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IN CORPORATE SOCIAL
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From the Publisher

Adoption of new technologies and business process rarely happens in a steady predictable continuum, but rather in discontinuous ebbs and flows in the long runup to wide-spread acceptance. For instance, many people were relegating the internet to the status of over-hyped fad just twenty years ago. And just fifteen years ago, Google was losing money and had fewer website visitors than MySpace. It's hard to grasp just how quickly everything changes and who will be the innovator with staying-power.

I am not clear on exactly how AI will affect our industry, or how to apply AI to positive effect. But at this point, hopefully the fact that we don't understand something doesn't cause us to underestimate its impact. We can observe how AI powered Google and Amazon into dominance, and we can expect it will do the same for those who figure out how to apply it to their own businesses going forward. The line from AI to transformative value for the customer in our own business may not be crystal clear. But successful application of AI will be reshaping entire competitive landscapes just as the internet has done over the past twenty-five years. And it won't be twenty-five years, or fifteen years. It's now. Srinji Nedunuri and Philippe Vlaeminck get the conversation started for us in the lottery industry.

Predictions of Lottery losing "relevance" in a world enamored with the Next Big Thing have proven to be misguided. We can be thankful for that. But instead of breathing a sigh of relief, we might consider how to leverage our strengths into a more defensible platform that will serve us well into the future. The consumer now enjoys a huge variety of options and that certainly affects our market-place. MMOG (Massively Multi-Player Online Games), "e-sports" and Fantasy and sports betting, and Fortnite may be carving out their share of the consumer market-place. But we now know that Lottery has a resilience and longevity that no other game has ever had. And we know that we are more resourceful and effective

at managing our gaming assets for long-term sustainable growth than are our counterparts in the other gaming sectors.

Gordon Medenica puts some of these themes into proper context. To be sure, Team Lottery faces some major challenges. What Gordon's presentation (re-cast as an article) at PGRI's last conference did, though, was put into context the nature of our issues, how we have faced challenges in the past, and how we might chart a course for ongoing success in the future. For one thing, there have been some home-run innovations that bumped the Lottery growth curve up in a big way. Many of those have come from the effective collaboration of the community of U.S. lottery directors. But what keeps Lottery on top as the most popular game-of-chance in the world, with the largest player-ship, revenues, net profits, longevity, and probably any other measure ... is continuous, incremental improvements.

This disciplined approach towards shepherding this \$85 billion industry in the U.S. has been criticized as not being innovative enough. Some mantras that describe the new-age approach include "move fast and break things", and "you gotta allow for mistakes". What might work in a start-up with little to lose and a mission to disrupt an industry is not the recipe for success in an established business, in fact the dominant business in its industry, and with stakeholders who appreciate a risk-management calculus that does not jeopardize their equity position.

We will be exploring *What's Next* at PGRI SMART-Tech Miami on March 3-5. The theme of the conference is "Store of the Future" which includes integration of the online and off-line connection to the consumer, iLottery and digitization of the in-store shopping experience as well as innovative POS, cashless options, merchandising and promotion to comport with changing consumer shopping behaviours and market trends. We will also explore ways to improve the combined performance of multi-state games, and the two national jackpot games in particular,

by thinking of them more as a portfolio of games to be integrated for optimal synergies. Presentations to complement this session will focus on portfolio management, and how we might integrate the marketing and promotion of games to appeal to the broadest spectrum of play-styles and preferences.

I want to congratulate Dick Clark Productions for producing the most fabulous New Year's Rockin' Eve Extravaganza ever. The first Powerball Millionaire of the year and the decade was announced after a series of high-profile spots on ABC's national broadcast from Times Square. It was magical.

We look forward to seeing you all at
PGRI Smart-Tech and WiLL Miami
Eden Roc Miami Hotel
March 3 to 5

Check in at PublicGaming.org for conference updates and more specific info about the venue and conference program.

And Visit WomenInLotteryLeadership.com for more info about WiLL



Paul Jason, Publisher
Public Gaming International Magazine

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Sarah
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*Executive Director of
Hoosier Lottery in Indiana*



LOTTERIES RE-IMAGINE THEIR ROLE AS LEADERS IN CORPORATE SOCIAL RESPONSIBILITY

PGRI Introduction: Hoosier Lottery earned WLA Level 4 CSR Certification four years ago and was re-certified late in 2018. Sarah Taylor, member of the World Lottery Association Corporate Social Responsibility (CSR) Committee, discusses the transformative impact of expanding Responsible Gaming (RG) into the broader vision of CSR.

Paul Jason: It seems like a natural evolution for Team Lottery to be leaders in the more expansive space of Corporate Social Responsibility (CSR).

Sarah Taylor: The new vision for Responsible Gaming is about how we, how all of us, and the enterprise in which we work, can serve the broader interests of society. How can we reshape the corporate mission, and the underlying culture that supports that mission, to include a long-term focus on making this world a better place?

For those of us in the government lottery sector, service to good causes is in our DNA. Most of us derive significant value from the knowledge that our mission is to generate funds that our state governments allocate for various good causes. I was introduced to this larger vision of RG at a CSR committee meeting with the Independent Assessment Panel held just

before the EL WLA Marketing Seminar that Lynne Roiter was kind enough to invite me to join. It was interesting to hear the passion from the EL members for the vision and the impacts that expanding the focus of RG (Responsible Gaming) to include CSR and Sustainability should have. Many organizations in both the private and public sectors, for-profit and non-profit alike, are integrating this broader vision into their corporate missions. In addition to the central purpose of maximizing revenue for shareholders or even good causes, corporate culture now includes the larger impact of the business on its community and society at large. While the principal business strategy is to produce the best product or service for the customer, issues like creating a diversified and empowering work environment are critical as well. This holistic approach, where maximizing

revenue and corporate social responsibility are not mutually exclusive, is an ideal that the Lottery industry can embrace. We need to identify and codify best-practices, and establish CSR/RG/Sustainability markers against which to measure results. Let's utilize our role as the leader in this space and inspire others to think bigger as well so that everyone is working together to raise the standards of CSR.

Not all lotteries are members of the WLA. But NASPL, the EL, APLA, Cibela, and African regional associations are all working towards many of the same RG/CSR goals. Oregon Lottery Director Barry Pack is leading the NASPL CSR/RG committee. NASPL has its own certification program in partnership with NCGP, and has developed a set of responsible gaming guidelines for sports betting. We all learn from each other and apply best-practices from wherever they can be sourced - overseas or within the U.S; within our industry or outside of our lottery gaming sector. **NASPL participates in the Responsible Gambling Collaborative, which brings together gaming operators, academics and treatment and prevention advocates to align around best practices related to responsible gambling.** We are all working hard to create the tools to support our dedication to the RG/CSR mission.



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Government lottery has always played a leadership role in RG and CSR. I realize we do that because it is the right thing to do. But wouldn't society be better off if our political stakeholders recognized Lottery's dedication to serving society, to RG and CS, and were quicker to reward Lottery with authorization to operate more games of chance and distribute online and provide cashless options and otherwise support the expansion of Lottery?

Paul: It would be best for me to not respond to this question.

Is there a trade-off-between pushing hard to maximize sales and pushing hard to minimize problem gambling?

S. Taylor: No, there isn't. You just do both. And they work together quite well. You maximize sales responsibly for the long-term sustainable growth of the business.

Sales and Marketing-focused enterprises like lotteries typically have at least one all-employee meeting a year. For us, that has always included a big emphasis on sales. We want to engender a passion for the industry, for the service we perform, and for the funds generated by our organization for the benefit of good causes. Sales is the part of the business that readily lends itself to the goal of creating high-energy excitement for our mission and purpose. But over the past several years we have increased our discussion on CSR issues like responsible gaming/positive play and our community service initiatives. A couple of years ago our executive team led a recovering problem gambler panel conversation that included a recovered problem gambler. Last year we invited a sportscaster who is a recovered problem gambler. He described his daily life being immersed in the very sports he used to wager on. It was very moving because he is a public figure whom many may know. We were surprised and touched that he was willing to be so raw and transparent in sharing his trials and tribulations. It is an important story and life experience and perspective for our team to hear and understand. It's not just that we are paying more attention to RG and CSR. As an industry, we are forging a more enlightened and, we feel, more productive and effective approach towards problem gambling and the broader CSR issues that will create a sustainable future that really serves everyone's interests and minimizes harm. I don't think anyone presumes to have all the answers. I do think the entire industry

is highly engaged in this more expansive view towards RG, CSR, and the positive impact that our organizations can have on society.

In your experience with the different trade associations - are there things that the WLA does differently from NASPL and vice-versa? How do the different CSR, RG groups differ in the service they perform or the way they perform it?

S. Taylor: The WLA has a longer history of focus on these issues and therefore has a more robust structure and certification program. NASPL put together a wonderful program that, among other things, helps and supports lotteries which want to participate fully but may not have all the resources to allocate towards RG and CSR. The Hoosier Lottery has been a member of WLA for many years. We have always pursued excellence in every component of the business and so we wanted to elevate the performance of the organization in RG and CSR in particular. Seeking higher levels of RG certification is a process that causes you to be better. It shows you what can be done to improve and teaches you how to do it. It has been such a rewarding experience for us that I want to do what I can to give back and share with others.

We need to identify and codify best-practices, and establish CSR/RG/Sustainability markers against which to measure results.

There are different levels of certification to complement whatever level of resources and attention the lottery is able to allocate to the process. The important thing is just to start somewhere and pursue the goals that are appropriate and attainable for you. Be engaged in the process and you will accomplish your goals. It is important to stay involved with your regional association. NASPL has completed its building blocks and EL has a solid RG and CSR programs. I will say, though, that the WLA RG certification program is more mature and was the best route for us to take. The development of its program is informed by a long tradition of service to its members across the world, along with a global brain-trust and experience that the entire games-of-chance industry turns to for guidance and leadership. Time and participation continue to enhance all of these available programs.

Segueing over to the sales side of the business ... What product categories or even specific games represent the most exciting potential for growth over the next 18 months?

S. Taylor: For the Hoosier Lottery, scratch-off games generate about 75% of revenues and 25% comes from the draw category. We're continuing to focus heavily on the scratch portfolio and in creating innovative games and prize structures. For example, we are developing more games with stronger middle and lower tiers for secondary and tertiary prizes. I think we've seen a shift in how we design the matrix and prize structures. We have produced measurable improvements from changes to the prize structure. And just introduced our second \$50 ticket late in 2019. We are also assessing the ways in which consumer shopping behavior is evolving, and especially how technology is enhancing the variety and consumer-appeal of point-of-sale options - self-service in particular, and how we might allocate investment towards modernizing the whole lottery-playing experience at retail. On the draw side, IGT's new Cash Pop™ game has been introduced in New Jersey and Georgia. We are keeping a close eye on their performance for a possible future

launch here. We have decided to launch Double Play for Mega Millions this spring. It's important to stagger various launches to maximize the marketing impact of each one. Moving Cash4Life to seven days a week has had a positive effect on sales of that draw game. And our local Daily 3 and Daily 4 games are performing quite well. We are improving our Fast-Play offering that prints instant-games directly off the in-store lottery terminal.

What modernization tools and strategies represent the most promising pathways to drive sales growth?

