I had countless discussions with everyone from all the interest groups to the parliament and the head of the cabinet of the ministry. You listen, you propose solutions, you listen to objections and counter-proposals and craft compromises and even then, it takes many iterations to end up with a draft that is acceptable to everyone. And you may need to bring external people on board to break gridlocks. It takes time, but it is possible to resolve it - there is always a solution. I am convinced we can find a good solution for Germany.

**Are there any truly "existential threats to" the government Lottery model?**

**P. Vlaemminck:** There will always be threats but none turn out to ever be "existential threats". Lotteries have always prevailed, but they need to adapt to the changing world. They need to strengthen their cooperation. We need vision and leadership to identify and take advantage of the new opportunities. I am quite confident that Lotteries will continue to have great directors, great advisors, great suppliers, who will work together to forge a successful and sustainable future. Cooperation is the key to the future.

I think there is a red line that binds all of us who are passionate in our commitment to government Lotteries. The red line will always be the principles that Lotteries stand for. Lotteries exist to serve society, which they do with energy, ambition, and also caution to protect the consumer, and caution to protect the value of Brand Lottery. Our stakeholders are everyone who cares about preserving integrity, high standards for player and consumer protection, and channeling economic benefit to the Good Causes that depend on Lottery funding. ■



A close-up photograph of a hand holding a gold-colored pen, with the tip of the pen pointing towards a lottery ticket. The ticket is a grid of numbers, with one number, '20', highlighted in a dark purple square. The background is a solid blue color.

# Drawing on Experience

Lottery innovation comes in many forms. Along with new game development, IGT's **FutureGame** group optimizes current **draw-game portfolios**, helping to generate **more than \$1.1 billion** in incremental growth for U.S. customers over the past four years.

**“What kind of work do you do?”** It's the sort of everyday question people tend to answer with a few well-practiced phrases, but for members of IGT's FutureGame group, the answer requires a little more explanation. One major focus is developing new lottery games through a player-centric and data-driven innovation process to help customers and the industry grow responsibly, without shifting players away from existing products. As lottery continues to advance and transform, the FutureGame process is designed to deliver new content that is realistic for the market today and paced to anticipate new player preferences.

But there's another aspect of the work that takes advantage of the group's experience in game design. Partnering with others across IGT, FutureGame specialists provide draw-game portfolio optimization services that have helped to generate more than \$1.1 billion in incremental sales for U.S. lottery customers in the past four years.

A key part of the FutureGame process involves strategic portfolio management and review.

“We are constantly working with lottery customers to assess their current portfolio and evaluate what the market and the player base are ready for,” explains Francesco Parola, Vice President of Global Lottery Game Development. “If a portfolio review shows that a lottery needs to modify an existing game or there is room for a new game, the FutureGame process is designed to identify the right solution.”

The team offers lotteries a way to look at opportunities differently, beyond the same levers that the industry has relied on in the past. This is particularly true of the focus on draw games, which are not regularly and visibly refreshed in the same way as instants. With a strong understanding of game design and the ability to draw on many different skill sets—from data analysis to marketing—FutureGamers are able to investigate, research, and model new opportunities for customers.

### Customer Advantage

The optimization services available to lotteries encompass everything from portfolio gap analysis and evaluation of new game opportunities, to profitability and risk analysis, market research, predictive modeling and data analytics, pay-table best practices, and more.

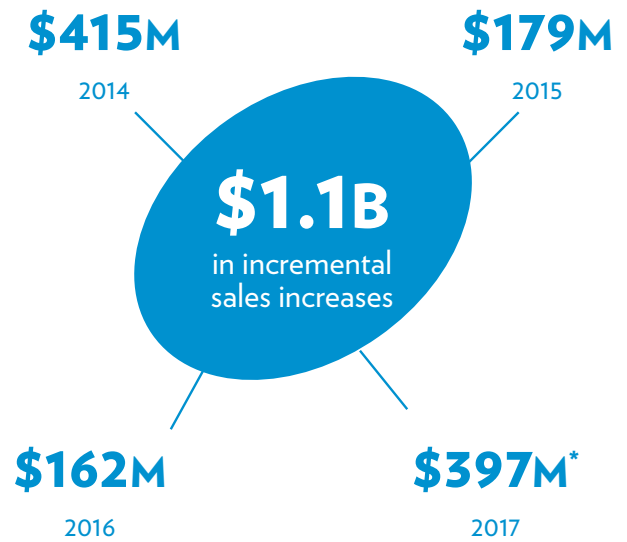
Often analysis indicates that there is still some unexplored, untapped potential with a current game, where augmentation is a better solution for the portfolio than launching a net new concept. Potential enhancements can range from a small tweak that drives dramatic improvements to a complete overhaul of a game’s make-up, while keeping the brand promise, name, and a few features intact. “This type of game evolution often requires a smaller investment and is less risky than innovating with a new product,” says Parola. “It is not that different from many other fast-moving consumer goods.”



Members of IGT’s FutureGame group (L to R): Sarah Simpkins, Brad Heathcote, and Francesco Parola in a video conference with Aaron Koll.

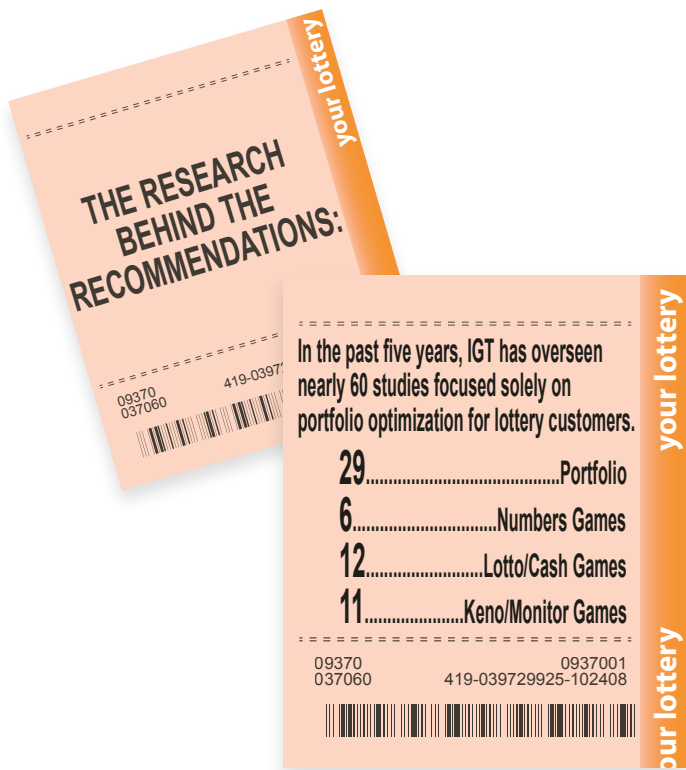
## The Value of Optimizing

Lottery partners in the U.S. have generated more than \$1.1 billion in incremental sales increases in recent years by working with IGT to implement draw-game changes and launches.



U.S. Draw-Based Game Portfolios from 2014-present (excluding multi-state)  
\* 2017 estimate assuming current sales projected over year

“It’s not just game dynamics,” notes Sarah Simpkins, Director, Game Development and Portfolio Management. A mathematician by training who joined IGT as a data analyst 12 years ago, Simpkins now uses her training and broad knowledge of the games across U.S. lotteries to help customers find the best way to strategically optimize their draw-game portfolios and build the business cases for execution. “We look at the retail network, player behavior, the whole picture. We want to set our customers up for success, and, to do that, we’re able to support them with depth of analysis and understanding in very specialized areas.”



The FutureGame team helps generate measurable results across the following areas:



### Numbers Games

“Numbers games are the biggest segment of draw-game sales in the U.S.,” notes Simpkins. “We know how important they are to our customers from the perspective of both sales and transfers. Over the past few years we have worked with them to modify draws, make adjustments to liability limits, and introduce add-ons that we’ve developed such as Fireball and others. First, we’ll do a basic health assessment, and that shapes our recommendations. If it’s a strong game, we might recommend add-ons to energize the core. Or we might suggest a cool new promotional feature that we’ve seen work well elsewhere.”

Between FY ’11 and ’16, the total numbers-game sales for IGT current customers increased by 11.4%, versus 1.8% for all other U.S. lottery numbers sales. To support customers, IGT also invests heavily in numbers-game research in multiple states. After kicking off a major effort in 2013 to test a large group of add-on games, the FutureGame group shared their learnings in a presentation to lottery directors at a PGRI Lottery Expo conference in Miami.



### Lotto and In-State

With multistate game changes attracting players, many jurisdictions can benefit from reviewing and optimizing their lotto and in-state games. Simpkins describes a typical case: “One of our lottery customers had a game that was stagnating and paying out more than designed. We researched it extensively and recommended increasing the price point while at the same time changing the odds to improve them for players, adding an embedded multiplier and introducing a new add-on game. So the lottery was able to offer player-facing benefits as well as achieve better profitability and returns to good causes. There’s a risk/reward picture that we’re always trying to balance so that the players like it and the value is there.”



### Multijurisdictional

The game development committees of multistate games typically engage vendors and game designers to work collaboratively and put together the best proposals for game changes. Explains Simpkins: “From modeling and sharing what the proposed changes could mean for the game under different scenarios, we establish risk profiles for them, look at liability concerns or advise on liability caps and other game rules.”

As the vendor to 25 of the 47 jurisdictions operating either Powerball and/or Mega Millions, generating close to 73% of the

In North America and internationally, the group typically engages with lotteries through targeted requests or via an overall portfolio-health assessment as part of an annual or biannual strategic planning process. In addition to making tactical recommendations, they often work with customers all the way through implementation and rollout.

“Sometimes there are tweaks that can be made to a lottery’s existing portfolio that aren’t flashy—they’re not brand new games—but what I’d call ‘small to medium term’ strategies that can be implemented to increase our customers’ transfers to good causes,” explains Aaron Koll, Director, Game Development and Portfolio Management. Like Simpkins, Koll is a mathematician by training who has spent a good part of his 12 years at IGT focused on draw-game optimization. He notes, “I spend most of my time studying draw games, thinking about draw games, working with customers and looking inside and outside the industry for new approaches and ideas. What might we do differently?”

### Room for Growth

Even the most successful and mature lotteries have found incremental growth by taking advantage of portfolio analysis and recommendations to optimize. While draw-game sales remain strong globally among a base of core players, the industry recognizes the need for new approaches to appeal to new player groups.

As IGT Senior Director of Marketing Insights, Gerard Caro, observes, refreshing the portfolio is as important to draw games as it is to any other consumer product: “The makers of yellow mustard didn’t stop at one product even though people liked it and sales were strong. They continue to refresh their portfolio with all kinds of line extensions.”



sales for those games in 2017, IGT has monitored and analyzed an extensive amount of data and has been proactive in reporting out to the industry on the impacts of changes in both in-state and multistate games.



### Monitor Games

Keno and other monitor games may be mature, but from the standpoint of their importance to the portfolio they offer a lot of untapped possibilities. “A whole new product plan opens up when you introduce keno,” says Simpkins. “We’re heavily engaged not only in the design of games but also in the best practices for retailer recruitment, betslip design, even retailer education.” As quick-draw keno is a way to engage new lottery players, IGT continues to invest in related and emerging technologies such as the new PlaySpot™ solution, which makes it possible for nontraditional retailers to offer keno and other monitor games while respecting legislative requirements about interactive play. A unique tethered-wagering solution, PlaySpot allows players to purchase and play lottery games on a mobile device within a licensed retail location, connected via Bluetooth directly to the lottery terminal. This solution provides a low-impact way of introducing lottery play to new retailers and trade styles.