S. Taylor: We are very enthusiastic about our self-service program. There are many operational advantages to making the product available through self-serve kiosks, and this is an area in which we will be increasing our focus. The Hoosier Lottery still utilizes ITVMs in addition to the IGT Geminis that sell both scratch and

Continued on page 40

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TRADITIONAL LOTTERY THRIVES ON INCREMENTAL IMPROVEMENTS AND “SMALL-BALL” WINS



Gordon Medenica
Director, Maryland Lottery and Gaming Control Agency

Following is an edited transcript of the presentation by Gordon Medenica at PGRI Lottery Expo NYC on October 29, 2019 in New York. You can view a video of the complete panel discussion at PGRItalks.com.

What a difference a year makes.

A year ago at this time, the jackpots were rolling like crazy. The \$1.5 billion Mega Millions jackpot hit in South Carolina, and Hogan Brown and I were running around to all of the morning TV shows – it was one of the most exciting times of my lottery career. That was followed by the \$700 million Powerball jackpot. It just blew out everybody’s numbers; in fact, by the end of the fourth month of the fiscal year, we had basically made our numbers for the year.

But shortly thereafter, I starting thinking about how we were going to top those numbers the following year. Of course, we’re living through that now and it’s been sobering and quite an awakening.



I was originally going to speak about what lotteries can learn from other gaming entities, and then talk about where the lottery business stands in terms of the broader gaming industry. I’d like to start with the gaming industry and then go through a number of more familiar topics, along with some concepts and analysis.

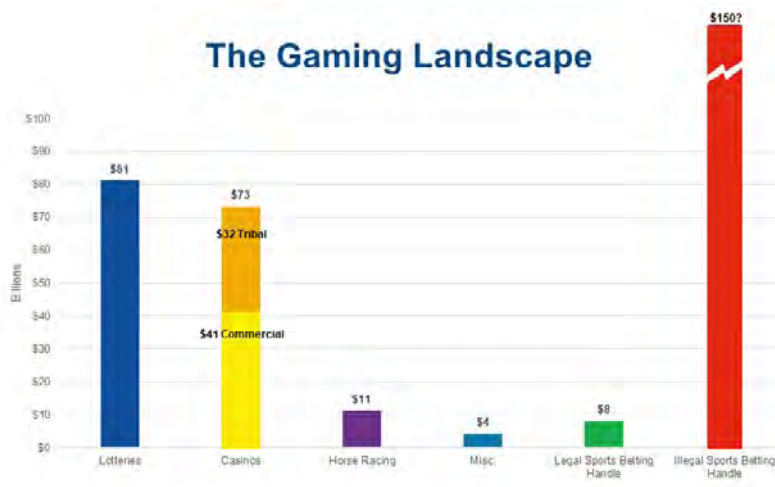
In the United States, the lottery business accounts for more than \$80 billion, and in terms of total size, the casino industry is very similar. While the casino business is bifurcated into tribal and commercial properties, that distinction is really invisible to the player. There’s a real debate on the question of how much we can learn from what’s going on in casinos -- but maybe the casinos are also learning from us; it’s not clear which way the creative inputs are flowing! Horse racing no longer has a viable business model

in the U.S. and it survives on direct subsidies from casinos. If you look at New York, Pennsylvania and Maryland, those subsidies add up to more than \$500 million, just in those three states. Many other states support horse racing, but mainly for political and employment reasons. Finally, there’s also a small category for miscellaneous that includes charitable gaming.

But then we come to sports betting, and everyone’s salivating at the notion that the illegal sports betting market may be \$150 billion. That \$150 billion figure is pulled out of the air – nobody really knows what the basis of it is, but it seems to be accepted. Nevertheless, it’s really important – especially when we talk to our legislators – that we distinguish between handle and the money that we actually take away from it. Sports betting is very low margin, and the \$150 billion probably doesn’t generate more than about \$10 billion in profit. So that bar on the chart shrinks tremendously when you start thinking about the internal economics of how that number is generated. The reason I mention it is because we, as lottery people, are always looking for the next big thing.

Historically, there have always been big things that drove this business. First, there was the shift from an illegal market to a legal market, and the daily numbers games were an impetus for the legalization of lotteries across the country. Then

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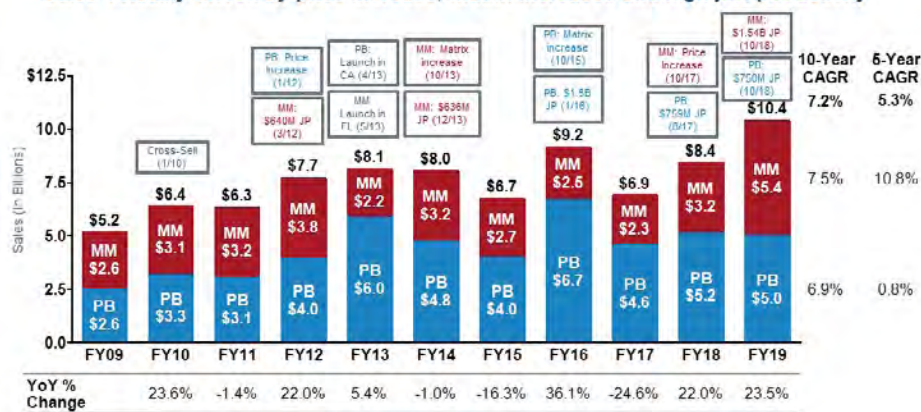


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Historical Mega Millions & Powerball Sales

Sales volatility driven by price increase, matrix increases and high jackpot activity



Note: Power Play and Megaplier sales have been included in sales. Fiscal Year is July through June.

instant games became a big growth lever through multiple price points and a ton of distribution. The big jackpot games gave us another giant lever of growth. So, we've had these big concepts in the past that have driven our growth, and now we're starting to see the limits of that.

Let's concentrate on Mega Millions and Powerball and look at their history since just before the cross-selling agreement began in FY2010. Of course, cross-selling itself was a tremendous boost for the industry. It took a lot of work to get there, but obviously it did extremely well. It's interesting to look at the events that have taken place over the past decade, which are noted in the boxes across the top of the chart.

Cross-selling was done with a very explicit strategy. The entire industry came together and agreed that the first step was to cross-sell both games in all jurisdictions. The second step was to take one or both games to a \$2 price point - that was already laid out back in 2010. The third step was to have a \$5 national game. While we've explored that concept, it hasn't happened yet, although it might still. Powerball began that second stage of the strategy by going to \$2 during FY2012 and we had a nice boost. That same year, we also had a \$656 million Mega Millions jackpot, which was a record at the time. So 2012 was a great year.

Interestingly, when cross-selling started, two very large states - Florida and California - chose not to participate. California had a successful in-state lotto game that sold for \$1, and they were afraid of the competition of selling too many lotto-style games. They explicitly said they weren't going to join until Powerball's price moved to \$2. California

and Florida joined in FY2013, and at that point all U.S. lotteries were selling both games.

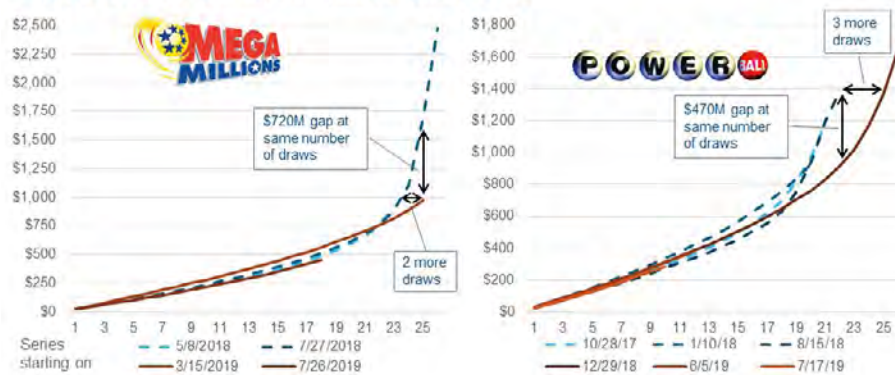
Mega Millions made matrix changes in FY2014, and there was some volatility, and sales dipped again in FY2015. Then in FY2016 Powerball had the world-record jackpot of almost \$1.6 billion. The jackpot category generated \$9.2 billion out of the

\$80 billion that represents the whole industry. The next change came in FY2018 when Mega Millions went to the \$2 price and there was a nice boost in sales of the two jackpot games, from \$6.9 billion to \$8.4 billion. Then, a year ago, Mega Millions had the \$1.5 billion jackpot. It had been two and a half years between the \$1.6 billion Powerball jackpot and the \$1.5 billion Mega Millions jackpot, and as a category, the jackpot games jumped to \$10.4 billion in total sales.

If you weren't an insider in this industry, you might look at those numbers and say, "Wow, look at those growth rates - this is a vibrant, healthy business." But, of course, we know that it's driven by these jackpots. A year later, we've all experienced jackpot fatigue, and as our sales decline, we're all trying to explain to our legislators and others why the numbers look so bad this year. But it's not that different from the volatility that we've always seen in this category. Of course, this is a category that's important to us because high jackpots are an entry point for infrequent players to jump in. But it's not that big a category in larger lotteries' portfolios. Even in Mary-

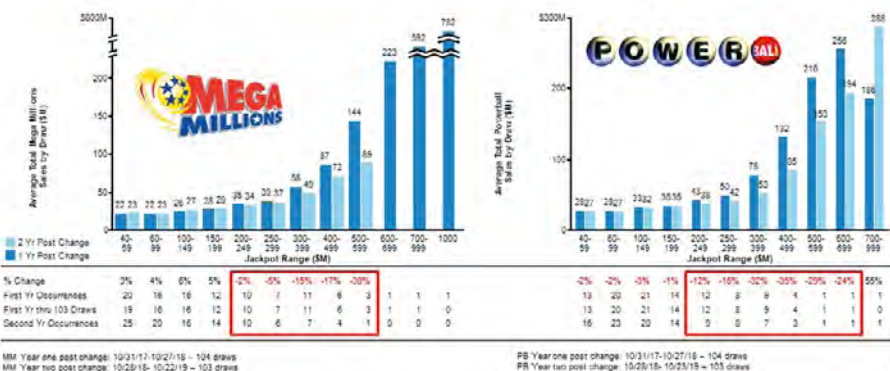
Mega Millions and Powerball Cumulative Series Sales

Because of the decline in sales at high jackpots, recent series have taken more draws to reach similar cumulative sales levels



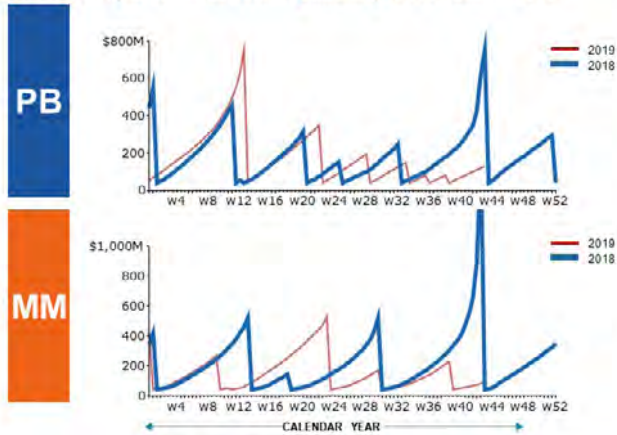
Mega Millions and Powerball Sales by Jackpot Level

Sales have declined significantly in the second year since the MM price change for both games at jackpot levels over \$200M



Multi-State Game Performance

Jackpot activity in 2019 has been significantly weaker than in 2018



DELTA TOTAL US
SALES 2019 vs. 2018
(\$, Million)

-\$432M

-\$2,242M

land, a medium-sized state, the jackpot games only account for about 10% of our sales. If you're a smaller state where jackpot games account for 40% or 50% of your sales, this is devastating, and your results are a giant rollercoaster. States where this category isn't as important will survive as the other major game categories continue to grow.