“Of all the draw games, keno is the most interactive, and it requires the most attention from us in terms of keeping players engaged,” notes Simpkins. “We spend a lot of time with the players, and we

survey them frequently.” IGT operates 13 of the 19 quick-draw keno games offered in the U.S. The FutureGame group has worked with lotteries to launch quick-draw games in four new jurisdictions (Kentucky, New Jersey, Tennessee, and North Carolina) and four new add-on games to keno, such as Bullseye, Overtime, and Multiplier, in the U.S. over the past five years. The group uses this experience to advise on how to pace launches and add-ons through best practices.

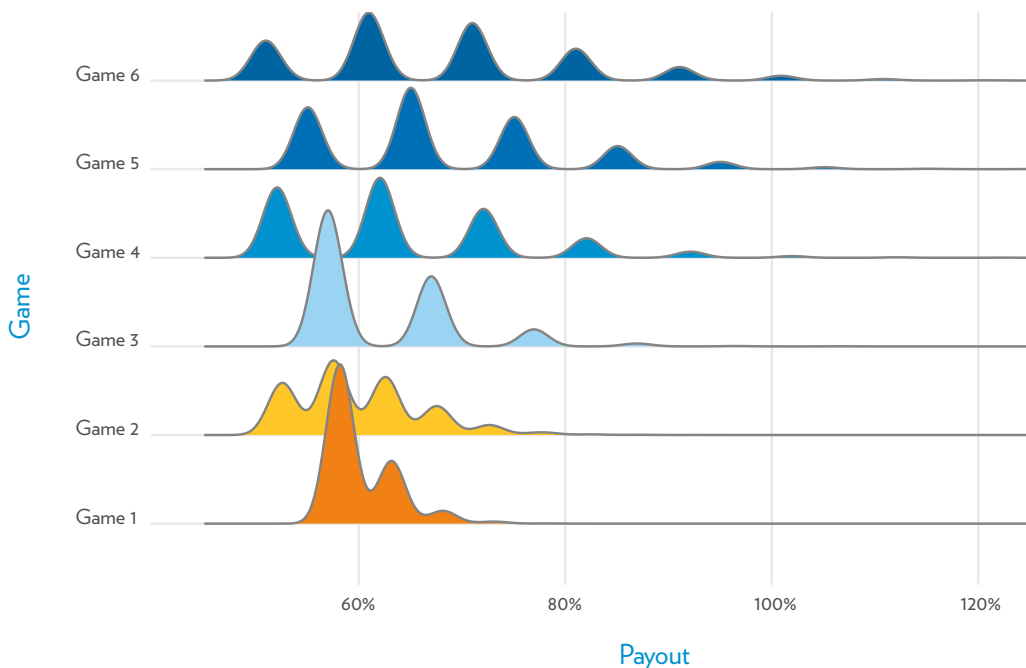
### Ideas in Action

Much of the FutureGame group’s work in North America is transferable to other markets. “Draw games operate very differently in international jurisdictions, but the innovations can be carried over,” says Brad Heathcote, Senior Manager, Game Development and Portfolio Management. “Wherever we’re working, we adapt the games and suggested changes to the local market.”

“Sometimes when we’re working with top-performing lotteries, there’s no magic bullet,” notes Simpkins. “They are already doing things so well. But we’re able to offer them ways to create another level of challenge for players or refresh their gaming experience. We get our enjoyment and victories by coming up with ideas that make games more appealing and drive greater profits for our customers. It can be small things that make a real difference.”

*Contact your ADM or field marketing representative to engage IGT’s FutureGame group for portfolio optimization.*

## Game-Performance Comparison



The graphic at left shows “histograms” of payouts for six different game pay tables over a period of 100,000 wagers.

Payout analysis is one of many critical levers that the FutureGame group may examine as part of an overall portfolio assessment. Inferences here can help a lottery determine how the expected payout for a game compares to past performance and future trends, helping to understand game performance and better predict profit and transfers to good causes.

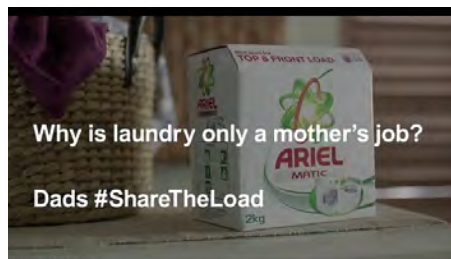


P&G has also taken a stance on gender inequality with its #ShareTheLoad campaign in India.



India is a country where women are an important part of the social sphere, with women occupying important roles as politicians, actresses, journalists, and businesswomen. Yet all of them have two jobs, one at the office and one at home. Regardless of women's professional success outside the home, inside she is a second-class citizen. By way of example, in India, 95% of households have only women doing the laundry. The #ShareTheLoad campaign highlighted that with P&G's Ariel detergent anyone can get perfect stain removal and cleaning. So, while Ariel made laundry much easier for women, the campaign also communicated the idea that men no longer had an excuse for not doing laundry.

Ariel launched with a custom 'His and Her' product pack for both genders to encourage men to do their part with laundry. Next came a short film from P&G's agency BBDO India. The #ShareTheLoad film chronicles a successful businesswoman arriving home to her family after work. The story is told from her father's perspective who's visiting the family from out of town.



After seeing her come home, thinking about his daughter's success and how proud he is as a father, he begins to feel regret. He recounts how his own views on women in the home have shaped his daughter's life and how similar views shaped her husband's views on women. It's a powerful call to arms to men to "share the load" in the home. Ariel and the film #ShareTheLoad won't change men's behavior overnight. But it's a start. The film can be viewed on

P&G's YouTube channel at Ariel India #ShareTheLoad.

### 3 Creativity – and creative people – are more valuable than ever

I love working in a creative company, seeing first-hand how creative people solve business problems through words, images, and ideas. Greg Hahn, Chief Creative Officer of BBDO NY, uses a great metaphor for the power of creativity: The Elevator Problem.

It's the story of a very tall old building having a problem with their elevators. They were frustratingly slow and the tenants were regularly complaining. The building called in some engineering firms to submit a proposal on how to fix the problem. The firms came back with very costly, time-consuming plans on how to re-engineer the motors and belts. Somebody however took a step back, looked at the problem and suggested that, for \$150, the building could put mirrors in the lobby next to the elevators. So that's what the building did. And people no longer complained about the wait for the elevator as they were now preoccupied with looking at themselves in the mirror. This came about because a creative mind re-framed the issue and realized they didn't have a slow-elevator problem. They had a behavior problem – People simply needed a diversion to assuage their impatience and dislike of waiting. And so that's the problem they chose to solve.

### 4 Quantifying the Impact of Creativity

Intuitively we've always understood the power of creativity. We see it propelling some of the most successful businesses, like Apple, Pixar, Tesla, Google, Facebook to name a few. But quantifying the power of creativity to impact the bottom line has proven more elusive. Until now.

McKinsey & Company recently completed a study on How winning companies turn creativity into business value and growth. The study sought to answer the question: does advertising generate business value? In a word, yes, it does. To examine the link between creativity and business performance, McKinsey developed the Award Creativity Score (ACS), using a widely recognized proxy for creative excellence, Cannes Lions Awards (the Academy Awards of advertising). The ACS index weighs three factors: the total number of Lions won by each

company between 2001 and 2016, with more points assigned for the most prestigious awards; the breadth of categories represented; and consistency over time, based on the number of years a company has been recognized.

McKinsey found that the most creative companies did better than their peers on key business metrics. The companies whose ACS scores were in the top quartile outperformed on three key measures:

- 67 percent had above-average organic revenue growth
- 70 percent had above-average total return to shareholders
- 74 percent had above-average net enterprise value or NEV/forward EBITDA

Most agree that measuring creativity remains an inexact science. But this analysis provides evidence to support the notion that creativity matters for the bottom line. For more on McKinsey's conclusions, go to [www.mckinsey.com](http://www.mckinsey.com) and search "creativity's bottom line."

### 5 Digital advertising is dead, long live digital advertising

Marc Pritchard, Global CMO of Procter & Gamble, has been a vocal advocate that change is needed in the digital advertising industry. He recently stated at an industry conference in October, "There hasn't been a big idea in digital in 10 years."

P&G also conducted a worldwide audit of its digital ad buys. As a result of the audit, they removed \$140 million from their digital advertising budget and saw "no noticeable effect" on sales. Multiple factors probably played a role in P&G's decision: perhaps the ads were ineffective, people skipped-over their ads, issues with targeting, or ineffective media ROI models. Whatever the root cause, the point was not lost on the industry; one of the world's largest advertisers slashed \$140 million in media and saw no negative impact on their business.

Which brings us to the interesting case of JP Morgan Chase. During the 2016 presidential election, The New York Times uncovered that Chase's ads were running on a website promoting "Hillary for Prison". Embarrassed and shocked, Chase underwent a total manual audit of all digital media placements. What they found was

*Continued on page 49*



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and business functions integrated with the central system. And now, we are adding data warehouses to the mix of support systems to extract data, analyze trends, integrate accounting with marketing and other information sources – all of which will become mission-critical to the goal of making more informed business decisions.

**K. Black:** Currently, for instance, lotteries are looking to sell tickets into an in-lane system at large box stores and other retail operations. Many of the systems currently in place will not support that functionality. So, a lottery has to choose whether to spend money to update their old system or invest in a new one. In the end, it will cost more and more to keep re-engineering the old system to support new technological solutions. Instead of struggling to update obsolete technology systems, it's often a better investment in modernizing the central system.

## The complexity of programs to modernize lottery operations requires new methods to integrate systems, products, services, and business process for all manner of functions like CRM, e-commerce, and supporting giant multi-state retail operations.

Technology has changed so much over the last 10 years. Today's new systems deliver incomparably more functionality and flexibility than systems even just five years old. Older than five years, and it's like the difference between the modern iPhone and the first Motorola 'brick' phones. There comes a point where investing in a new central system becomes the only thing to do. Modern systems facilitate the integration of new technology from multiple vendors, new service platforms like CRM, iLottery and iGaming and modern APIs. Modern software minimizes the cost of implementing third-party technology solutions, but it only works on modern open architecture central systems. Old proprietary systems require costly customization to enable new technology to be integrated. New software-enabled solutions are almost plug-and-play with a state-of-the-art system. Lotteries realize this and are seeking support and guidance for the RFP procurement process from Bulletproof.

**G. Doucette:** Every one of our experts at Bulletproof thinks about the brand as an end-to-end enterprise that includes products and services, human resources and, internal technological infrastructure that supports an external face to the customer ... it's all about adding value to the customer relationship. It's important that every aspect of modernization be informed by the vision of who you want to be and how it adds value for your customer. The brand is the North Star which resides at the heart of all decisions and drives implementation.

The end result is a system that delivers optimal performance of business functions and optimal customer experience. The goal is to bulletproof your revenue streams with state-of-the-art ability to capture data and convert information into business intelligence that drives product development as well as the marketing strategies and implementation.

### How do we make sure that the investment made now will not be obsolete five years from now?

**K. Black:** It begins with the RFP process and applying a method we call future state product road mapping. The first step is to define the capabilities and functionality you may need to have in five years. You do not need to acquire it all now, but you want your central system to be capable of integrating the new technologies you may want to implement five years from now. For instance, lotteries may not acquire iLottery and sophisticated CRM platforms right now. And maybe they never will. But it would be shortsighted to build a new central system that lacks the capability of integrating these new technologies. It's like building a house that you know will need to be expanded five years from now but you don't know exactly what form that expansion will take. So you spend the extra money now to build a bigger foundation to support expansion that you anticipate will happen in the future. The cost of building a scalable

foundation is extremely small compared to the cost of rebuilding a new house five years from now.