Sales building up to the big Mega Millions jackpot were off by about 40% from the sales building up to the big Powerball jackpot in

2016. Another way to think about the sales slowdown is to look at how many more draws it takes to get to the same jackpot level. In Mega Millions, it takes about two more draws, and for Powerball, it takes about three more draws. We are still the dominant gaming entity in this field in North America, but do these numbers give any indication that this is the beginning of the decline? Have we seen our best days? How do we go forward from here?

We have a bunch of little games, and, thanks to Drew Svitko, we tried something new with one of them. Drew pushed the Cash4Life consortium, which represents nine Cash4Life states, to think about going to daily drawings. He had done that with one of his games in Pennsylvania. The group was initially skeptical, but the argument that carried the day was, "What have we got to lose?" We made the change, and sales have been up 60, 80, 90% in various jurisdictions with very minimal cannibalization. We held a joint meeting with the Lucky For Life consortium, which is very interested in our success with going daily. We hope they will come along to do that, and down the road, we may redesign the game with the objective that it become an even bigger national game.

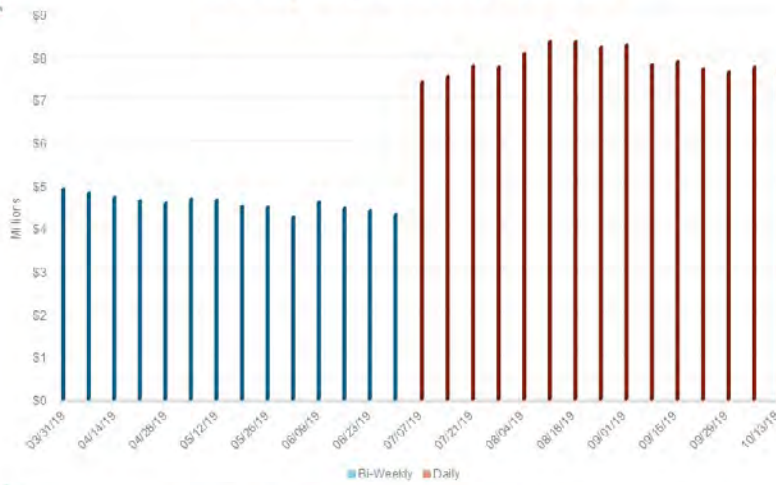
This brings up other initiatives that are going on in the industry – there are tons of them. However, I would characterize them as "small ball." Baseball fans know that small ball is about hitting singles, stealing bases and bunting to advance baserunners and just eking out one run at a time as opposed to hitting home runs. One of the big questions for our industry is can we develop another huge breakthrough concept – like the national

Connecting. Listening. Partnering.

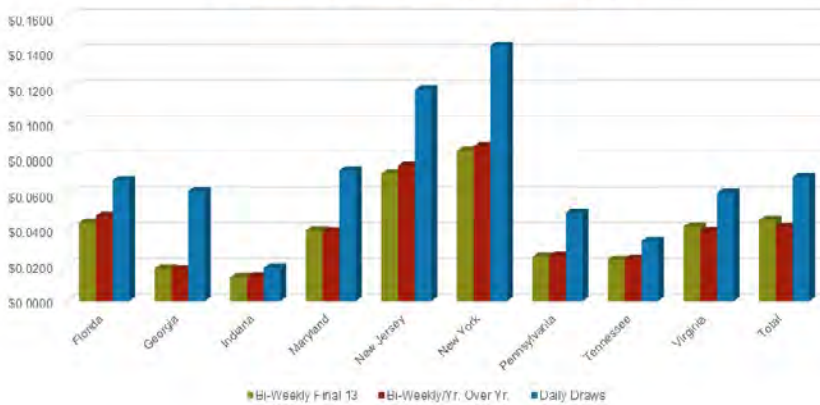
WE HELPED YOU CONNECT WITH YOUR PLAYERS. We listened to you about your business wants and needs. And we are honored to partner with so many of you across the gaming industry. As we bring the connected casino of the future to the market through FUZION®, we will continue to listen to you, innovate for you, and bring you new solutions to make your operations more efficient and more profitable than ever.



Weekly C4L Sales - All States



Cash4Life Weekly Per Capita Before & After Daily Conversion



jackpot games, instant games or price point adjustments – or do we have to play small ball? And if we play small ball, can we ever do something as significant as one of those giant breakthrough concepts?

Industry-Wide Initiatives

(Small-Ball?)

- In-Lane
- Cashless
- Double Play
- Sports Betting
- Route Management
- Fast Play
- International
- Retail Expansion
- Promotion Efforts (e.g. New Year's)
- Online

I was lucky to be asked to join the International Working Group, and in that group, we started by thinking of really big game concepts. We were thinking about international Powerball, international Mega Millions, jackpots starting at \$200 million, and having \$500 million or \$1 billion jackpots regularly. We're not afraid to take an existing idea that we can use to our benefit. We looked at the Lottoland model of an

insurance-backed prize pool in order to get us over the initial hurdle of the liquidity problem at the early stages. All in all, there was a lot of work put into big-concept international games, as a potential way of expanding significantly and quickly. Nobody really knows how big it could be, and there are a ton of operational, financial, tax and legal issues that are being worked through.

Another initiative is in Texas, where they are launching in-lane sales. It's all well and good to have Mega Millions and Powerball for sale in-lane, but selling instants in-lane is where the real money is going to come from. Are we going to have the patience on in-lane sales if initial results aren't as spectacular as we think they will be? Will we hang in there and develop the rest of our portfolio to be relevant in an in-lane environment?

Cashless payment is another option where we've seen great results. For years, everyone was reluctant to do that because of the bank

fees. Now, we've become convinced that the bank fees shouldn't be a barrier, and to the extent that lotteries have to absorb those fees, it should be more than offset by the sales increases that can be generated.

Double Play is a little add-on game that Mega Millions has approved. We've got five states launching in April and a few more next fall. Mega Millions now has three add-ons, including Megaplier and Just The Jackpot, which is still out there. Maybe Powerball will choose to offer some of these add-ons as well.

When it comes to sports betting, we have to be realistic that it may not be a game-changer, especially in terms of bottom-line profitability. It's important for us, but it's especially important for the casino business where they view sports betting as a traffic driver, not a profit driver. Hopefully many of us will be participating in sports betting very shortly, but I think it's going to be additive, and not a game-changer.

Our industry has had some talks with CVS about their business model, and the potential for adding lottery sales at thousands of CVS stores around the country. Retail expansion, of course, is critical for us and that could be another way to achieve growth. There are 18 states selling Fast Play, a draw game that has the characteristics of instants where players find out immediately if they've won. And how much of a role is there for promotions? We're all familiar with the New Year's Eve promotion that Powerball is doing – is that something that we, as an industry, need to embrace and fund and pay for? We're happy to see those types of experiments and see if they can, in fact, move the needle.

And there's also iLottery online. We've seen in Michigan and Pennsylvania that if you're willing to go to the high payout instant model, you can drive significant revenue in that category. However, the states that are selling existing products at existing payouts – allowing players to buy Mega Millions or Powerball online – that's not a game-changer.

There are 10 ideas here, and we could probably add another 10 that several states are doing. Even if each of these ideas only generate 1% or 2% of growth, and if you do everything on the list, then you can add up to 10% to 20% growth. I would argue that in an industry of this size and maturity, that may be where our future growth comes from.

Thanks very much.



SHEM'S

Harnessing AI to Benefit Lotteries



If you don't plan to implement some form of Artificial Intelligence in the next three years, you might be left behind. AI has arrived, and here's how lotteries can benefit.

*By Srinu Nedunuri,
Vice President IGT
PlayDigital™ Platform*

Just as the steam engine and electrification once revolutionized whole sectors of the global economy, so are the internet, robotics, data analytics, and Artificial Intelligence (AI) beginning to dramatically alter today's industries.

Once merely a buzzword, AI now offers the powerful means to solve real-world problems, resulting in an array of enterprise-level tools and processes. Globally, as many as three-quarters of businesses expect to implement some type of AI within the next three years. Will the same hold true for lotteries? Let's take a closer look.

What is AI?

Simply put, AI is a collection of technologies that, when brought together, allow computers to compile and analyze digital data and make automated decisions or provide insights that previously only human intelligence could perform.

While computers are still a long way from "thinking" at the level of a human being, the enormous amount of data and computing power now available has made it possible for machine learning and AI capabilities to excel, particularly in the areas of pattern-detection and problem-solving.

Applying AI in the Lottery Space

Humans learn from experience, but computers learn from data, so data is where AI starts and finishes. Today, our industry relies on human experts to analyze lottery data and produce meaningful insights. AI harnesses technology to automate this process for massive amounts of data. AI can do it faster and more efficiently, and can recognize and highlight correlations that humans might not be able to find.

IGT's exploration of AI began with a goal of helping lotteries **gain deeper insights into player preferences and behaviors** — for instance, how players react to the content offered, how frequently they play, why they play, and how to personalize offerings to them while maintaining a responsible and safe gaming environment. In fact, AI can play a central role in

72% of businesses that have implemented AI say it will be the **business advantage of the future.** (PWC.com)

Approximately 75% of businesses plan to implement AI in the next **3 years.** (Accenture)

Worldwide spending on AI systems was forecast to reach \$35.8 billion in 2019 and double to \$79.2 billion in 2022. **Most of this investment will be in Decision Support/Augmentation** to maximize profits. (Gartner)

improving responsible gaming efforts, as well as security and fraud protection. IGT's solution, Play.AI, is focused on these major areas (see sidebar: *Taking the Difficulty Out of AI Implementation*).

There are countless potential AI applications for lottery. Wherever there's a spreadsheet and analysts looking at data today, there's potential for AI to help advance our understanding. In the United States, for instance, a lot of time and effort is spent on planning the allotment of instant tickets. What if there were an AI application for that? AI can constantly monitor activities like sales or even the number of requests for sold-out items, and then provide data suggestions to improve how and what is offered.

AI offers the potential to help with less obvious applications as well. For example, when there are rolling jackpots, the demand for play slips and ticket stock increases considerably. Today, humans source, plot, and manage the data to maintain those paper-supply lines. A current IGT trial is using AI and our own data to map this process in parallel with traditional, manual processes, making it possible to correlate the accuracy of the two and create a practical, proven application for lotteries that manage consumables at a large scale – for example, in Europe – to optimize the process and save money.

Uses of AI Across Industries

Many of us already experience forms of AI today in applications such as virtual assistants (e.g., Alexa and Siri). Amazon's product pricing system updates as many as 2.5 million times per day using AI to analyze customers' shopping patterns, competitors' prices, profit margins, inventory, and a dizzying array of other factors, and to choose new, competitive prices that maximize profits. Travel agencies, insurance companies, and other retailers also use AI for dynamic pricing. In the health care industry, AI is involved in everything from pharmaceutical research to medical imaging analysis to suggest the best treatment. Common business uses include:

Sales forecasting

Credit scoring

Optimizing marketing campaigns

Predictive maintenance

Identifying new market opportunities

Enhancing the customer experience

Optimizing processes

Reducing operational costs

Mitigating risk

Fraud detection

AI Applications for Lottery



AI can also track player choices in the digital and retail realms and look for patterns — whether related to the time of day people play, or the topic of games they choose — to enable better overall marketing and game-offering decisions in retail and digital. The two worlds are no longer separate.

How AI Can Benefit Lotteries

Here are some of the ways IGT's Play.AI solution can be applied to benefit lotteries, based on trials with IGT's Lottomatica over the past three years in a highly competitive gaming market with more than 260 operators.

1. Better Understand Your Players and Their Engagement

It's difficult to acquire players, and

it's even more difficult to keep them. IGT built a model to make it possible to look at players' **Play Characteristics** and, combined with responsible gaming models, identify appropriate offers to send to individual players. In effect, **AI enables personalized 1:1 campaigns**. Personalization is the holy grail for any marketer, because relevant content most often generates the best user engagement.

AI can also be used to build a content transactions matrix, enabling lotteries to **predict the propensity of consumption for different types of content**. The probability of players moving from one kind of game to another is different for different kinds of games. Therefore, if a player favors one type of game, there's an opportunity to suggest other games that the player might like to try.

2. Improve Your Content Offering

To learn more about how our own content was performing, IGT began feeding content data to our Play.AI system and taught it how players were consuming the games. We first created a model to predict consumption based on 150 days of performance — nearly six months. We then reduced the period to 90 days, then 30 days. Now, with 15 days of game activity, we can predict with up to 97% accuracy **how a game will perform**. In addition to allowing lotteries to improve their content offering, this application of AI **gives lotteries great insight into their potential revenues** for the next three months. AI can be used for retail games, too, provided they can access the data to support the AI models. This is possible particularly if

a lottery uses a platform like IGT PlayCommand, which tracks, aggregates, and links data transactions for both digital and retail businesses.

3. Improve Player Security – Responsible Gaming

How can the industry maintain a safe environment for players? Responsible gaming (RG) is an important focus for IGT, and we provide various self-management tools to limit spending and time in support of RG efforts. A critical

question, however, is how to identify high-risk and medium-risk players and offer relevant content. Artificial Intelligence and machine learning can help to **categorize players in potential risk categories** and create a hyper-personalized recommendation engine to help the player make better decisions and maintain a safe environment for gaming entertainment.

Artificial Intelligence may just be getting started, but it's here to stay. It

will become the standard way operators predict and adjust their business models, and more. ■

To learn how you can apply AI today, **contact your IGT Account Manager.**

For more on the rise of AI, watch a video of Srinu Nedunuri's recent PGRI Expo presentation at pgritalks.com.



Taking the Difficulty Out of AI Implementation

AI implementations are complex. Four years ago, IGT invested in building AI capabilities with a goal of **harnessing greater player understanding** to create **practical applications that serve our lottery and gaming customers' business needs** and make it easier for them to adopt AI.

The steps to AI implementation include the following:

1. Define what you want to achieve. What decisions do you want AI to help you make, and why?
2. Ensure that the right data is available in the right format to enable machines to learn from it and make decisions. How can you be certain the data isn't skewed around the topic or presenting a bias?
3. Consider how to find, grow, and label relevant data, and how to store and protect the growing data sets.

4. Assemble the right technology tools, software, and skilled human resources.

IGT removes the complexity for lotteries by providing a purpose-built Artificial Intelligence platform, Play.AI.

The Play.AI solution outperforms traditional business intelligence tools that rely on historical data, and compared to them, it can predict what might happen in a given situation with a level of certainty not previously seen.

This field-tested solution – live in the market for more than three years – processes vast amounts of data in minutes and relays easy-to-understand reports that help operators determine **how to retain players, which players to prioritize, what games to promote**, and much more.



SHOULD POWERBALL GO GLOBAL?

By **Simon Jaworski**
President of the U.S. Office, Leger
the Research Intelligence Group
leger360.com



Among key U.S. Lottery personnel, there are two distinct camps of thought as to whether the current U.S.-only branded Powerball game should be sold in other countries. However, unlike the Brexit debacle over in my home country of England, and the widening of the political spectrum in America, there does appear to be potential for some middle ground. Imagine that. People working together towards a common goal of greater success for all.

The difference in this case is that the internal controversy over Powerball strategy emanates from one simple conflict. Team A is crying out for Revolution, while Team B simply wants Evolution. Two opinions, just one simple letter of difference. Both paths are qualifiable and quantifiable, and yet both teams have the same goal... to increase revenues to help the townsoffolk of Lotteryville. What was once a relatively simple task, sitting back and watching as rolling Mega and Powerball jackpots ensured financial returns satisfied even the meanest of Governors (think Headley Lamar from Blazing Saddles), has become more onerous as the years have worn on.

Into the new decade, a 300 million bean jackpot win seemingly can't guarantee happiness for the average person in the street. A billion (or even half a billion) with its "B" has more of a ring to it, but when was the last time either jackpot game hit that magical mark? Not recently enough, according to leading lottery directors.

So how will another single letter swap help the current situation? After following these

discussions first-hand, your humble scribe from renowned lottery and gaming research experts Leger, decided to take a stand, and ask some questions relevant to this very issue on their December 2019 U.S. Omnibus.

80% of Past Month players will remain loyal

The first, and perhaps most important question simply defines whether Joe Public will continue to support Powerball if sales occur across borders. When asked whether 'we the people' would still play Powerball if it expands its selling base to other countries around the world, 42% of the U.S. population say they will still play, which translates to 80% of past month Powerball players.

Lapsed players are split

Perhaps more interesting are results from the lapsed players (these are former Powerball players who have not played Powerball in the past month, but have played in the past year), where opinions are almost evenly divided on their future purchase intent. 52% of lapsed players state they will play if Powerball expands, with the remaining 48% saying they will not. To Leger this seems to be the tipping point. Can U.S. lotteries, with their current monopoly, grow sales internationally, to compensate from losing 20% of their recent players and potentially half of the casual players?

So, is it seen as a 'positive' step?

One third of Americans feel the expansion to an 'internationally extended' Powerball will be a positive step, with almost the same proportion (30%) believing it to be negative, with the remaining third neutral. The 'positives' are driven by those 'aged 30-39' (48%) and families with children (42%), while the 'negatives' lean heavily on those '65+ year olds' (46%). These facts would seem to indicate that the greatest opposition to change, are the oldest age group, which is by no means a negative, given the fact older Lottery players tend to drop off a little in terms of play following retirement.

Leger

Recent players see the benefits, lapsed players less so

Among the recent players, 62% of past month Powerball players claim the extension of the game is seen as positive, compared to only 29% of lapsed players. In fact, 43% of those lapsed players argue the move would be a negative for the game.

When you combine the fact that lapsed players, Americans who have played Powerball in the past year, but not in the past month, are unsure of the positive effect and half already claiming they will not play an international version of Powerball, how easy is it going to be to win back this key market with statistics like that.

Key positives of an expanded Powerball

"Bigger prizes and jackpots" are the key factors among those who favor the Revolutionary option, stating "It's a good opportunity, positive all around". However, those against the new plan simply shake their heads, with a dose of patriotism attached. "Our chances to win would be diminished, with much lower odds" and "it's an American game, it should stay American".

Player benefits track with recent jackpot games

Leger's survey also asked respondents the potential benefits of a newly expanded Powerball. The past month players were very vocal, with a number of critical attributes hitting the 50% + level. Players want 'Bigger jackpots more often' (63%), 'Better odds of winning' (58%) and "Higher prize levels for hitting just the Powerball number" (51%). From one side of the fence it could be

Continued on page 29



Reimagine **Next**

2020 isn't just a new year - it's a new decade, a new beginning.

And Scientific Games has a bold new look to kick it off.

So look for us as we work with our lottery partners to reimagine the future.



Patrick
McHugh

*Executive Vice President
& Group Chief Executive,
Lottery, Scientific Games
Corporation*



REIMAGINE PLAY™

PGRI Introduction: 2019 was a year of celebrating success for Scientific Games. Instant games retail sales surpassed the \$50 billion mark in the U.S. The world’s largest provider of instant games announced a manufacturing expansion on two continents, and several major domestic and international instant games and technology contracts including Florida, Turkey and Italy, plus the announcement of the first national instant ticket lottery concession in Brazil. Much of the global marketplace is still emerging in the instant product category with large markets like Brazil poised for explosive growth, and mature markets continuing to represent a huge opportunity to apply proven best-practices that can expand the player base for responsible entertainment. The category is reinventing itself for the digital age – poised to grow at rates faster than ever. Scientific Games is integrating the games with a cross-channel entertainment experience for players, and a modernized technology approach to retail.

Scientific Games provides over 70% of instant games worldwide, serving over 150 government lotteries globally with games, technology or services. As gaming distribution

channels expand, the need for integration at the systems level becomes mission-critical. Innovation at the operational level, excellence at execution, and collaboration with customers to ensure best-in-class at every level have always been a part of the company’s culture.

Supporting the U.S. industry with iLottery, players clubs, player account management systems and second-chance promotions, Scientific Games continues to analyze consumers and follow how and where they want to play. The company’s digital sports betting solutions are powering more than 35 markets around the world. Retailer innovations like the SCiQ® instant game ecosystem, PlayCentral® 54 self-service machines, and Scientific Games Enhanced Partnership (SGEP) programs are revolutionizing the way lottery products are sold at retail. The technologies to drive success are all in place and innovating peak-performance for many lotteries. And Scientific Games’ Reimagine Play experience is informing a reimagined operational ecosystem for an ever-expanding portfolio of games distributed through multiple channels.

Paul Jason: How is technology changing the player ecosystem?

Pat McHugh: For Scientific Games, our technology has allowed us to connect the entire lottery ecosystem to deliver the best games and player experiences across channels and product lines. Momentum™ is Scientific Games’ enterprise ecosystem that connects our suite of value-add products and applications for effective use today by lotteries. Momentum creates a framework that allows us to integrate sets of content, products, and data analytics

to operate in together. Our approach of integrated technology and products creates a backbone that supports progress in every corner of our lottery customers’ business to maximize proceeds to their beneficiaries. Data analytics have become a core function of all our systems, allowing us to help our customers optimize game design, and diversify the variety of games and playstyles for the consumer. Reimagining retail, with products like SCiQ®, is modernizing lottery with business intelligence never before available.

Inside and outside our industry, expanding digital channels, the diversity of pop themes and brands, plus the impact of real-time entertainment – whether that be mobile sports betting or video games – is creating an explosion of consumer choices that will shape our industry going forward. Technology is unlocking consumers’ ability to enjoy entertainment on demand. Scientific Games uses technology to translate those capabilities into what we refer to as “entertainment ecosystems” that allow our customers to

manage and analyze their game portfolios and associated products to entertain players, seamlessly between online and retail play.

What do you think the government lottery operator will look like five years from now in terms of the portfolio of games that they are offering?

P. McHugh: I think we can expect the need to increase funding for good causes to drive further expansion of game categories and distribution channels to make lottery products more accessible to consumers. The online market will grow at the fastest percentage rate. However, Scientific Games remains incredibly bullish on the ability to maximize profit growth, in actual dollars generated, from the core business.

Scientific Games has demonstrated that a strong partnership with our customers investing in innovative products and game portfolio management can generate double-digit growth even for mature and high-performing lotteries. In 2019, our SGEP program customers saw year-over-year growth far ahead of the industry as a whole. While year-over-year instant game performance for the industry is 4.3% growth, we have eight domestic SGEP customers experiencing from 5.8% to 13.7% growth year to date (as of December 28, 2019). That is truly exceptional performance.