### How does the trend towards outsourcing as more and more of IT management, what you refer to as "virtualization"?

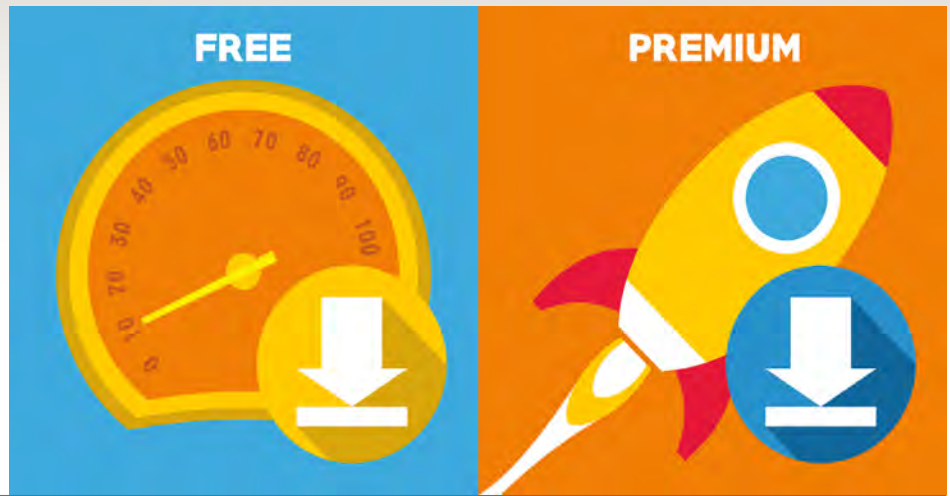
**G. Doucette:** The cost savings and benefits of outsourcing are compelling. Possibly a more interesting innovation involves collaborating with lotteries and vendors alike to drive the cost out of supporting similar systems. Vendors are all trying to work on what they call a "baseline code". There can be a foundational baseline of code for the management of draw games and instance tickets. It does not matter where you go or what the customer-facing game looks like. All core lottery system functions contain this baseline code. Layers of customization are then applied as desired per jurisdiction. For our part, Bulletproof works to educate operators on how and why it's important to integrate new models that enable cost sharing. There is so much core baseline functionality to the way Lottery operates. That represents a huge opportunity to reduce costs and improve performance and outcomes and increase funds for the good causes that Lottery supports.

**K. Black:** Bulletproof is working with LOTTO Hamburg to explore the first multi-tenant lottery system. The project will look at an innovative baseline code and then what is called a "product configurator" that each of the lotteries uses to customize the product to their preferences. The customized code lies on top of the baseline code to produce the end-product. This "product configurator" for traditional lottery games is quite unique and we're very excited to be working on this project. LOTTO Hamburg will host the baseline code and manage the system that deploys it to the other lotteries. The hope is a collaborative venture to reduce total cost of ownership, increasing efficiencies that produce a higher quality outcome.

### Doesn't that represent an even more compelling ROI for collaboration in the Lottery space?

**G. Doucette:** Absolutely it does. It requires the willingness to recognize that much of what a Lottery operator does is in fact not unique, and the will to focus on commonalities and overcome obstacles to forge collaboration. The ROI would be off-the-charts for lotteries to develop collaborative ventures in many different areas. ■

# Loot Boxes: Do In-Game Purchases Constitute Gambling??



Loot boxes – virtual containers inside video games with contents that players purchase with real money – have sparked a debate in the gaming industry as game developers, regulators, and other stakeholders wrestle with definitions of what constitutes gambling.

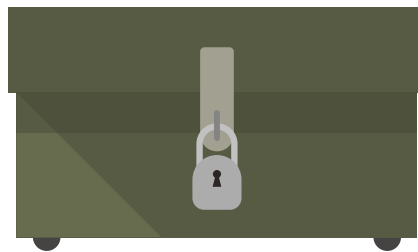
Loot boxes may contain anything from virtual cosmetic items to gear that can improve a player's chances of winning the video game. The thrill of buying these “mystery treasures” has been likened to the psychological sensation of gambling. “Freemium” e-games and video games enable the player can play the game for free, but the players have little chance to win until and unless they purchase premium content.

The debate over loot boxes has been one of the most divisive the gaming industry has experienced in years. Billions of dollars are on the line, and legislators and regulators in several countries have begun to take notice:

- In Australia, a regulator for the state of Victoria said that “what occurs with ‘loot boxes’ does constitute gambling” and that the regulatory body for gaming was «engaging with interstate and international counterparts» on policy changes. The Australian state of Queensland, however, disagreed with Victoria on the question.
- The issue has appeared in American courts, but the gaming industry has won those cases because digital/virtual objects were determined to have no monetary value.
- Belgium's Gambling Committee has determined that loot boxes do, indeed, constitute gambling.
- The New Zealand Department of Interior Affairs, which oversees its gambling licensing, said it “is of the view that loot boxes do not meet the legal definition of gambling.”

Given that there is no consensus of opinion, it could take years before a final ruling is settled in any jurisdiction, and even then, a global patchwork of differing laws and rulings would need to be navigated. Defenders of loot boxes and their associated trading websites said that since real currency is not being won, no real gambling is taking place. But according to some legal experts, that is not the case.

Micro-transactions (buying items “in-game”) have become prominent in gaming as a way of supplementing income for developers. Accordingly, “free to play” games are free to download and play, but make money by selling items or downloadable content in the game itself.



The question of whether virtual goods have “real-world value” is central to a range of ethical questions about micro-transactions, and is at the heart of the loot box question. The motivation for these transactions is to make as much money as possible. There are practical reasons for this: blockbuster video games can cost tens of millions of dollars to make, with costs continuing to rise. It is difficult to get sales figures on loot boxes themselves, but they are typically grouped into a category of controversial practices known as “player recurring investment.” In other words, any money made from something other than the initial cost of purchasing a

game. This can be downloadable content, in-game advertising, subscription fees, or loot boxes. As implied by the name, it is money made from players who keep returning to a game. Players “recur,” and the amount of time they spend in-game is proportional to how much money they spend.

Depending on how the legal questions are resolved, countless games could end up being criminalized or tightly regulated. Regulators could raise questions about card games and tabletop role-playing games that bank on similar mechanics with much tighter profit margins. The industry will fight back – it is unlikely to give up a multibillion-dollar revenue stream without intensive lobbying and other counter-measures.

A special concern relates to the number of children who play video games.

The U.K. Gambling Commission's annual report for 2017 found that children as young as 11 are “skin gambling” online – paying money for the chance to win in-game virtual items. The issue is that children are being asked to buy something of financial value that could end up being of lower financial value than the amount they paid.

The future could be one in which consumers, regulators, developers, and critics develop an ethical framework around micro-transaction economies and the sale of digital content. Perhaps it will require government intervention, or perhaps it will take the form of industry self-regulation. The gaming and gambling industry could come out the of this acrimonious debate, and its forthcoming legal battles, not just intact, but better than it was before. Clarity of regulations could be the catalyst for creative new game development and further innovation. ■

# Arizona Attorney General Mark Brnovich:

## Let the states do what they do best



The recently argued U.S. Supreme Court case *Christie v. NCAA* involves whether Congress can prohibit New Jersey from changing its state laws to legalize sports betting. However, the case raises a more fundamental question than the legalization of gambling — that is, whether Congress can force a state to have certain laws on its books.

The court should hold that such a congressional dictate is fundamentally incompatible with federalism and violates the 10th Amendment “anti-commandeering” doctrine. This is especially true where, as here, the law relates to a traditional area of state competency — protecting public safety.

The name “The United States of America” communicates something profound but often overlooked: the states, which predated the federal government, actually joined together to form that government. Each state was sovereign in its own right but ceded a portion of its power to create the federal government. And new states were admitted to the union on equal footing with those original states.

The key point is that the states are not mere administrative units of the federal government, but rather separate sovereigns, with powers independent of the federal government, and directly accountable to their people.

The genius of this system is that it creates two levels of government — each of which can govern within its own sphere of competence. Paradoxically, by creating two levels of government our framers secured more freedom for the people, not less, because the two governments were intended to exist in tension with each other.

The Supreme Court twice before has recognized that Congress oversteps its bounds and violates the 10th Amendment when it attempts to “commandeer” state power for congressional ends. In *New York v. United States*, the court struck down a law requiring states to regulate low-level radioactive waste disposal or accept ownership of that waste. And in *Printz v. United States*, the court invalidated a provision in the Brady Act that required local sheriffs to perform background checks. These laws are impermissible because they attempt to turn the states into administrative units of the federal government — contrary to what our framers adopted.



This brings us back to the *Christie* case. It involves a federal law called the Professional and Amateur Sports Protection Act (PASPA). Passed in 1992, PASPA prohibits all but four states (Nevada and three others that had laws on the books permitting sports betting) from passing legislation or otherwise taking action to legalize sports betting.

No one disputes that Congress could itself outlaw sports betting. Indeed, the Supreme Court held over 100 years ago in *Champion v. Ames* that Congress could use its power under the Commerce Clause to prohibit the interstate transport of lottery tickets.

But what makes PASPA different from many other federal laws is that, rather than regulating sports betting directly, Congress

instead prohibited the states from changing their state laws.

On behalf of Arizona, I joined with a bipartisan group of state attorneys general to file an amicus brief in support of New Jersey. We have requested that the Supreme Court reject the federal government’s overreach and permit the states to choose for themselves how to regulate sports betting. And in doing so, we have requested that the court right the relationship between the states and the federal government.

As it stands today, PASPA’s regime frustrates federalism. States are the “laboratories of democracy.” But by passing a law that freezes existing state law in place, Congress prevents states from experimenting with new policies as their citizens’s preferences change. New Jersey’s experience highlights this problematic overreach. In 2011 (20 years after PASPA), New Jersey’s voters amended their constitution and in 2012 the legislature acted to legalize sports betting. But unless the Supreme Court rules in New Jersey’s favor, these state law changes are meaningless.

In a case such as this involving regulation to protect public safety, the states, not the federal government, are in the best position to act. The states traditionally have protected public safety and, absent a compelling reason to deviate, should continue to do so. Congress could certainly act to prohibit sports betting, but this determination is better made on a state-by-state basis. Many (even most) states may choose to leave their laws prohibiting sports betting on the books. Some may not. But it should be up to the states to do what the states do best. ■

Mark Brnovich is the Arizona attorney general and former director of the Arizona Department of Gaming.

# The Internet of Everything Will Spur New Financial and Data Systems

Lee Stuart, Management Consultant and editorial contributor for PGRI



The Internet of Everything (IoE) – the interconnection of digital devices of all kinds – enables the collection and exchange of data. But in this world where everything communicates with everything else and end-point devices make their own decisions based on machine learning, data security becomes unimaginably complex.

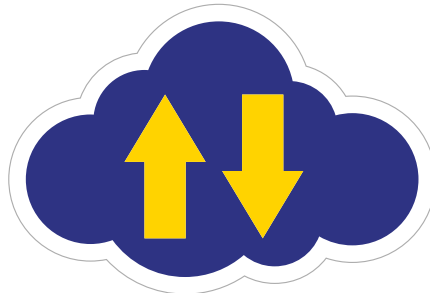
To ensure security on the IoE, it will be necessary to redefine the nature of financial assets, digital assets, rights management, intellectual property, and royalties, and other categories of property. Without major changes, banks could be diminished and become nothing more than clearing houses. Credit card and insurance companies could experience serious declines. Some entities will step forward to develop, securitize, and warehouse digital IDs.