As Drew Svitko explained in his keynote speech at the PGRI Lottery Expo in New York, the Pennsylvania Lottery leveraged its iLottery connection with consumers to drive performance at retail and vice-versa. However, the Pennsylvania Lottery's success isn't just with iLottery. They also added new retail game categories, expanded the number of self-service vending kiosks, launched cash-less payments and digital wallet funding at retail, and added new retailers. This multi-channel model has allowed Pennsylvania to experience record retail sales growth while launching the most commercially successful iLottery program in the industry's history. Making the games more accessible drives sales growth responsibly because it increases the player base by bringing in new kinds of consumers – and it does not depend on the

core players to increase their spend.

U.S. consumers now think of games-of-chance like any other consumer product or service. They expect innovation to drive new product; they expect multi-channel availability; and they expect a seamless, user-friendly player experience. Players expect operators to engage with them across the whole spectrum of online and off-line channels, and offer the widest diversity of games. That's why we are focused on products, profit and programs for our customers. We are maximizing sales growth in a responsible way with technologies that allow lotteries to launch new games quickly and cost-effectively, and integrate those games into the existing portfolio in ways that optimize the

For Scientific Games, our technology has allowed us to connect the entire lottery ecosystem to deliver the best games and player experiences across channels and product lines.

seamless player-experience.

Are lotteries investing in the technology that enables modernization?

P. McHugh: Yes. Atlantic Lottery and Danske Spiel are examples of lotteries that migrated completely to our multi-channel platform, transforming a legacy series of separate platforms that served all of the various product lines, but were not integrated to work together. Siloed platforms are inefficient for the operator and clunky for the player. Now these lotteries have one wholly integrated platform that supports all the products they offer – draw games, instant games, casino games and sports betting – all operating seamlessly across retail and digital channels that include self-serve kiosks and land-based casinos as well as traditional retail stores, iLottery and online casino games. The modern entertainment ecosystem pulls together all those products and channels. Of course, many lotteries do not offer the entire range of products in a multi-

channel environment, but they still want to integrate what they do have to sell through the channels in which they are authorized to sell. And everyone wants a technology infrastructure that supports change, growth, the addition of new products, new game categories and new channels of distribution. The breadth and depth of our global experience enables Scientific Games to customize the approach for the specific needs of each jurisdiction that operates within its own unique set of dynamics, regulatory constraints and business objectives.

Scientific Games has developed the systems technology and services that supports not just instant and draw games, but integrates products across

a broad portfolio of games that includes iLottery, sports betting, land-based casino, iCasino, digital promotions, loyalty programs, etc. These are all at the ready to deploy for customers that are ready to expand their game entertainment, just as the Pennsylvania Lottery, Danske Spil, Atlantic Lottery and other lotteries around the globe have successfully done.

The European and Canadian markets are now heading into a second generation of systems-enabled game entertainment. The first

generation had the functionality, but it was not fully integrated. This next generation is fully integrated so consumers can migrate seamlessly across game categories, channels and media; and so the operator can sell across product lines and multiple media and channels and use player loyalty clubs to promote a diversity of games and playstyles that engage players. The online connection is fully integrated with the retail channel to drive the multi-channel relationship that is more convenient for the player while driving sales growth for the operator.

We want to make it easy for sports bettors to play e-instants and other lottery games, so we are creating a path for younger adults who may prefer casino games and sports betting, to try lottery games. We think the traditional consumer lifecycle is more receptive to Lottery game entertainment as they get older. Scientific Games is making sure the bridge is there for consumers to cross over when the time is right.

Where does the retailer fit into the entertainment ecosystem?

P. McHugh: SCiQ is a great example of an intelligent instant game ecosystem that eliminates existing retailer challenges to selling lottery products in their stores. The result is improved player experience and increased sales performance, as well as enhanced operations for security, retailer support and inventory management. Right now, SCiQ units are operating at five major retailer chains across 10 states. SCiQ automates the tracking and recording of sales by unit, and it captures a wide range of data points that informs everything from game development to promotional messaging to product mix and inventory management in the store and all aspects of data analytics. SCiQ also integrates the iLottery and in-store digital components with retail. For the first time in our industry, SCiQ technology provides a very high level of security for instant games that prevents theft. This was proven by a recently thwarted robbery at a retailer in Arizona.

But how does SCiQ actually enhance the player experience?

P. McHugh: SCiQ was inspired by a need for professional in-store merchandising, analytics and management of one of the largest consumer products in the world - lottery products at retail. SCiQ reflects lottery's status as a multibillion-dollar global consumer product with millions of players and brand awareness that competes with the best-known consumer brands. SCiQ has been proven to drive double-digit growth in retailers where it is installed by enhancing the entire player experience at the counter, the place where it matters most: the proverbial "zero moment of truth". Applying the data analytics captured by SCiQ is a first step towards understanding the likes and dislikes of consumers as well as broad marketplace trends. Without the insights provided by data analytics, game design, supply chain logistics, promotion and brand messaging are all based on anecdotal information, gut instinct and trial-and-error. "Data is the new oil," but only if it is converted into useful business intelligence. That's what SCiQ does, and the result is highly informed game development and promotional messaging which creates a better player experience. And that drives sales performance.

Turkey was already one of the biggest regulated sports betting markets in the world. Since 2019, when Scientific

Games joint venture, Sans Girisim, took over operations, Turkey's sports betting operation began a new and very impressive phase of growth. How did Scientific Games and Sans Girisim manage to increase sales so significantly?

P. McHugh: Scientific Games' systems and managed services in Turkey allow for expanded play styles and distribution, resulting in record sales and profits literally from our first week of operations. This is why we are so bullish on the opportunity for sports in U.S. lotteries if the program is managed effectively. The first U.S. state to launch full-scale sports betting, Scientific Games' customer the Delaware Lottery has an impressive \$255 million in wagers and 9.9 million transactions since the June

Reimagining retail, with products like SCiQ®, is modernizing lottery with business intelligence never before available."

2018 launch.

Scientific Games' recent contract awards in Turkey and Italy are great examples of how our industry leading games, products and services were selected because they help maximize lottery proceeds. The Turkey National Lottery award shows the power of full-fledged integration of our games, technology products and services across channels of distribution. In Italy, our customer SISAL is rolling out our WAVE™ terminals for the national draw game SuperEnalotto. This will represent one of the largest lottery terminal point-of-sale networks in the world.

The lottery operator wants sports betting to augment its portfolio of games, attract new consumer groups, and diversify its player base. But can sports betting also be a big profit generator?

P. McHugh: In Turkey, we maintained the sports betting margins at 30% of gross gaming revenues, much like traditional lottery margins. We rolled out an attractive portfolio of bet options, allowing our customer to maintain profit margins, through our high-performance lottery terminals at retail which opened up a thousand new points-of-sale across the country. We optimized digital channels,

and integrated all the consumer touch-points to unlock the full potential of the true multi-channel player ecosystem and transformed the business.

If managed effectively, sports betting can absolutely be a profit generator. To your point, Scientific Games has extensive research data that shows there is significant crossover of players between traditional lottery products and other game entertainment like sports betting. Expanding and diversifying the portfolio of games appeals to the modern player's interest in trying new entertainment, it absolutely helps drive player engagement and sales growth.

You, Pat, have developed lots of personal relationships with industry leaders all around the world. How does that inform your own perspective and ability to overcome challenges and issues in execution and the solutions that you recommend?

P. McHugh: Scientific Games listens to our customers, and we love innovating to solve their challenges. Our mission is to make the best products that generate the most profit for our lottery customers' beneficiary programs. We think of our customer relationships as partnerships. SGEP instant category managed services is a partnership because we can share experience, tools, insights and best practices to optimize our customers' entire game portfolio. The results show our SGEP customers dramatically outperform the industry in growth.

And there are two important points about "best-practices." One, every jurisdiction is different, so what works best in one market may need to be modified in another. Two, the customer is the boss. She or he knows their own market, business and political climate the best. Our job as a business partner is to understand our customers' current and future needs, provide insights based on our global experiences, and adapt best practices to each unique environment. This philosophy has served our customers well for 45 years, and Scientific Games will continue to improve this approach in 2020 by providing the best products and programs that maximize lottery profits.

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argued that Powerball could achieve two of these three 'wish list' items with the current Powerball game, without allowing Johnny Foreigner a chance to win.

Taking a lead from Meghan and Harry

One of the critical questions of a potential jackpot game expansion is the 'where'. Some parties would no doubt like to see Powerball extended to the colonial headquarters, and to a certain extent the American public agrees, as 38% feel that the UK would be a good fit for expansion. However, it's our brethren on the upside of the northern border that seems like the most logical place to develop the jackpot game, with 53% stating Canada as a great fit. If members of the British Royal Family chose the Canucks over the Limeys, surely Powerball would be welcome in the Great White North. Both Mexico and Australia are also seen as options, selected by around one in five Americans as potential fits for Powerball.

Would Lotto Max get the cold shoulder?

As you, the reader, may already be aware, Canada already has two of their own jackpot games already, in Lotto 6/49 and Lotto MAX. That may well be the case but when pressed to choose just their favorite (i.e. number one choice) 39% of Americans, and possibly even more importantly 50% of past month Powerball players, state that the Land of Ice Hockey should be the first country to begin Powerball's expansion.

When asked why Canada, 38% of Americans recognize the close proximity geographically, while 19% state that we already share a border. Both reasonings seem logical to this author, almost a natural extension for the game. However, history also teaches us that not everything that crosses a border to the north succeeds. Isn't that right Montreal Expos fans? 13% also think that Canadians are the most akin to Americans. (Please note loyal reader, this last statement was challenged by all Canadians, and dismissed as simply rhetoric by their Cour suprême du Canada...I won't bother translating).

To spend, or not to spend, that is (another) question

Leger also asked whether players in the USA would continue to spend the same amount of money on Powerball if it was also in other countries. Based off the 'ever played' Powerball portion of the research, (n=676 people), it was determined that more than half (51%) would continue to spend the same amount they currently do on the game. One in six stated they would spend 'a little less', while 10% said they would spend 'significantly less' than current.

23% of 'ever play' players simply turn their collective noses up and, similar to an earlier answer, state they would flatly refuse to play Powerball again, if the game hit foreign shores.

New Powerball, new rules?

If players could sculpt the changes 'a guaranteed winner of \$100,000 per state', was the number one chosen benefit of a multi-country Powerball. This gained 48% of support from past month players, while even 38% of lapsed players gave it the jolly old thumbs up. 38% of past month players also felt 'Better odds of winning a \$10 prize' and 'higher prizes for hitting just 1 or 2 numbers' were the next two important potential changes. These two factors may lead one to believe that perhaps winnings can be split between a large jackpot, with something for even the little people. Ultimately, it appears, Powerball players simply want to feel like winners.

Where does Powerball's future lie?

Perhaps what the support for these three ideas (above) alludes to is that there may be room for both team's strategic goals based off this simple research, providing the core players have a say in the remodeling. Much like the October 2017 move to a \$2 Mega Millions game (from a \$1 ticket), a reinvention of the other domestic classic could perhaps be a tad overdue.

We live in an ever-shrinking world, and investigating whether there are potential friendly partners to expand the Powerball game globally seems like an acceptable next step, and should certainly not be dismissed based on the numerical evidence provided by Leger's research. MUSL and the key stakeholders in the U.S. should use more of this type of research to evaluate the potential of Powerball changes both at

home and abroad, and truly understand how we can increase money for good causes everywhere. This seems infinitely easier than trying to get Republicans and Democrats to agree on policy.

This research highlights some of the benefits and pitfalls of an idea being batted around the lottery world right now, but it barely even scratches the surface of potential for improvement and the obstacles to change. Some key issues jump out immediately. What happens to Mega Millions? Does Powerball move to a \$5 price to differentiate itself? What will truly happen if an 18-year-old from Montreal, or a retired insurance salesman from Manchester, scoops a major Powerball jackpot? Will that impact the perception of value on the part of U.S. players? Maybe Powerball should be kept domestically, and a completely new global game be developed? Is Globalball already patented? If Powerball is sold into other jurisdictions, will that mean that other jurisdictions can sell their lottery products into the U.S.? And if other jurisdictions can sell into the U.S., would that include safe-harbors of gray-area operators like Malta and Gibraltar, and "synthetic" lotteries like Lottoland? This is just the beginning of the discussions, and research into, another exciting Lottery adventure.

The numbers behind this story are available from Simon Jaworski and his Leger Lottery research team. Feel free to reach out about this, or any Lottery and Gaming research, to sjaworski@leger360.com

Trust me, I'm a researcher. ■



David
Kubajak

*Senior Vice President of
Sales, Marketing, and
Operations at JCM Global*



One Connection that Changes Everything JCM FUZION® unleashes the power of “what if...”

IMAGINE A WORLD where any kind of Electronic Gaming Machine (EGM), can be utilized in new ways to unlock greater value for you and for your players. That is the game-changing technology called FUZION®. Every EGM in your business has the potential to deliver a server-driven suite of player-focused, revenue-driving features. FUZION turns every EGM into a multi-use gaming kiosk, a multi-line profit center ... with lottery tickets, sports wagering, promotions, and more at your players' fingertips. FUZION is at the core of the future-ready distributed gaming environment, casino floor, or EGM venue.

Ten years ago, after fifty-five years of inventing industry leading transaction products for the casino industry, JCM began the journey of digitizing their core business. Now, the entire portfolio of gaming products is digitally integrated to deliver an expanded range of functionality that optimizes efficiency for the operator and utility for the players. FUZION® technology is the breakthrough that Lottery, Sports Betting, Promotions, and other secondary game categories have been waiting for. By enabling EGM's to vend additional products, services, and games, FUZION® expands the POS footprint for Lottery throughout an entire operation. The potential impact is mind-boggling.

Paul Jason: Greetings from G2E in Las Vegas. We are here with David Kubiak the Senior Vice President of Sales, Marketing, and Operations for JCM Global. These are just a couple interview questions from our video-recorded interview which can be viewed at PGRItalks.com and which includes a demonstration of how FUZION™ works on an actual slot machine. David, please explain FUZION™ and tell us why it matters so much.

David Kubajak: Existing Electronic Gaming Machines (EGM's) and vending machines have always been single-purpose, or very limited in their functionality. Modern technology has now transformed the player experience for slot machines, creating immersive video narratives that have little resemblance to old spinning reels (though, yes, players do still love traditional play-styles too). But even these amazing new EGM's are very limited in the variety of products and services they are able to display and vend. FUZION transforms this existing gaming device, like a slot machine, or any kind of ticket vending machine or gaming terminal, into a multi-function kiosk. One exciting application of FUZION is to convert a slot machine into a Lottery Ticket Vending Machine (LTVM), exploding the POS footprint for lottery products.

The fundamental value-proposition of FUZION is to radically increase the functionality of existing hardware, the installed base of EGM's. FUZION is the JCM technology that is added to the existing device. Add an NFC (near-field communication) mobile payment button to the EGM, and the player can tap into the EGM service with her mobile smartphone. The mobile phone becomes an extension of the play-station, providing a second service window so the player can be buying a lottery ticket on the kiosk without interrupting the game-play on the monitor of the slot or other EGM. The phone is not connecting with the internet, it is connecting with the gaming device, making this an “in-store” transaction, compliant with jurisdictional regulations that may prohibit internet transactions. FUZION frees the play-station from

“FUZION converts slot machines into Lottery Ticket Vending Machine (LTVM), exploding the POS footprint for lottery products.”

limitations in the number and variety of content that it delivers. The EGM is no longer constrained to the primary functions of a VLT, slot machine, or pari-mutuel betting kiosk. It's no longer limited to delivering one kind of content at a time. The player logs in and selects their options on the gaming device and on their phone - lottery tickets, sports betting, promotions, casino-style games, food & beverage - even tax forms for your record keeping.

David proceeds to play the lottery on a slot machine. He buys Mega Millions, Powerball, and Pick3 tickets and there are more available. For all practical purposes, there are no limits to the amount and variety of games and content that can be distributed through a single device. David taps into the NFC-enabled Mobile connection to buy another Powerball ticket. The EGM now generates printed tickets for all these purchases. FUZION enables the player to control the use-interface and serve up the games and options she is interested in, or to access coupons that give discounts at the restaurant, bar, or C-store.

D. Kubajak: A good example of that is the iPROMO solution. The player selects their iPROMO which delivers different levels and kinds of promotions based on their level of play and the interest shown in past promotions and service categories. In this case, I've qualified for a free beverage. So I tap the NFC button on the EGM and order my free beverage. My free drink order is registered, and I then receive a promo ticket that allows me to get a buy-one-drink-get-one-free at the nearest

bar. Casinos can use FUZION to integrate their promotional co-branding and co-op promotions with their local business, whether it be their gas station, convenience store, or retail outlet.

FUZION also enables messaging of any kind to be disseminated. How does it enhance the effectiveness of responsible gaming messaging?

D. Kubajak: Every single application that you see has a responsible gaming message associated with it and enables the player to set their limits and control their play.

We think of FUZION as ushering in the play-style of the future. Watch young people with their phones. It's all about multi-tasking, having more than one activity, more than one

“conversation”, going on at the same time. They want the gaming device to do more than serve one game on the screen – they get bored and leave. They don't want to leave their play-station to go stand in line at service windows to buy food or tickets to the show tonight. They want to order a drink or food or see what the entertainment schedule is and buy tickets to the shows, and they want to do this all while enjoying the primary VLT or slot or video gaming experience that the device was purposed for. ■



20/20 VISION

With Ever Expanding Global Business, Future is Bright at Scientific Games

U.S.-based Scientific Games is experiencing international growth like never before. In 2019, the 45-year old company's leaders solidified significant new relationships with lotteries in Turkey and Italy, saw its consortium successfully bid for the concession for the greenfield national instant lottery opportunity in Brazil, and is aggressively pursuing contract negotiations for new business in Asia and Africa.

A responsible gaming supplier, Scientific Games currently provides games, technology and services to lotteries on four continents – just about every U.S. and Canadian lottery, and lotteries in 50 other countries.

Pat McHugh, who took over the reins as EVP and Group Chief Executive Lottery just one year ago, said, "These new contracts represent some of the industry's largest awards globally in 2019, with each one based on generating maximum

gaming returns to their respective governments. They demonstrate Scientific Games' commitment to delivering the best products and services to maximize funding of lotteries' beneficiary programs."

Over the decades, long-term leadership including Lottery Chairman Jim Kennedy (35 years), Global Strategic Accounts President Michael Conforti (16 years) and McHugh (25 years), have consistently nurtured trust in international jurisdictions, leading global teams to drive performances through systems and retail technology innovation and data-backed game portfolio management.

Just off a record year of driving performance for its instant game customers – and record retail point-of-sale technology sales in Europe – the company's laser focus continues to be maximizing lotteries' profits for beneficiaries.

TURKEY

In early September, the winning joint venture for the Turkish National Lottery chose Scientific Games to exclusively supply instant games, retail technology and supporting systems in the nation of more than 80 million.

The company is providing up to 15,000 of its latest generation *WAVE™* retailer terminals, a secure instant ticket validation system and its world-leading instant games for the new Lottery's launch in 2020.

The 10-year concession was awarded to the joint venture in a competitive tender with three other qualified bidders. The joint venture is comprised of Şans Dijital, an affiliate of Demirören Holding, one of Turkey's largest companies with significant business interests in energy, real estate and media, and SISAL S.p.A., one of Italy's largest and most prominent gaming operators holding significant market-share in lottery, sports betting,

our significant growth objectives in the market, which rely in large part on developing retail engagement and a very substantial instant ticket business."

Days later, the company's joint venture kicked-off an exclusive national sports betting program won earlier in the year in Turkey, one of the world's largest state-sponsored fixed odds sports betting markets. Scientific Games' full turnkey sports betting solution went live across its retail sports operation and through the companies licensed to provide interactive sports betting.

McHugh said, "Our national sports betting systems launch in Turkey combined industry-leading products and services from Scientific Games' Lottery and Digital teams. Since week one of launching through a national network of our *WAVE* retailer terminals and digital channels, we have shattered previous records for sports betting sales and profits in one

of Turkey's largest companies with significant business interests in energy, real estate and media.

"Leveraging the unique combined strength of our Lottery and Digital teams, we developed a fully-integrated sports betting solution selected by Şans Dijital and the Government of Turkey to maximize profits," said McHugh.

Demirören Holding previously commented that after evaluating many of the leading companies in the global sports betting industry, it selected Scientific Games as its joint venture partner based on the company's proven track record in driving sales and profits for state-sponsored sports betting, and its advanced, technology-based sports solution and risk management services.

Şans Dijital's Oktay said, "Our teams have collaborated very well on this important project. We value Scientific Games'



AWP machines, VLTs and digital gaming. Marco Caccavale, Managing Director of SISAL's Lottery business unit, said, "We have a trusted, 25-year relationship with Scientific Games and selected their products to support as the best possible option for our strategic and high-profile project in Turkey."

Sinan Oktay, Board Member of Şans Dijital, said, "The success of gaming entertainment in any market is led by exciting game content, innovative products and technology. We selected Scientific Games to support our National Lottery operation because we are convinced they are the only company capable of helping us achieve

the world's largest regulated sports betting programs."

The company's central gaming systems technology launched with nearly 5,000 *WAVE* retail betting terminals and six virtual live betting sites licensed to provide interactive sports betting. The retail and digital sports betting solutions are fully traded by Scientific Games through its *OpenSports™* managed trading services.

The joint venture, named Şans Girişim, was awarded the 10-year exclusive sports betting IDDAA concession in Turkey. Along with Scientific Games, the lead partner in the joint venture is Şans Dijital, an affiliate of Demirören Holding,

commitment to maximizing returns to the Turkish government, and we look forward to our long-term partnership with one of the world's best gaming entertainment companies."

Scientific Games is an operator or supplier in 35 sports betting markets, and provided the first full-scale sports betting offering in the U.S. in Delaware following the U.S. Supreme Court's PASPA ruling. This success was followed by contracts to provide sports betting solutions in Indiana, Iowa, Mississippi, New Jersey, New York and Pennsylvania in the U.S., as well as internationally in Canada, Denmark, Netherlands and Turkey.



ITALY

In September 2019, the company also announced that its wholly-owned subsidiary, Scientific Games Worldwide Ltd., entered into an agreement with SISAL, the operator of pari-mutuel games – or GNTN – in Italy for the exclusive supply of its WAVE retailer terminals and associated services. It is one of the largest lottery terminal point-of-sale networks in the world.

The company won a private, limited tender conducted by SISAL in preparation for a public tender to operate the next GNTN license tender, which SISAL was awarded as announced by regulator Agenzia delle Dogane e dei Monopoli. SISAL plans to install Scientific Games terminals throughout Italy from April/ May of 2020.