In the past, Microsoft attempted to develop a centralized digital identity service with its Passport and Hailstorm initiatives. Intel, Sun, Oracle, and AOL tried to develop their own service through a group called the Liberty Alliance. Today, Facebook has gigantic stores of personal data, but to date it has not provided financial services.

Many industry watchers think that banks are most optimally positioned to create and safeguard digital identities and to act as brokers for data exchange. Banks could offer services for identity, privacy, and security to accompany the global trading of any digital asset. And digital IDs will have far more utility than simply improving security.

When digital IDs become ubiquitous and most of the things we own are connected to the IoE, more information about us will be traded. The challenge will be keeping that information under control.

The companies that succeed in this networked economy will not simply process transactions, but will exploit the information in the electronic trails that customers leave behind them in the digital slipstream. If banks become dependable brokers of data and learn how to leverage those digital breadcrumbs, the IoE could be transformed from a place where people go to visit sites and be tracked without their knowledge to a place where customers grant permission to monitor what they are doing. That process could help further automate customers' lives.




An example: A person wants to purchase a car. Today, that customer would employ a bank network to send payment. On the IoE, with banks acting as digital brokers, the person could let it be known that she is shopping for a car, a process known as “intent casting.” Others on the network, including dealers or insurance companies, could make sales offers in real-time, and she could filter those companies based on their digital reputations. When she makes the purchase, the information for the documentation necessary to buy, insure, and register the vehicle could be released from her account, securely and with her permission, so it could be distributed to the appropriate parties. Additionally, the customer might authorize her data for third-party warranty services. In this situation, banks would receive commissions for brokering the exchanges.

When the IoE has reached its zenith, we may even be able to text our car and command it to go sell or rent itself. When we do, a data broker – which may or may not be a bank – will make money managing these transactions.

Services like a blockchain – a shared digital ledger – will facilitate such dealings. In a blockchain, transactions are updated across a public and permission-less network, making them transparent and virtually tamperproof. IBM believes that blockchain will do for transactions what the internet has done for information.

According to a survey from the IBM Institute for Business Value, nine out of 10 government organizations worldwide plan to invest in blockchain for use in financial transaction management, asset management, contract management, and regulatory compliance. Experts envision four categories of blockchain use for government: verification, movement of assets, ownerships and identities. Each type of application could streamline service delivery and reduce fraud and errors.

A blockchain could serve as the official registry for government-licensed assets or intellectual property owned by citizens and businesses, such as houses, vehicles, or patents. Because the technology still is in its infancy, IT leaders will first find success experimenting with blockchain on a smaller scale, making initiatives particularly well suited for small state and local government jurisdictions.

The software can streamline service delivery as well as reduce fraud and errors. It could be used to confirm voter identity, coordinate procurement across agencies, or issue a business license. 

# Neuro-Marketing:

## Studying What the Brain Will Buy

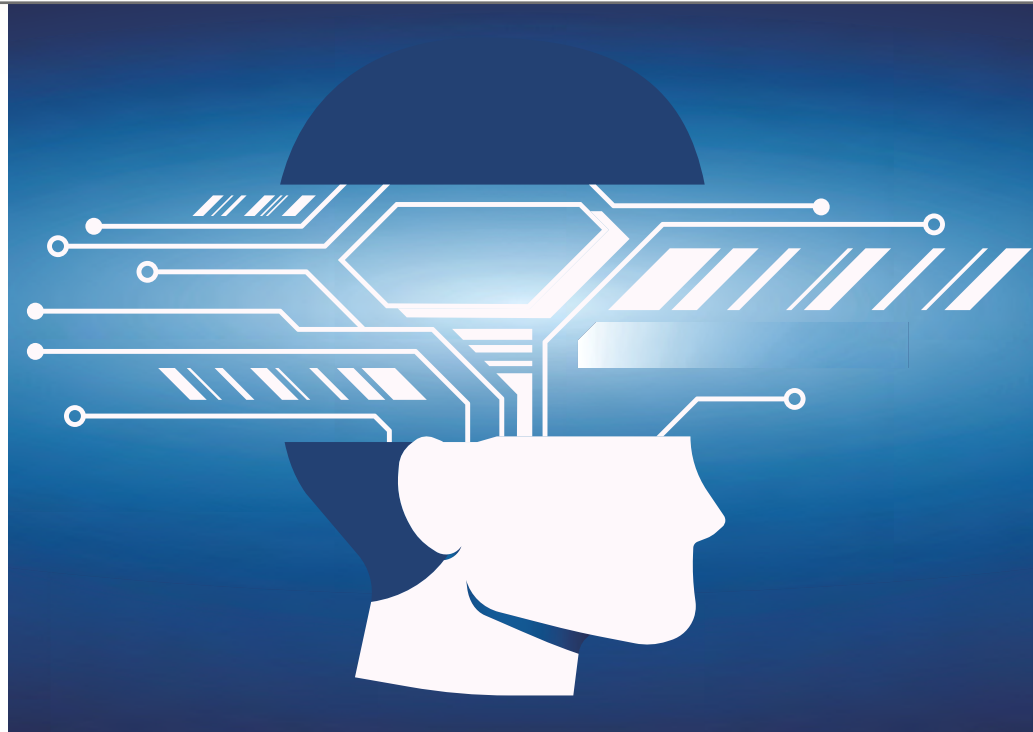
Lee Stuart, Management Consultant and Editorial Contributor for PGRI

Surveys, viewer diaries, product-use cases, one-on-one interviews ... these are some of the vestigial methodologies of research into understanding consumer behavior.

Today, marketers are using electroencephalography (EEG), magnetoencephalography (MEG), positron emission tomography (PET), and functional magnetic resonance imaging (fMRI) to peer inside the black box of the human mind to explore both the emotional and rational triggers of consumer motivation.

This is not your traditional focus group methodology.

The discipline of neuroscience increasingly is being used to investigate marketing principles and practices, and some organizations are placing big bets on the insights that may be generated by mining the mind. This year, Facebook announced the establishment of its Center for Marketing Science Innovation in New York. The operation will conduct neuroscience research to help advertisers, publishers, and others understand what types of content resonate across media platforms and devices. Consumer “test subjects” will be exposed to content in multiple settings, including on a desktop computer, a portable device, and a big-screen television.



### Old Science, New Applications

Neuroscience, in its most primitive form, is thousands of years old. It may have begun in ancient Egypt, where trepanation, the surgical technique of drilling or scraping a hole in the skull for the purpose of relieving headaches or “curing” mental disorders, was first recorded during the Neolithic period. In the 20th century, neuroscience began to use clinical information about brain functions and mechanics to explain what is happening inside the human mind. Marketing researchers use neuroscience because it eliminates emotion, introspection, and ego among test subjects. It is entirely objective in its study of the brain’s activities. It removes the need for researchers to interpret test subjects’ responses or to make assumptions about the difference between feedback to an experiment and actual/live behavior in the marketplace.

Facebook is not alone in making a significant investment in neuroscience. Nielson has an entire division devoted to it and has partnered with Time Warner to explore how media affect the masses. Ford Motor Co. and Unilever are conducting ad tests, and Spark Neuro is a company that has con-

ducted studies for Bose and the developers of Angry Birds.

Neureco, a British research firm, monitors television spots for clients. Individual frames are correlated with measurements of brain activity; these allow researchers to precisely indicate which advertising elements (images, tag lines, music) are neurologically engaging. Related research includes reactions to smell, touch, sound, and retail store layout.

### Fascinating Findings

Research findings from early experiments have been beguiling. Studies have determined that dopamine and phenylethylamine flood our brains when we see a familiar face, which triggers a positive emotional response. This may be one reason that celebrity endorsements are effective – familiar (and usually well-liked) faces facilitate trust in the promotional message the celebrities are conveying.

In experiments using functional magnetic resonance imaging, a test subject was exposed to a brand logo, which caused an increase of hyper-oxygenated blood in the medial prefrontal cortex. This brain reaction suggests self-involvement: the brain seems



to be evaluating the logo to ascertain its relevance to the person. High levels of activity in the prefrontal cortex represent higher levels of involvement (or as marketers might say, brand affinity).

## Visual and Sensory Cues

Marketers and package designers have understood for years the importance of visual cues in influencing consumer decisions. Subtle design changes in an ad, webpage, or package design can make a significant difference.

Neuro-marketing research can objectively measure the impact of small changes to a design. For example, designs that place images to the left of text perform better. This effect is called “processing fluency,” which is perhaps the most important neuro-marketing concept that has been validated to date. Consumers prefer simple, easy-to-understand designs. Our brains confuse something that is easy to understand with its being familiar, and we have a strong bias for the familiar. We find decoding images easier when they are on the left side of our visual field, and text if it is on our right.



This brain bias causes a conundrum for marketers: should they offer routine, familiar messages and images for the “comfort” of consumers, or try to stand out from the clutter in the marketplace by being novel, unusual, or disruptive? Research reveals that there is a relationship between these two opposing strategies. Marketing messages that are simple and familiar run the risk of being boring, but new, novel, and unusual approaches may be confusing. So, perhaps counterintuitively, the best approach may be to combine strategies. The overall design of a product, package, or website can be what neuroscientists call “prototypical,” that is, it can look like a customary example of what consumers expect. However, the details can be surprising or innovative. This combination approach results in a visual cue that is both easy to process and arresting.

## The Ethical Debate

Can the learnings from neuro-marketing lead to “programming” or “brainwashing” consumers? As promising as this research is, there are opponents who express concern over the ethics of a scientific application that has the potential to place even more powers of manipulation into the hands of profit-seeking enterprises.

As marketers become increasingly adroit at influencing consumers’ subconscious operations, professional standards – and perhaps even legal or regulatory frameworks – may need to arise around fair use, disclosures, and disclaimers. A professional association – the Neuro-marketing Science & Business Association – was established in 2012. It conducts conferences (like the “Shopper Brain Conference” in Chicago in June of this year), publishes industry news and research developments, and has developed a code of ethics to govern research practices and client relationships.

Neuro-marketing may be argued to be relatively benign in advertising and promotion, but apprehensions escalate in the context of political applications. The political/governmental environment in which Lottery operates eventually will respond to concerns about neuro-marketing, and the implications are yet to be known.

## Where Are We Heading?

The near-term future of neuro-marketing promises the further convergence of three principal streams of input into this field: Big Data, neuroscience, and anthropology, according to Martin Lindstrom, author of [Buyology: Truth and Lies About Why We Buy](#).

The combination of Big Data with neuroscience generates a micro-macro perspective, enabling researchers and their clients to understand individual customer actions and the overarching economic and environmental context in which those small actions occur. An example: researchers began to understand that young women rarely use hand lotions, and certainly not at the rate of previous generations. Why? Because lotion on the hands impedes the use of every young woman’s most important accessory – her smartphone. A micro/macro learning in one!

The convergence of Big Data, neuro-marketing, and anthropology can yield advanced consumer insight; in some situations, researchers can predict 95% of what a consumer is likely to do before he or she is even aware of their wishes.

## Conclusion

As neuro-marketing matures, it will continue to generate exciting insights into consumer decision-making. Big brands will spend big money to buy big learnings.

But some would caution that the methodology is imprecise and that current neuroscientific understanding is unable to answer the complex questions that surround consumer behavior. Simply knowing the structure of the brain does not necessarily explain how the brain makes decisions. Additionally, there are validity concerns – it is unsound science to extrapolate generalities from small sample sizes, especially when those samples represent a genetically and culturally diverse population in an almost infinite variety of situations. Add to these concerns the legacy limitation of all human research: people behave differently when they know they are test subjects.

It is unlikely that neuro-marketing will solve – once and for all – the riddle of consumer behavior. But the findings it will yield in the next several years will add scientific weight to the art of marketing, pushing our understanding of what the brain will buy farther along the path toward certainty. ■

*Peter Bunarek continued from page 42*



astounding. Of the 400,000 websites they advertised on, only 5,000 met their safety standards and guidelines. That’s only 1% of all websites which met their standards! I’m not sure what’s more incredible, that Chase advertised on 400,000 websites in the first place or that they manually audited each and every website to get to their final “safe” list! It goes to show that our oversaturated media world is undergoing massive change and disruption. This is good for consumers and advertisers. The end result will be better content and better experiences for consumers. And presumably better results for advertisers. ■

Peter Bunarek is Managing Director of BBDO Atlanta. BBDO Worldwide is one of the world’s leading creative agency networks, with 289 offices in 81 countries.

# SCENES FROM PGRI LOTTERY EXPO Atlanta, October 25-27, 2017



1. May Scheve Reardon, Sarah Taylor 2. Connie Laverty O'Connor, Carole Hedinger, Debbie Alford 3. Frank Suarez 4. Larry Loss and friends 5. Gordon Medenica 6. Sarah Taylor 7. Christie Eickelman 8. Paul Jason, Carole Hedinger 9. May Scheve Reardon 10. David Barden 11. Drew Svitko



1. Carole Hedinger, Mike Purcell 2. Paul Riley, Drew Svitko, Tom Delacenserie 3. Art Kiuttu 4. Rebecca Hargrove 5. Drew Svitko 6. Tim Yahya 7. May Scheve Reardon 8. Debbie Alford, Friend, James Hutchinson, Connie Laverty O'Connor 9. Mike Purcell, Bret Toyne 10. Max Goldstein 11. Connie Laverty O'Connor, Carole Hedinger, Debbie Alford 12. Hugo Lopez & friends



1. Tony Fontaine 2. Carole Hedinger 3. Carla Schaefer, Debbie Alford, Marzia Mastrogiacommo, Connie Laverty O'Connor 4. Tracey Cohen, David Barden 5. Peter Bunarek 6. Rebecca Hargrove 7. Michelle Carney 8. Peter Sullivan 9. Marzia Mastrogiacommo 10. Peter Bunarek



1. Jeff Martineck 2. Sarah Taylor 3. Chris Shaban, Mike Purcell 4. Marzia Mastrogiacommo, Connie Laverty O'Connor 5. Vasia Bakali 6. Gordon Medenica, Carole Hedinger 7. James Hutchinson 8. Andrew Crowe 9. May Scheve Reardon 10. Paul Jason 11. Frank Suarez 12. John Heinen 13. Bret Toyne

Scenes from G2E, Las Vegas, October 9-11, 2017



1. Andrew Crowe, Terry Presta 2. Terry Presta 3. Christie Eickelman, Kevin Mullally 4. Scott Bowen 5. Jim Kennedy, Susan Cartwright 6. Andrew Crowe, Terry Presta, Scott Bowen 7. Nick Weil 8. James Maida 9. Brad Cummings 10.; Andrew Crowe 11. Kevin Sheehan

# EUROPEAN LOTTERY ASSOCIATION CONGRESS AND TRADE SHOW

## Krakow, Poland, June 5– 8, 2017



1. Team Kambi, Ulf Rehnstrom, Kristian Nylen 2. Paul Jason, Chrysostomos Sfatos 3. David Roy, Max Goldstein 4. Jutta Buyse 5. Lynne Roiter, Nadia Bachorski-Richiuto, Paul Peinado, Philip Springuel 6. Moti Molul 7. Hansjorg Holtkemeier 8. Jutta Buyse, Freidrich Stickler, Arjan van't Veer



1. Inmaculada Garcia, Hansjorg Holtkemeier 2. Nikos Nikolakopoulos 3. Simon Butler 4. Philippe Vlaemminck, Caroline Larlus, Robert Chvatal 5. Philippe Vlaemminck, Hansjorg Holtkemeier, Beata Guzik 6. Agnieszka Rylska, Pall Palsson 7. Christina Haralambous 8. Mariana Mokritski, Darrell Smith 9. Evangelos Alexandrakis, Joni Hovi





1. Beata Guzik, Hansjorg Holtkemeier, Rebecca Hargrove 2. Nadia Bachorski-Richiuto, Melissa Jacqueroiz 3. Hansjorg Holtkemeier, Asne Havnelid, Arjan van't Veer  
4. Jennifer Jachimow, Paivi Ahtola 5. Jari Vahanan, Freidrich Stickler 6. Alisa McKnight, Paul Riley 7. Hansjorg Holtkemeier, Olgierd Cieslik 8. Philippe Vlaemminck,  
Caroline Larlus, Robert Chvatal

# Pulse of the Industry



## NORTH AMERICAN NEWS

### Beth Bresnahan appointed Executive Director of the DC Lottery

Ms. Bresnahan served at the Massachusetts Lottery as Assistant Executive Director and Director of Marketing from 2011 to 2014, when she was pointed to be Executive Director of the Massachusetts Lottery.

### Paula Otto resigns from Virginia Lottery

After ten years at the Virginia Lottery, Paula Otto announced that she is leaving her position as Executive Director. Paula Otto was inducted into the PGRI Lottery Industry Hall of Fame in October, 2017.

### Kevin Hall appointed Executive Director of the Virginia Lottery

Prior to this appointment, Mr. Hall was the Senior Policy Advisor and Communications Director for U.S. Senator Mark Warner (VA).

### Florida Lottery Retailer under Investigation for Possibly Selling to Re-Seller

Panhandle Package, a Florida Lottery retailer in tiny Campbellton (pop. 200), has been among the top-selling retailers and winningest lottery sales locations in the state, with sales of more than \$6 million. But Panhandle Package's lottery ticket sales recently were halted by the state. A public affairs specialist for the Florida Lottery said Panhandle Package was found in violation of its lottery contract with the state. The Lottery did not comment about specifics of the violation or when the store might resume selling tickets.

### Carole Hedinger, New Jersey Lottery executive director, has announces her retirement

Carole Hedinger, New Jersey Lottery executive director, has announced her retirement, effective December 31, 2017. Ms. Hedinger began her lottery career as deputy executive director of the New Jersey Lottery in 1994. Ms. Hedinger was appointed to the position of Executive Director in 2010.

Hedinger received the prestigious Lottery Industry Statesperson Award given by the Public Gaming Research Institute (PGRI). Award recipients are selected based on achieving historically significant accomplishments that have contributed to the great success of government lotteries during their years of work in the industry. Hedinger is the first woman and only the fifth person to receive this respected award.

### IGT Announces Retirement of Michael Chambrello

International Game Technology PLC announced that Michael Chambrello will retire as Chief Executive Officer, North American Lottery, effective January 1, 2018. While the position remains unfilled, Marco Sala, CEO of IGT, will directly manage the North America Lottery business segment. "I want to thank Mike for the significant accomplishments he and his team have achieved during the past three years," said Marco Sala. "The strong leadership team Mike helped create has positioned the North America Lottery business segment for continued success. He has chosen to retire and devote his next phase to family and pursuits of a more personal nature. I respect him for that decision and join with all IGT employees in wishing him the very best."

### Tom Nieman, Vice President of Global Marketing for JCM Global new president of Association of Gaming Equipment Manufacturers (AGEM)

### Diamond Game Announces 2-year Contract Extension with OLG

Diamond Game Enterprises, a wholly-owned subsidiary of Pollard Banknote Limited, announced a two-year extension to its Managed Services Agreement to provide, install, manage, operate, maintain and support the Break Open Ticket ("BOT") dispensers and system for the Ontario Lottery and Gaming Corporation ("OLG"). The dispensers launched in November 2012 in Ontario Charitable Gaming Centres ("CGCs") as part of OLG's Charitable Gaming Revitalization initiative. Under this agreement, Diamond Game will continue to provide the OLG with BOT system managed services until November 24, 2019.

The OLG's Charitable Gaming Revitalization program was designed to revitalize the province's Charitable Bingo and Gaming industry. To achieve this, new products and technologies have been introduced that have invigorated the traditional charitable gaming experience. The new products include Electronic Bingo, Play On Demand, and Diamond Game's BOT dispensers, branded as Tap Tix in the community. Under the program, 31 CGCs have raised more than \$175 million in revenue for local charities and their communities. Diamond Game Tap Tix dispensers are a significant contributor to this success.

"We are very proud of our relationship with OLG," said Bill Breslo, President of

Diamond Game. “I commend the OLG on the Charitable Gaming Revitalization initiative and am especially proud of the part our product plays in supporting the many charities that benefit from Charitable Gaming in Ontario.”

Thus far, over 900 Diamond Game Tap Tix dispensers have been installed in 31 Charitable Gaming Centres. “We are excited to continue our relationship with Diamond Game,” said Rick Gray, Vice President, Charitable Gaming at OLG. “The Tap Tix dispensers provided by Diamond Game have been such an integral part of our initiative and I am truly enthusiastic about their further contribution to our CGCs and industry.”

## Massachusetts State Treasurer Deb Goldberg sees lottery profits dipping back below \$1 billion

Without the ability to offer scratch tickets, draw games, Keno, and new products over the Internet, the state risks the loss of millions in local-aid dollars. Other state lotteries have built online platforms for wagering and Goldberg wants legislative authority to do the same in Massachusetts. “We are closely watching the competition, especially near our northern border where some of our highest-producing retail agents reside,” Goldberg said. “That includes New Hampshire, where seven communities recently voted to allow Keno, and their Legislature authorized online gaming as part of their state budget this past year.”

## Florida Lottery Celebrates 30th Birthday!

On Friday, January 12, Florida Lottery officials celebrated 30 years of offering fun and exciting games for the benefit of Florida’s students and schools. The Florida Lottery has contributed more than \$32 billion to education and has helped more than 775,000 students attend college with a Florida Bright Futures Scholarship.

“The Florida Lottery’s history of record sales has allowed us to maximize our contributions to education, creating winning moments for countless Florida families and students over the past 30 years,” said Secretary Jim Poppell. “I want to thank our loyal players, hardworking retailers, game vendors and dedicated staff for their unwavering commitment to education. As we look

ahead, the Lottery will continue to offer exciting and innovative games to our players, providing greater chances to win and more funding for education.”



Florida Lottery Secretaries, Left to right: Leo DiBenigno, 2007 to 2011; Rebecca Hargrove, 1988 to 1991; Jim Poppell, June 2017 to present; Cynthia O’Connell, 2011 to 2015; David Griffin, 1999 to 2003

The Lottery’s first Secretary, Rebecca Hargrove, spoke at the event. She shared her memories of what it was like opening a new lottery from scratch and all the fun and challenges they encountered during that time. Four of the Lottery’s past seven Secretaries attended the event. Other featured speakers included a current Florida State University Bright Futures scholarship recipient, and past and current Leon County Teachers of the Year.

The Florida Lottery reinvests 98 percent of its revenue back into Florida’s economy through prize payouts, commissions to more than 13,000 Florida retailers and transfers to education. Since 1988, Florida Lottery games have paid more than \$53.6 billion in prizes and made more than 2,000 people millionaires.