SISAL's Caccavale said, "The unique combination of Scientific Games' laser sharp operations team and their innovative product portfolio helped SISAL achieve the best technical score possible on the license tender. We are extremely proud to be the operator of the GNTN concession in Italy for the next nine years."

As the largest provider of lottery systems technology in Europe, Scientific Games has provided lottery retail technology to SISAL since 1997, and in the last several years has helped the operator expand its leadership in the Italian online gaming space.

McHugh said, *"This new agreement with SISAL demonstrates the value of our award-winning retail products in one of the largest and most competitive markets. We are honored they chose us as their business partner. It also confirms that Scientific Games is on the right path to execute our global strategy to serve our gaming and lottery customers across multiple gaming verticals."*

To support SISAL's execution of its new GNTN license, Scientific Games will deliver advanced, integrated latest generation WAVE lottery retail technology, which combines features from its flagship family of WAVE terminals with new innovations for speed, reliability and increased operator productivity. In 2010, SISAL was one of Scientific Games' first customers globally to place a major order for WAVE terminals, 20,000 in total.





BRAZIL

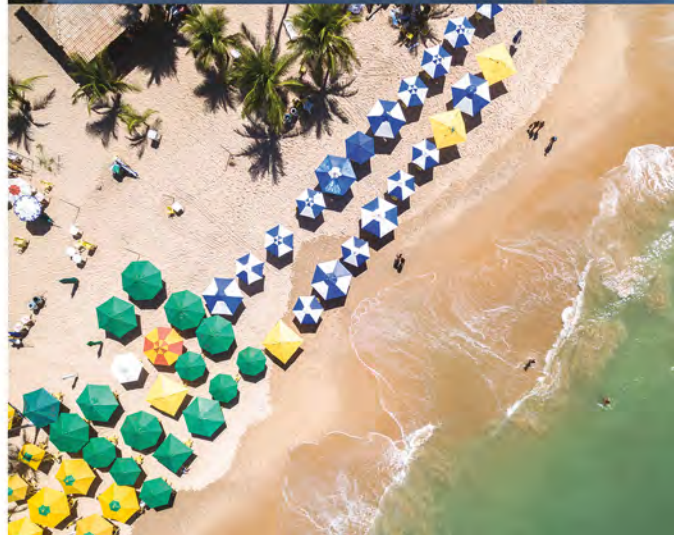
The company also expanded its presence in South America, where it has already proven its ability to drive sustainable growth through instant game best practices with over 10 customers in the region, including Uruguay, Peru and Chile.

In October 2019, Brazil's government announced the LOTEX lottery concession award to the Scientific Games/ IGT joint venture. McHugh and Walter Bugno, IGT CEO International, issued a joint statement on their companies' joint venture in the country of 211 million people.

"The award of the Brazilian LOTEX concession represents an important step towards the privatization of lottery instant games in Brazil, the world's eighth-largest economy," said the two business leaders.

"We are excited and honored by this opportunity for IGT and Scientific Games to help define the evolution of instant lottery in Brazil through a 50-50 joint venture over the next 15 years. This business partnership will benefit the people and government of Brazil and brings together the vast experience and market leadership of global leaders in the instant game market to help position LOTEX for success."

Brazil is one of the remaining greenfield lottery markets in the world. An update on the business is anticipated from the joint venture this spring.



New Opportunities Ahead: Harness the Power of the Curiosity Gap

It seemed like a simple enough idea.

Apply hundreds of elastic bands to a watermelon and wait until the combined pressure forces the bulbous fruit to explode. And while the physics of this April 2016 experiment was fairly elementary, the two BuzzFeed employees who devised it could not have predicted the global reaction it would receive.

At the moment of explosion, more than 800,000 people were watching the experiment on Facebook Live, making it one of the most watched livestreams in history. Since the watermelon exploded, the video has been posted on numerous sites around the world; on Facebook alone, it has been viewed more than 11 million times.

What would cause people to suspend their lives and watch intently for the better part of an hour as a watermelon was slowly and meticulously destroyed? It is a psychological phenomenon called the “curiosity gap,” and is the underlying principle for a new category of instant games.

Curiosity Gap: Defined

The term was first coined by George Loewenstein, an economist and director of the Center for Behavioral Research at Carnegie Mellon University. In a 1994 paper published in the *Psychological Bulletin*, “The Psychology of Curiosity: A Review and Reinterpretation”, Loewenstein argued that curiosity was “a cognitive-induced deprivation that arises from the perception of a gap in knowledge and understanding.” Neuroscience further tells us that satisfying one’s curiosity produces the same stimulation in their brain as

receiving a reward. In other words, the curiosity gap is the difference between what we *already* know, and what we really *want* to know, and bridging that gap results in gratification.

The curiosity gap has already been applied in the lottery industry, inspiring the highly successful *Spin for Cash* instant game concept—first introduced by the Ontario Lottery and Gaming Corporation with their game, *The Big \$pin*. While the concept has many variations across jurisdictions, a commonality involves the top prize of a spin on a big prize wheel. The game relies on an underlying principle of deferred excitement—you know you’ve earned a prize within a range, but do not know the exact amount until completing the spin. This delay, along with the heightened anticipation of realizing your final prize, epitomizes the curiosity gap in action.

The Michigan Lottery has seen tremendous success in modeling a version of this concept with their \$10 *The Big \$pin* game. Players of *The Big \$pin* can win a chance to spin a big prize wheel via live-to-tape televised events, which not only creates an extra level of excitement for players but also promotes the game to a wider audience. In this case, both player and viewer share in the curiosity of what the prize will be. *The Big \$pin* game realized remarkable response rates, with between 40% and 50% of eligible non-winning tickets being entered into the draw for a chance at the “big spin.”

Past success with games like *The Big \$pin* has encouraged Pollard Banknote to take the curiosity gap to the next level and develop a simple yet powerful new game category, Progressive Instant Games.

Curiosity Gap: Next Generation

What if we now took the proven curiosity gap concept to help drive sales and boost player engagement and added a progressive jackpot twist to the formula, along with a few other unique features? The result is Progressive Instant Games, where a progressive jackpot concept is carefully blended with the positive power of the curiosity gap. Simply stated, a progressive jackpot is a jackpot that increases each time the game is played without producing a winner.

Progressive jackpots have not been a common feature of instant games but are well-established in other areas of the gaming industry. As noted by the Casino Daily News website, players’ interest and their willingness to play grows each time the unclaimed jackpot grows. Diamond Game, a Pollard Banknote company that provides specialized instant ticket vending machines and services, has capitalized on this growing interest by offering two-thirds of their games in the progressive jackpot format. They also found that allocating a part of a game’s prize structure to a progressive jackpot component helps to boost sales.

Creating a “Storm” of Excitement!

Struck by Luck—Pollard Banknote’s first Progressive Instant Game—shares elements of a classic instant ticket, while also transcending the traditional instant experience with multi-tiered game play made possible through a digital companion app which uses physical and emotional stimuli to encourage player engagement.

Like a classic instant ticket, *Struck by Luck* is purchased at retail and follows the familiar scratch and win format. A player can win an instant cash prize or uncover

SCRATCH	CLICK	ENGAGE	REDEEM
<p>WIN \$ amount or “STORM” prize (“STORM” = guaranteed prize of undisclosed amount)</p>	<p>Check app to reveal “STORM” prize amount or “JACKPOT” win</p>	<p>Receive notifications of nearby winners and possible secondary prizes</p>	<p>“JACKPOT” winners receive amount of progressive at time of redemption</p>

a “Storm” prize symbol representing a guaranteed win of an undisclosed amount (Curiosity Gap #1).

“Storm” prize winners must engage digitally either on the Storm Chaser app or the lottery’s website to satisfy their curiosity and discover the special prize: either a specific cash prize or the progressive jackpot. The final amount of the progressive jackpot is not immediately known (Curiosity Gap #2).

As the progressive jackpot increases, the final prize amount could be determined in a couple of different ways, depending on a lottery’s preference. For example, the amount could be decided at the time of ticket validation (with the player making the decision as to exactly when to claim his/her jackpot prize) or through

a draw. In the former scenario, the risk of waiting to claim the prize is that another player may claim the jackpot in the meantime. Once the jackpot is won, the prize resets to the seeded amount.

All along, player engagement is heightened with push notifications such as “Storm” alerts that show where others have been “struck by luck.” These alerts include animated storm clouds and lightning strikes that highlight lucky retailer locations and their various prize validations.

Curiosity Driving New Opportunities

With *Struck by Luck*, the curiosity gap is employed across several stages of the player’s entertainment journey. This game play innovation is an exciting

new variation on some of the biggest successes we’ve seen recently in the industry. It can help lotteries reach a broader, more tech-savvy audience.

By harnessing the power of the curiosity gap and incorporating easy and fun digital elements, *Struck by Luck* delivers an outstanding game that piques interest and creates additional excitement throughout the entire play experience.

Now, about that watermelon we mentioned earlier. How many elastic bands did it eventually take to make it explode? A whopping 686. We’ve now bridged your curiosity gap!

SELF-SERVICE PAYMENT STATIONS ADD CONVENIENCE FOR RETAILERS

The surest pathway to increased sales is to make it easier for the retailer to sell lottery products and for players to buy lottery products. That's the value proposition of Grover Gaming, a premier manufacturer and provider of digital reveal lottery vending machines and digital tickets. Our customers have found that installing Cash Out Stations in retail locations increases revenues by increasing convenience for both retailer and lottery player.

Grover Gaming's hallmark of innovative graphics, 3-D animations, superior game design, and player satisfaction have made its products the leader in digital reveal lottery vending machines, systems and tickets. Grover Gaming has developed and deployed Cash Out Stations into social retail venues in Virginia for nearly two years. "In the sites where we have Cash Out Stations, they have increased the hold for the charity by over 20%," said Tim Smith, Vice President for Grover Gaming. The reason for the increase is two-fold: 1) Players prefer not having to bother busy retailers when claiming

their winnings; and 2) Many players want to play anonymously and prefer going to a Cash Out Station instead of being paid by a person.

Retailers have been more accepting of digital reveal lottery machines after they know an onsite Cash Out Station is available for their patrons. After finishing play, patrons simply insert winning cash vouchers dispensed from the digital reveal lottery vending machines into the Cash Out Station. The Cash Out Station issues the player cash after reading and validating the secure barcode on the cash voucher. This provides retailers the satisfaction they need in offering a lottery product that their patrons will enjoy without taking up valuable time from their employees.

Lotteries are always looking for new venues to offer their products. Digital reveal lottery vending machines allow lotteries the ability to grow their presence in social retail venues and other non-traditional retail locations where lottery products have not sold well. Many times, these new social venues



bring new players to the lottery and inspire existing players to play more often. Grover Gaming's digital reveal lottery vending machines, digital tickets and systems distribute tickets through a highly secure network offering integrity, accountability and security with each ticket played. The digital ticket games offer prize structures with predetermined winning and non-winning outcomes exactly like traditional paper lottery instant tickets. Each ticket is serialized and tracked to ensure integrity is maintained through distribution and delivery. Each winning cash voucher can be validated by Grover Gaming's sophisticated secure validation system or through the lottery's existing validation system.