## Walmart doubles down on mobile checkout

Walmart is expanding the Mobile Express Scan & Go app to 100 additional stores this month, the retailer announced in a blog post Tuesday. With the app, customers can skip the register and instead scan and bag items and pay for them directly using a mobile phone.

# Walmart

The expansion brings the test program, which has also rolled out across Sam’s Club stores, to 125 Walmart stores in 33 states. Walmart isn’t the only retailer streamlining the checkout process. Kroger is rolling out its own Scan, Bag and Go program to 400 locations this year, and Amazon has had similar plans in the works for years, Business Insider noted.

## Mississippi Gaming Industry says paper lottery tickets ok, opposes VLT’s

The Mississippi Gaming and Hospitality Association put its position on a state lottery on the record, stating that it would support a state lottery, but only if it were limited to paper tickets.

Executive Director Larry Gregory says the industry is ok with paper lottery tickets, like Powerball. But the association is strictly opposed to video lottery terminals, or VLT’s.

## Walgreens Rolls Out a New API

Hoping to expand the presence of their brands and enhance their mobile user experiences, retailers and marketers in recent years have been investing in API development.



Now one major retailer – Walgreens – is releasing an API that allows users of Walgreens partner’s applications to add items to a Walgreens shopping cart from their own apps. The “Add to Cart” API is currently being tested and in the coming year, Walgreens expects to focus on creating Retail Products APIs — services that connect to various parts of the Walgreens business.

The company also plans to offer an enhancement to its Photo Prints HTML Checkout API that enables faster loading and an enhanced mobile web page experience. An upgrade to the existing Store Locator API will allow developers to add individual store numbers for all Walgreens stores to their apps.

Walgreens has been one of the more aggressive retailers in the development of APIs. The effort started in 2012, when the company created Photo APIs for outside developers to use. In 2013, it introduced Pharmacy APIs, in 2014 it added Loyalty APIs, and in 2016 it released a Digital Offers API.

## theLotter.com: “Canada is Now Our Largest Market for US Lottery Tickets”

Website reports 60% increase in Canadian ticket sales days before \$553M draw  
TORONTO, Jan. 2, 2018 /CNW/ - The US Powerball offers a jackpot worth \$553 million in Canadian dollars on Wednesday 3 January, so it's no wonder the lottery is once again making headlines North of the border. Hundreds of thousands of people are trying their luck online through the London-based online ticket messenger service theLotter.com, which is reporting a decisive uptick in sales in Canada. theLotter's spokesman Austin Weaver: “theLotter sold 60% more tickets to Canadians in 2017 compared to 2016. This is remarkable because it was a year when US jackpots were much lower - remember that in 2016 Powerball set a \$2 billion Cdn. jackpot record! But with the \$553 million Cdn. jackpot right at the start of 2018, we are certain the new year will be even more successful for us in terms of online Powerball ticket sales.”

theLotter hit headlines around the world when an Iraqi man scooped up the \$8 million Cdn. jackpot through the service in December 2015. In the wake of his successful prize collection in Oregon, theLotter established a large operation in that state from which it safely and securely purchases its clients' US lottery tickets!

Overseas players can participate in the Powerball. The official Powerball rules explicitly state: “You do not have to be a citizen or a resident to play the game.” Furthermore, since theLotter stores clients' tickets in Oregon, it abides by the US Immoral Acts Law, which stipulates that one is “prohibited from importing into the United States from any foreign country any lottery ticket.” The paper ticket is bought in the US, a scan is made available online, but the paper tickets stays in the US. When a player wins, he or she is flown to the US to collect the jackpot in person.

theLotter.com, a messenger service which physically purchases lottery tickets on behalf of overseas players, has helped people win \$110 million Cdn. since 2002: late 2015 an Iraqi client won the \$8 million Cdn. jackpot in Oregon. Most recently, theLotter has helped create lottery millionaires in Canada, El Salvador, Russia, Ukraine & Australia, and a Panamanian pensioner won \$30 mil-

lion in a US lottery! All big winner stories can be found here.

*SOURCE TheLotter.com. For further information: theLotter Media, Tel: +44-20-3150-0476, Email: media@thelotter.com*

## Major Las Vegas Strip resorts saw net income triple in 2017



The 2017 Nevada Gaming Abstract, published Friday by the state Gaming Control Board, said net income from Strip licensees that annually gross more than \$1 million in gaming revenue was up 191.4 percent over the previous year to \$814 million in the 2017 fiscal year that ended June 30. Strip properties showed a 3.9 percent increase in total revenue including rooms, food, beverage and gaming over 2016 to \$17.8 billion for the year with gaming revenue alone up 3.1 percent to \$6 billion. The 233-page abstract is a statistical smorgasbord that lists net income, money spent by patrons on gaming, rooms, food, beverages and other attractions by county and by the board's 13 geographic market areas statewide.

## Michigan Lottery launches an affiliate program with IncomeAccess, Paysafe's marketing technology and services provider

The affiliate program is the first of its kind for a US lottery, and will be powered through Income Access' tracking and analytics platform. Through the Income Access platform integration integration, members of the Michigan Lottery affiliate program can promote one of the US' most successful iLottery brands. The Income Access platform features state-of-the-art ad targeting capabilities based on geo-location and other criteria.

Through a combination of dedicated affiliate manager support, an in-house creative team charged with maintaining a consistent flow of new and custom assets, and strong player incentives, affiliates are provided with key resources to successfully promote the brand. One such example is a 50% bonus credit on first time deposits up to \$100 free, which would reward a \$200 purchase with a \$100 bonus. The affiliate program will cap at 20% revenue share, based on 20+ player acquisitions per month.

## Far-reaching gambling bill passes Pennsylvania House

The biggest gambling expansion in Pennsylvania since it first authorized casinos more than a decade ago cleared the last hurdle to get to Gov. Tom Wolf's desk, where it awaits an uncertain fate. The plan would expand casino-style gambling to truck stops, online portals, airports and 10 new mini-casino sites. It would make Pennsylvania the first state to allow both casino and lottery games online, in a quest for money from new and younger players. It also would pave the way for the Pennsylvania Lottery to begin offering keno.

## Foxwoods' Casino creative pursuit of younger clientele

Next year may one day be remembered as the year Foxwoods really upped the ante. Come spring, if the latest timetable holds, Foxwoods' much-anticipated HighFlyer Zipline should be fully operational, sending riders downward from the roof of the Fox Tower hotel at speeds approaching 60 mph. By the end of May, gasoline-powered go-karts ought to be zipping around a maze of an indoor track soon to be installed beneath the tower in an area originally designed as a bus terminal. Work on both attractions progressed this month, which was marked by the debut of Foxwoods' Rainmaker Stadium, a state-of-the-art gaming area featuring live dealers and terminals where blackjack and mini-baccarat can be played simultaneously. Earlier in the year, Foxwoods rolled out the Play Arena, a similar interactive gaming center, and a couple of months later opened the Thrill Tower, which comprises two rides — Sky Drop and Sky Launch.

## Tribal gaming could throw wrench into sports betting expansion

If and when, perhaps as early as June, the U.S. Supreme Court allows each state to institute its own sports wagering laws, it may not be as smooth a path to execution as many observers believe. The reason is the complicated relationships many states have with Tribal gaming, now a nearly \$100 billion business in this country. Indian gaming entities control gambling in the populous states of Florida, California and Connecticut, just to name a few. Toss in Oklahoma and numerous other mid-western and western jurisdictions and the result is the Native Americans, in the form of their National Indian Gaming Association (NIGA), are certainly a force to be reckoned with.

When it comes time for each state to fine tune and pass sports gambling legislation in states with a significant tribal gaming presence, the Native American gaming contingent will have plenty of clout. No state is going to risk jeopardizing the tax revenue Indian casinos generate.

Late last year, the Seminole Tribe of Florida, national and global operators of the Hard Rock gambling brand, issued a warning soon to become familiar if sports betting becomes legal in this country.

## WORLD NEWS

### OPAP and INTRALOT extend their partnership for the numerical lottery products and services

OPAP Group (OPAP), the leading Greek betting and lottery operator and INTRALOT, a leading global gaming solutions provider, have agreed the extension of their cooperation in the field of numerical lotteries and services with the signing of a new three-year contract that also includes an option for OPAP to renew for an additional two years. This extension is consistent with OPAP's 2020 Vision and the Strategic Priorities of "leveraging the latest digital and technology capabilities" and "building a world class portfolio of products and services". The new agreement includes the delivery of INTRALOT's latest lottery platforms and significant commercial improvements over the next few years.

OPAP Chief Executive Officer, Damian Cope commenting on this agreement stated: "I am pleased to be announcing the extension of our cooperation with Intralot, which remains one of our strategic partners. Our technology strategy is progressing well as we continue to establish greater control and flexibility over our digital and technological environment. We are working closely with all our technology partners in order to deliver our 2020 Vision and transform the role of technology within the organisation for the benefit of the company and our customers".

"We are very pleased about the continuation of our relationship with OPAP. This allows INTRALOT to provide to one of our most valued customers our latest innovations in lottery products and services. I would like to thank OPAP for the trust in our company. Our experienced team will closely cooperate with OPAP in the new period to help the company meet its strategic objectives" commented INTRALOT Chief Executive Officer, Antonios Kerastaris.

*Additional information is available on: [www.opap.gr](http://www.opap.gr)*

### Czech group Sazka Group to become the main shareholder of Casinos Austria AG

The "green light" at the government and supervisory level is taken by the Czech group Sazka Group to become the main shareholder of Casinos Austria AG, one of the largest European gaming companies with casino business, lottery and online betting platforms.

As early as 2015, the Czech Sazka group had reached an agreement with Casinos Austria's shareholders to acquire their share. However, the required authorizations from the relevant governmental and supervisory authorities, including Austria and Switzerland, to increase its involvement have been pending for a long time. These approvals have now been granted.

It is noted that Casinos Austria, which controls the Österreichische Lotterien (Austrian Lotteries), operates 12 casinos in Austria and another 27 in other countries, including Belgium, Canada, the Czech Republic, Denmark, Germany, and a large VLTs network in FYROM, as well as a 32.5% stake in LOTTOITALIA. A year ago, her subsidiary was a member of Club Hotel Casino Loutraki.

With this move, the Czech group is significantly expanding its footprint on the European gambling market, having already entered the Greek market through OPAP since 2013. Sazka Group's key shareholders include KKCG (75%), controlled by Karel Komarek and Emma Capital (25%), controlled by Jiri Smejck.

Sazka Group is the largest investor in EMMA Delta, the 33% investment fund of OPAP. According to Emma Capital's announcement last June that Helixor, a partner of J & T Private Equity Group, was announced, Sazka Group holds 71.9% of the fund's shares, while the remaining 28.1% is controlled by the Greeks partners and the Italian IGT Group participating in the scheme.

### Malaysia's Magnum Corp. celebrates golden anniversary, 50 and Stronger

Malaysia's pioneering gaming company celebrates its golden anniversary with renewed commitment to strengthen its brand's positioning through new corporate identity and outlet uplifting exercise nationwide.



Magnum Corporation (Magnum) celebrates its 50th Anniversary as the first private company to be awarded the license to operate the highly successful 4-digit numbers (4D) forecast betting game in Malaysia. Since its inception in 1968, Magnum has been setting the benchmark for the gaming industry on both the local and international front. In 1988, it was the first company in Malaysia to modernise the gaming operation through the computerisation of 4D ticket sales, resulting in greater efficiency and guaranteed fairness and sustainability. In 2009, it continued to innovate the industry by introducing the world's first 4D game with a jackpot element with the launch of 'Magnum 4D Jackpot'. This swiftly became

the second most popular game in Malaysia and the most popular Jackpot game by far. Following the success of Magnum 4D Jackpot, Magnum subsequently launched Magnum 4D Jackpot Gold and Magnum 4D Powerball in 2014 and 2016 respectively. Reflecting on Magnum's achievements over the past fifty years, Chief Executive Officer, Dato' Lawrence Lim Swee Lin thanked the unwavering loyalty and support of Magnum's customers, extensive network of business associates and sales partners throughout the country, whilst also praising the dedication of its workforce in delivering Magnum's vision to its customers and the communities they serve.

Dato' Lawrence Lim Swee Lin remarked that, "to continue our journey towards the next chapter, we cannot simply rest on the laurels of our past successes. If we are to continue to grow and to be successful, we must, as the saying goes, 'up-our-game'. Above all, we need to continue to Inspire Hope – not only for our loyal customers, but in all of us. To this end, Magnum will be embarking on a progressive journey to reaffirm our commitment to our loyal customers, business associates and sales partners, whilst continuing to excite our customers with fresh gaming experiences. In an increasingly challenging market, it is important that we remain competitive with our offerings, whether in the form of new innovative games, down to how we look and appeal to our customers." Part of the next-chapter strategy will include a refreshed and updated brand identity across all Magnum's touch-points nationwide. All of Magnum's store fronts will undergo an uplift in stages, that will refresh and improve the overall brand image and experience for both customers and sales partners alike. Magnum plans to continue to remain relevant to today's new generation of customers. "With our past successes with industry-changing games innovation, we are confident that they will be very well-received by all stakeholders and customers," added Dato' Lawrence Lim. With the understanding that an organisation's growth cannot be achieved without growing the values it brings to its workforce and communities, Magnum will continue to keep sustainability, charitable initiatives and its people development programmes at the heart of everything it does. "We have a saying in Magnum – 'Nobody can do everything but everybody can do something.' With that in mind, as we move forward at Magnum, we are resolute in Inspiring Hope in everyone.

We will strengthen our commitment to champion the underserved communities and to empower our people to fulfil their potential at work and as contributing members of society. Together, we believe we can all contribute in making 'Inspiring Hope', our vision, a reality," concluded Dato' Lawrence Lim. For editorial enquiries or further information, please contact: Eliza Chang (Manager, CSR & Public Affairs) E: eliza@magnum.my Suzanne Soo (Senior Marketing Manager)

## Spain Opens Applications for New On-Line Gambling Licenses



Gambling regulators in Spain have opened an application process for licenses to operate online gambling in the country. The application process will allow new international operators to apply to enter the regulated Spanish online gambling market.

The president of Jdigital, a Spanish online gambling industry association, estimates that 10 new operators may join the existing 52 in the Spanish market.

The new licensing window is especially relevant given that multiple operators are preparing to launch online poker in Spain in anticipation of European shared liquidity. Winamax is expected to apply for a general license in Spain to augment its French online poker operation. It also has obtained a license in Italy through acquisition.

Casino Barcelona switched to iPoker Spain in another move that appeared to be preparation for shared liquidity. iPoker is an attractive proposition for online gambling brands because it operates in France, Italy, and Spain with a combined player pool of more than 600 concurrent cash game players.

Operators that have a presence in Italy and France— including Betclac, Eurobet, Paddy Power, Sisal, and William Hill—may be attracted to a single poker license to expand into Spain.

There is a consensus among industry stakeholders that the first online poker rooms sharing liquidity across southern European borders will go live in early- to mid-2018.

## Tabcorp-Tatts May Pursue International Licenses, including the U.S. if Laws Change

Tabcorp-Tatts, the \$11 billion merged gambling enterprise, will pursue international lottery licenses and seek opportunities to expand its wagering business into the United States if sports betting laws change there.

Tabcorp chief executive David Attenborough has said the merged company's "strong balance sheet" places it in a position to consider bolstering its Australian operations and entering international markets after the merger integration process is completed.

The U.S. the Supreme Court is expected to deliver a ruling in June on a challenge to a federal anti-gambling law that bans sports betting in most states outside of Nevada. Industry analysts estimate that nearly \$200 billion is illegally wagered on sports annually in the U.S.

Tabcorp's expansion into the highly competitive UK gambling market through the digital betting start-up Sun Bets has been plagued by problems. Since its launch, Sun Bets, a joint venture with News Corp, has been performing below expectations and reportedly has lost more than \$46 million.

Tabcorp's new leadership team has been announced. Eight of the 11-person executive leadership team will come from Tabcorp, including Mr. Attenborough, chief financial officer Damien Johnston, and the managing director of wagering and media, Adam Rytenski.

The three Tatts executives are the managing director of lotteries and Keno, Sue van der Merwe; the managing director of gaming services, Frank Makryllos; and chief information officer Mandy Ross.

After 14 years in the job, Tabcorp's outgoing CIO Kim Wenn decided to leave post-merger.

Tabcorp and Tatts are Australia's two biggest gaming companies. The combined company is expected to generate annual

revenue of \$5 billion and \$915 in earnings. The merger is expected to deliver savings of \$130 million a year.

## French Lottery Company May Be Part of Government Sell-Off



French President Emmanuel Macron is planning to sell state-owned shares in various companies - possibly including the lottery company Française des Jeux (FDJ) - in an initiative to raise €10 billion. BNP Paribas bank and law firm Weil, Gotshal & Manges LLP, have been mandated by France's state holding company APE to prepare the privatisation of state lottery Française des Jeux.

FDJ is thought to be worth €3.5 billion, with the French government owning a 72 percent stake. The government is likely to keep a 30 percent share, according to published reports.

One option is for FDJ to be floated on the stock market, which could generate €1.5 billion for the state's treasury.

## El Gordo: The Spanish Christmas Lottery Is an Annual Phenomenon

The Spanish Christmas Lottery - known affectionately as "El Gordo" or "The Fat One" because of its enormous pay-outs - is one of the world's largest lottery draws. It is celebrated every December 22, with a payout of more than 2 billion euros. The top prize is 400,000 euros, but thousands of people cash in on some kind of winning ticket each year.

The lottery dates to the 18th century, when King Carlos III brought the idea from Naples, and it has been celebrated every year since 1812, even throughout the country's civil war.

El Gordo is more than just a prize-winning opportunity: it is a cultural event. In a mountain town called Sort - which means luck in the regional language - dozens of people from all over Spain line up to

purchase their tickets in hopes that the place will live up to its name.

In a charming tradition, the winning ticket numbers are sung out by pupils of Madrid's San Ildefonso School in a nationally televised event from the city's Teatro Real opera house.

Sociologist Roberto Garvía at Madrid's Universidad Carlos III has researched the Christmas lottery. He said tickets for El Gordo are subdivided so that people can opt to buy a share of a ticket, which makes it more affordable for many. People can buy a one-tenth share for 20 euros, and if they win a prize, they get 10 percent of the total. Friends, family, and co-workers get groups together to split the cost of a 200 euro ticket, with the hope of also splitting the prize.

About 75 percent of Spaniards participate in the Christmas lottery. And year-round, they spend almost 2 percent of the country's GDP on lottery tickets.

## EC Commission Cedes Control to National Courts on Gaming Regulations

The EC is transitioning control over iGaming regulations to EU member states.

The EC sent notices to online gambling trade associations and related stakeholders advising of the EC's plan to drop all infringement proceedings against protectionist EU online gambling market measures and decline related future complaints. The EC asserted its new "political commitment to be more strategic in enforcing EU law," which included de-prioritizing the organization's "infringement powers to promote an EU Single Market in the area of online gambling services."

The EC left the issue in the hands of individual national courts, where the EC expressed faith that gambling complaints "can be handled more efficiently."

The EC is attempting to provide an element of sovereignty to the free market integration of iGaming unfolding across Europe. The concern over protectionism revolves around EU member states restricting outside access to their gambling markets. EU courts historically have upheld the majority of complaints brought by online operators against member states accusing market regulators

of protecting state-run or private domestic operators from international competition.

The EU is backing away from this stance, throwing support behind member states in "efforts to modernize" online gambling marketplaces.

Not surprisingly, commercial private operator industry-funded trade associations, such as the Remote Gambling Association (RGA) and the European Gaming & Betting Association (EGBA), expressed dismay with the new EC position. EGBA secretary general Maarten Haijer called the decision "a baffling lack of understanding of the digital consumer" while suggesting that the EC is not "taking its role as guardian of the treaties seriously."

## Sweden Submits "Re-Regulation" Gambling Bill for EU Consideration



Sweden has submitted its bill to liberalize its gambling laws to the European Commission for consideration, sticking to its timetable of adopting the bill in 2019. The new rules, which include a reasonable 18% gaming duty on licensed operators and sensible measures for consumer protection, will be followed by regulations which will supplement the law.

## Sweden, Norway Take Aim on Gambling Ads

Sweden's gaming authority (Lotteriinspektionen) has issued a warning against national newspaper Metro for publishing advertisements for unlicensed gambling operators. Jackpotjoy, Multilotto.com, and Global Gaming were among the operators featured in the newspaper. Metro has been threatened with a SEK 250,000 (£22,300) fine if it continues to advertise foreign gambling brands.

Lotteriinspektionen said it had previously warned Metro to cease and desist and that future violations would be punished with fines.

Sweden is creating a new gambling regulatory framework that, when adopted, will replace the current monopoly system with one that permits international operators to enter the local market. The new law is expected to be implemented in early 2019.

Regulatory criticism toward gambling-related ads in both Swedish and Norwegian media has intensified recently. State-run organizations manage gambling services in both countries, and international operators targeting local players are not welcome.

Norwegian lawmakers are increasing efforts to prohibit gambling ads on television by introducing tighter rules for the way gambling services are advertised in the country. In Norway, state-run Norsk Tipping and Rikstoto are the only two operators that are allowed to advertise on television.

International gambling operators have been able to circumvent the existing rules by advertising their products on Norwegian TV channels that broadcast from outside the country. Studies show that an average of 62 gambling-related commercials promoting services by foreign operators are broadcast on Norwegian television every hour.

The Norwegian Gaming Authority recently reproached two online payment service providers – Trustly and Entercash – for not stopping cash flows between Norwegian players and foreign operators.

## GLMS enters a new era with the launch of the New Monitoring System powered by TXODDS and the opening of New Operational Hub in Hong Kong

GLMS enters a new era with the launch of the New Monitoring System powered by TXODDS and the opening of New Operational Hub in Hong Kong. A strategic priority of the new GLMS Executive Committee has been the consolidation of operations through the acquisition of an analytical tool that has customizable functionalities to prevent, detect, and manage all possible irregular and suspicious betting patterns.

On this development, GLMS President, Ludovico Calvi commented: “The new GLMS system powered by TXODDS will enhance our operational efficiency and will

add value to our well-established operational expertise. I am also pleased by the enthusiasm of our members to familiarise themselves with the new system and contribute to the success of our global commitment in the fight against match fixing, in the highest interest of the credibility of sport”.

The new operational hub, which will be hosted by the Hong Kong Jockey Club, represents the first of a series of hubs to be launched in other parts of the world. This move will strengthen the key mission of the GLMS, and will make it ever more credible and effective to all its stakeholders, including the Council of Europe, the Group of Copenhagen, the Olympic and sport movement, and law enforcement authorities worldwide.

*contact: Ludovico Calvi, GLMS President  
Ludovico.calvi@glms-sport.org*

## Playtech Collaborates with Lottoland

Lottoland Solutions is pleased to announce an exclusive lotto betting agreement with Playtech BGT Sports (PBS), the leading supplier of omni-channel sports betting technology.

Following the launch of Lottoland Solutions’ turnkey B2B lotto betting service, PBS will become the first retail provider to deliver Lottoland’s jackpot lotto betting products on their self-service betting terminals located in licenced betting shops. Customers of the thousands of UK betting shops containing PBS terminals will be able to place bets on the outcome of a range of future international lottos, for the chance to win huge jackpots.

## China’s lottery sales increasing by double-digits

China’s lottery sales rose 11.8 percent year on year in November. Sales of welfare lottery tickets increased 8.6 percent year on year in November, while sports lottery sales went up 15.2 percent. In the first 11 months of 2017, lottery sales increased by 8.1 percent, with sales of welfare lottery tickets and sports lottery tickets increasing 5.3 percent and 11.1 percent, respectively.

## IGT expands strategic partnership with Optima Group for delivery of Sports Betting services

IGT has announced that it has signed an agreement with Optima Group for the licensing, support, and development of IGT’s sports betting platform in all international regions outside of Italy, the United States, and Canada. As part of the agreement, IGT is licensing its Sports Betting platform to Optima, enabling it to provide the day-to-day management of IGT’s existing sports betting relationships in international markets, and to be IGT’s preferred supplier for delivering sports betting solutions in these regions.

## UK Gambling Commission searches for new CEO

The UK Gambling Commission is looking for a new CEO after Sarah Harrison revealed she will be leaving the Commission at the end of February 2018 to take up a senior role with the Department for Business, Energy and Industrial Strategy.

Neil McArthur, the Commission’s Chief Counsel and Executive Director, will be appointed by the Commission as Acting Chief Executive with effect from 28 February 2018 until the regulator can secure a full time successor.

Sarah Harrison was the regulator’s second CEO after replacing Jenny Williams, who had been in the role for 10 years previously. Despite just two years in the role, Harrison has left her mark with a real ramping up of consumer rights in particular and a series of huge fines to operators.

## British gambling firm GVC seals Ladbrokes takeover

Online gambling group GVC has agreed to buy bookmaker Ladbrokes Coral for up to 4 billion pounds (\$5.35 billion) to create a company that would rank among Britain’s largest businesses. GVC is the owner of the Sportingbet, Bwin and Foxy Bingo brands.

## Swiss voters to decide whether to block illegal online gambling?

Switzerland’s plans to block the domains of online gambling operators not licensed to do business in Switzerland may end up going to a popular vote in the form of a voter referendum.



Last September, Swiss legislators approved controversial changes to its gambling laws that restrict online gambling operations to those licensed and controlled by local land-based casino operators. The regulatory structure called for Swiss internet service providers (ISPs) to block the domains of unauthorized gambling sites. This is a commonly used method to regulate online gambling, protect the consumer from illegal betting websites, and enforce a license and tax regime. This domain-blocking plan was set to take effect in 2019.

## Europe keeps up the pressure on social media over illegal content takedowns

The European Union's executive body is continuing to pressure social media firms to get better at removing illegal content from their platforms before it has a chance to spread further online.

Currently there is a voluntary Code of Conduct on countering illegal online hate speech across the European Union. But the Commission has previously indicated it could seek to legislate if it feels companies aren't doing enough.

In the face of rising political pressure and a series of content-related scandals, both Google and Facebook last year announced they would be beefing up their content moderation teams by thousands of extra staff apiece.

## UK eyeing 'extremism' tax on social media giants

The UK government has kicked off the new year with another warning shot across the bows of social media giants. In an interview with the Sunday Times newspaper, security minister Ben Wallace hit out at tech platforms like Facebook and Google, dubbing such companies "ruthless profiteers" and saying they are doing too little to help the government combat online extremism and terrorism despite hateful messages spreading via their platforms.

Although the minister did not name any specific firms, a reference to encryption suggests Facebook-owned WhatsApp is one of the platforms being called out.

## GENERAL NEWS AND OP-EDS

### 7-Eleven CEO sees change in Convenience Retailing accelerating

Holding his smartphone, 7-Eleven Inc. CEO Joseph DePinto says "Click-and-collect, on-demand delivery, frictionless payment, the now factor. Our opportunity is to connect the digital to the physical store locations. The KPI [key performance indicator] for today's consumers is how quickly can it be at my door. People call it 'the last mile.' I call it 'the last block.'"

7-Eleven is the largest convenience store retailer in the U.S., with 8,900 stores, projected to grow to over 10,000 in 2018.



C-store industry insiders praise DePinto for his embrace of cutting-edge technology and services that are redefining convenience. Still, DePinto tells CSNews, "We've only scratched the surface. In our delivery business and click-and-collect tests, we see the transaction size is actually larger than the in-store transaction. Our delivery ticket is three times our in-store ticket."

DePinto rejects the idea that brick-and-mortar retail is dying. Rather, he says the golden ticket lies in uniting brick-and-mortar with digital. He envisions one convenience experience of the future being: The customer comes into a 7-Eleven store with their phone, picks up three or four items, scans the barcodes, hits pay and walks out.

### Gaming Industry Gains Insights from Predictive Analytics

The \$78 billion gaming industry – which has surpassed other entertainment sectors in the rapid development and adoption of sophisticated business technologies like big data and AI-powered SaaS platforms – is now using behavioral analytics to understand gamers' tendencies and preferences.

The goal of behavioral analytics is to identify what behaviors cause what actions. For example, what steps did a player take before he or she made an in-app purchase? Was there a point in a game that caused a loss of interest? How long does a player go without winning before giving up?

This type of analysis is allowing game marketers to create better user experiences. Game developers want users to play their games again and again. Long-term engagement creates loyalty, which is the best way to gain a competitive advantage.

To achieve long-term engagement, analytics and tools must be in place to measure player behavior over a period of days, weeks, or other time horizons. They also need to be accessible and easy to understand.

Gaming companies' data warehouses and customer databases contain a mountain of data. Not only is that data valuable for analyzing past player behavior, but it also has value for game marketers to gain perspectives on consumer patterns. Insights like these indicate who will purchase again, how much they are likely to spend, and the churn rate for customers.

A recent illustration of predictive analytics comes from the partnership between Zodiac, a cloud-based software platform provider, and Tophouse Media, a digital media company. This initiative hopes to bring predictive analytics to game marketers so they can better understand their customers and fine-tune their forecasting.

Initiatives like the Zodiac/Tophouse partnership allow gaming operators to be more accurate in their marketing strategies, while reducing spend and maximizing return.

Predictive analytics also possesses the capability to predict gaming addiction. Understanding customers with this problem is one of the foremost uses for current analytics. A leading company in Europe, Pentaho, is an example: It is using big data and predictive analytics to create a "360-view of customers, which, among other things, helps to identify those customers who show signs of gambling addiction."

## Gaming Addiction Recognized as Disorder by World Health Org

The World Health Organization (WHO) in 2018 will recognize gaming addiction as a health disorder, defining a gaming disorder as a pattern of behavior “of sufficient severity to result in significant impairment in personal, family, social, educational, occupational, or other important areas of functioning.”

The WHO added the gaming disorder to its official list after monitoring computer gaming trends for more than a decade. The pattern of gaming behavior may be continuous or episodic and recurrent. At this time, the criteria for this condition are limited to Internet gaming and do not include general use of the Internet, online gambling, or social media.

## How Did “She” Do It? Poker-Playing AI Beats Top Humans

Another supposition about the limitations of Artificial Intelligence (AI) has been defeated. Libratus AI beat four of the top professional poker players at no-limit Texas Hold ‘em, even though “she” supposedly could not detect bluffing or other human tactics.



Researchers at Carnegie Mellon University have revealed how Libratus AI was able to reach levels of “superhuman performance” to defeat top-notch human players. In a 20-day competition involving 120,000 hands at Rivers Casino in Pittsburgh, Libratus AI was able to amass more than \$1.8 million in chips while overcoming four of the top human players in the country.

Poker was supposed to be the game to confound AI because bluffing is involved. Rather than decisions being made based on predictions of future moves or black-and-white steps to take, becoming a master poker player involves recognizing and understanding tactics such as bluffing.

According to the research team, it was possible for Libratus to break poker into “computationally manageable parts and, based on its opponents’ gameplay, fix potential weaknesses in its strategy during the competition.”

The AI includes three modules, the first of which creates an abstract version of the game that is “easier” to solve than standard, human-central games. There are 10161 -- the number one followed by 161 zeros -- decision points in the game, and so based on this easier version, Libratus can create a strategy for the early rounds.

This strategy serves as a platform for later stages of the game, one example being grouping similar hands together and treating them the same way.

When the poker game proceeds to the final rounds, a second module comes into play, creating a more detailed plan-of-action. A strategy is developed in real-time that is able to switch the AI’s tactics depending on hands and bluffs.

If an opponent makes a move that has not been considered in the abstraction, the module computes a solution that adds this move to the mix.

The third module focuses on improving the blueprint strategy as the game unfolds. The technology has been licensed to the company Strategic Machine, which “applies strategic reasoning technologies to many different applications.”

## View from the top: Retail execs share their goals for 2018

Jennifer Hyman, CEO and co-founder of Rent the Runway: “The movement that online businesses like Rent the Runway or Warby Parker or Bonobos have taken to offline stores has been I think conflated to mean that it’s a huge strategy for us, whereas the majority of our sales — over 90% of our sales — are happening on mobile, online and will continue to happen on mobile and online and we continue to see retail stores as being supplemental to the customer experience.”

James “JC” Curleigh, president of global brands at Levi’s: “Delivering the expected has never been more important that it is today. At the same time, understanding how to bring the unexpected, something the fan didn’t expect but when they experience through Levi’s, they remember it, they tell

the story again, again and again.”

Scott Emmons, head of the innovation lab at Neiman Marcus: “Overall in the first five years of the innovation lab, [the challenge has] been to translate the digital capabilities into experiences in the store that solve real problems for our customers.” Several years ago, one of the biggest issues was that Neiman Marcus online and in-store was only connected by a name, and silos across the business kept departments like IT from working together on the ideation process, Emmons told attendees of a panel on digital transformation. The next phase is to push the envelope on tech-driven ideas that reduce friction in the in-store experience.

Doug McMillon, CEO of Walmart: “The purpose is the purpose, the values are the values. Everything else is open to debate and may change.” Walmart is focused on a few fronts, but as much as the industry is in flux, and disruption is the order of the day, McMillon’s “job No.1” is to keep the culture going and remind people of Walmart’s core values.

Tina Sharkey, co-founder and CEO of Brandless: “We wanted to build it 100% ourselves, we wanted to own our data from day one. Data science is a critical part of our DNA.”

## AI and VR Combine with Big Data to Enhance Business in Technology

AI and VR will forever change the way marketers find, engage and interact with customers. Your brand needs to deliver an experience. The goal of every brand is to optimize the customer experience in a way that contributes to more conversions and higher revenue. And while past marketing automation platforms have done a solid job of this, the new technological capabilities provided by artificial intelligence (AI) and virtual reality (VR) offer far more than has been seen in the digital marketing world.


1. Offering Behavioral Customer Data
2. Providing an Emotional Experience
3. Delivering the Right Content at the Right Time
4. Free Up Teams through Automation

There is certainly a learning curve to combining the power of AI and VR with marketing automation. But there has never been a greater opportunity for brands to truly connect with their customers. ■

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