Grover Gaming, headquartered in Greenville, NC, employs over 160 professionals developing products for the lottery and charitable gaming industry across North America. All of Grover Gaming's products are tested and approved by independent laboratories for jurisdictions that allow digital reveal lottery vending machines. Grover Gaming's demonstrated experience with the stellar reporting and communication capabilities of its systems make Grover Gaming the perfect partner for lotteries in North America. Grover Gaming also provides a wealth of experience in logistical market rollout, sales, and ongoing operational and technical support. Grover Gaming brings unique promotional ideas to digital reveal ticket games through the creative imagination of its game designers and marketing team. The current jurisdictions where Grover Gaming has placed its digital reveal vending machines and game content are Virginia, Kentucky, North Dakota, New Hampshire, Ontario, and Idaho.



Grover Gaming is committed to providing key people, ideas, programs, and products to enable lotteries to maximize revenues and transfers to their jurisdictions. Grover Gaming is currently seeking talented and passionate individuals to add to its constantly expanding teams. Establishing a balance between creativity and professionalism, the company prides itself in producing superior products and solutions. Grover Gaming is a company that has grown rapidly over the past few years, giving employees an opportunity to cultivate skills and roles.

Grover Gaming's Mission Statement details its passion for the lottery and charitable gaming business:

"We exist to provide Entertaining Gaming experiences through a team committed to growth and progress."

Grover Gaming's vision is to build a strong foundation of humble, passionate people, effective processes, and superior products, with Core Values:

Passion – Doing our best with a positive attitude

Adaptability – Being able to change while maintaining effectiveness

Reliability – Constantly fulfilling our roles on the team

Teamwork – Trust, healthy conflict, commitment, accountability and results

GroverGaming.com

Please contact Grover Gaming at **252.329.7900** if you are interested in learning more about our innovative products or if you are interested in joining our team!



draw games. We have found that Gemini self-serve kiosks are a very productive component to the whole channel mix and we have successfully implemented programs to keep the Geminis fully stocked. It is all about convenience and evolving with the market trend towards self-service because that is what the consumer wants. Making cashless options available will be increasingly important to our goal of expanding our player-base. In July of 2016, only 18% of our retailers accepted debit cards. Now, about 80% of our network of 4,300 retailers now accepts debit.

organizational and operational structures for the fiscal year. It is IGT IN's business plan that drives our budget and operational template. Along the way forecasts, product plans and many other things are reassessed and tweaked. It's important that we be nimble, able to change course as consumer feedback and real-world results become known. That ability to react quickly to market trends is one of the reasons we entered into this professional collaboration with IGT IN. Our agreement ensures that both teams, IGT IN and Hoosier Lottery, are very motivated to make sure we are always pulling in the same direction and

shift resources over to a different product or new initiative. We call a meeting, or they call a meeting, and we discuss. We try to strive for a balance and let them do what they do best. The Hoosier Lottery does have ultimate decision-making authority and veto power over pending initiatives. We can instruct, guide, veto, and tweak anything that doesn't meet our satisfaction.

As noted earlier, we work in the same offices so the everyday dialogue really never stops. And IGT Indiana and the Hoosier Lottery share the risk and rewards.

Aren't there times or situations in which the risks and rewards aren't equally shared and so you'll disagree over the decision of whether to go or no-go?

S. Taylor: We don't disagree as such because the Hoosier Lottery has ultimate decision-making authority. An example where we trust in each other's judgment: IGT IN designs incentive programs for the retailers. But it is the Hoosier Lottery which sweeps the accounts of the retailers. The Hoosier Lottery pays the incentives, bonuses, and commissions. And the Hoosier Lottery conducts the draws and so we need to ensure the integrity and security of the draws. Of course, IGT IN appreciates this shared responsibility. In turn, we appreciate the collaboration and the resources that IGT Indiana pours into the business to make us all be successful.

It's not unusual for a proposal to go through multiple iterations before it aligns with the whole battery of criteria imposed by both IGT Indiana and the Hoosier Lottery and gets the green-light. It all works because we are dedicated to realizing our mutual success. ■

Our integrated services agreement with IGT enables active communication and fast-response to all real-world contingencies.

IGT is your technology partner and is involved in much of how you set objectives, conduct business, and execute to accomplish the goals of Hoosier Lottery. How do you manage the collaboration between your team and IGT's team?

S. Taylor: That's a great question, Paul. Under our innovative and performance-based Integrated Services Agreement, IGT Indiana has responsibility for sales, marketing and distribution areas of the business and all of the component parts and moving pieces residing within those main areas. Each year IGT Indiana builds and communicates an annual business plan. And through that business plan we see how IGT IN envisions the marketing, promotion, product, sales initiatives,

fielding the optimal product mix. There are structural mechanisms that ensure special attention is brought to challenging areas and unforeseen opportunities, and that everything happens in a timely, effective, and efficient manner. In a unique arrangement that promotes high levels of daily collaboration, the Hoosier Lottery and IGT IN staffs are co-mingled in our offices. We meet officially each month to review performance by products, channels and operational execution, marketing campaigns, etc. Our Integrated Services Agreement with IGT enables active communication and fast-response to all real-world contingencies. Maybe we're not seeing success in a certain area and we want to try something else; maybe we want to



Houston, have you seen the latest issue of Public Gaming Magazine?



Find inspiration inside and out.

**LEADING THE
JOURNEY.
INSPIRING THE
FUTURE.**

The upcoming World Lottery Summit 2020 is set to take place in the breathtaking, forward-thinking, eye-opening city of Vancouver, Canada. A perfect location to learn, grow, engage and connect as an industry and discover what's on the horizon for the future. With the ocean, forests and coastal mountains close at hand, you'll wake up every day refreshed and ready to be inspired.

We hope to see you there!

Oct 26-30, 2020



For latest conference updates,
please visit the official website at:
www.worldlotterysummit.org



Scenes from the New Years Rockin' Eve Extravaganza Announcing the First Powerball® Million dollar winner of 2020!

The partnership between dick clark productions and Powerball® started in early 2019 with a series of second chance drawings in participating jurisdictions to win a VIP trip to New York City. It culminated in the early morning of January 1, 2020, with the awarding of \$1 million - live on ABC's New Year's Rockin' Eve with Ryan Seacrest national broadcast. Following are photos from the 3-day Extravaganza. The highlight of the trip was New Year's Eve and the Powerball Party at the Crowne Plaza Hotel in Times Square. Just after midnight, country music star Jessie James Decker announced the First Powerball Millionaire of the Year live on TV. Congrats to lucky winner, Blaine Marston of Maine!





Scenes from the New Years Rockin' Eve Extravaganza Announcing the First Powerball Million dollar winner of 2020!





UNLOCK THE EXCEPTIONAL

ASIA PACIFIC LOTTERIES ASSOCIATION ANNUAL CONFERENCE



The Conference theme of the Asia Pacific Lottery Association (APLA) annual Regional Conference was 'CX Unlock the Exceptional'.

Enhancing customer experience at all levels is a key requirement for businesses as consumers become more well-informed and demanding in today's increasingly connected world. A key objective of the Conference business programme was to demonstrate how exceptional customer experience could be achieved in lottery businesses in the Asia Pacific region.

This key event for the regional Association was held at the Sofitel Brisbane Central - right in the heart of the Brisbane CBD on 14 to 18 October 2019. Its proximity to the city's premier shopping precinct was an added attraction for the many overseas delegates.

Several renowned industry and lottery speakers were invited from across the Asia Pacific region to speak at the Conference. Their sharing inspired, educated and motivated the audience. The renowned Australian inspirational speaker, and best-selling author of *Kids Don't Cry over Cancer*, Mr Michael Crossland, shared his journey of overcoming the cancer when he was a young boy to build a life of significant achievements and service to society. Another keynote speaker, Ms Amanda Stevens, a customer experience leader, shared her thinking on "CX" - which combines current consumer insights into buying behaviour with strategies to connect with the customer and reinforce the ongoing bond with our players. Futurist Mr Steve Sammartino gave his take on what is needed to see innovation develop into action, drawing on an example revolving around NASA.

The CEOs in the Conversation Roundtable saw Lynne Roiter, CEO Lotto Quebec, Rebecca Hargrove, CEO Tennessee Lottery and President of WLA, and Dato

Lawrence Lim, CEO Magnum Corporation shared their insights, perspectives, and CX strategies - and challenged delegates to reimagine how their organisations might focus on CX when developing their organisational plans.

The business programme also featured several panel sessions, case studies and a debate. The debate pitted a team from Lotterywest from Western Australia and Future Gaming from India against a Tabcorp and Hong Kong Jockey Club team on the topic of whether the blockchain CX model will disrupt lotteries as we see them today.

Case studies presented by senior executives from Tabcorp, Lotto New Zealand, China Welfare Lottery, Lotterywest and Singapore Pools rounded off the sharings of the diverse CX experience from the different operators in the APAC region.

CX combines current consumer insights into buying behaviour with strategies to connect with the customer and reinforce the ongoing bond with our players.

APLA Gold and Silver Sponsors, IGT, Intralot, Scientific Games, Pollard Banknote as well as Jumbo Interactive and Carmanah Signs also shared with delegates how their technology solutions and go-to-market products could help operators deliver world class CX.

For the first time, APLA featured a technology session within the Conference proper. This was organised and led by Tabcorp's CIO, Ms Mandy Ross. Speakers for this special session included technology experts from Gartner, Cisco, PWC, GWI, Enterprising Agility and Blackbook ai. Attendees were treated to a dose of technical content covering artificial intelligence, robotic process automation, cyber security, ethical considerations and the future link between blockchain and lotteries.

The closing dinner was held on 17 October in the Skyroom at the Brisbane Convention and Exhibition Centre which provided delegates with excellent views of the Brisbane city night skyline while enjoying a sumptuous buffet feast. The room was aptly themed "Under the Sea".

The conference Networking Day consisted of a visit to Australia Zoo, "The Home of the Crocodile Hunter, Steve Irwin". Delegates enjoyed an encounter with wildlife, coming face-to-face with Australian and international animals in the sprawling 105-acre zoo. They explored the wildlife hospital, enjoyed the crocodile show and relaxed over a traditional Australian barbecue lunch. APLA had earlier showed its commitment to supporting the very worthy cause of the Erwin Family by making a financial contribution out of the Conference collections.

The feedback from the nearly 170 delegates from 17 countries who attended this Conference was extremely positive. Several delegates highlighted the strong content, quality of presenters, level of organisation, fabulous audio-visual and presentation content from the speakers.

For its part, APLA would like to thank the support provided by our sponsors in helping to make the event a success. Gold Sponsors, Jumbo Interactive, Pollard Banknote Limited, Scientific Games, Intralot and IGT, and Silver Sponsor Carmanah Signs are all invaluable partners in our mission to deliver superior Customer Service and serve our stakeholders and society.

The next APLA event will be hosted by the Hong Kong Jockey Club and be held from 14 to 17 April 2020 at Shenzhen in China. APLA invites all friends in the lottery world to take the opportunity to visit a thriving and energetic technology hub in Asia, home to some of the biggest and most futuristic high-tech enterprises in China.



2019 - BRISBANE, AUSTRALIA



Scenes From African Lottery Association Congress July 2019 in Casablanca, Morocco



Visit www.AfricanLotteries.com for complete info about conferences, educational seminars and services performed by the African Lotteries Association.



1. Yannis Stathis 2. Isaac Abraham 3. Aymeric Verlet 4. Rania Belkahia 5. Hicham Amadi 6. Andreas Kötter 7. Younes El Mechrafi, Jean-Luc Moner-Banet 8. Ndéyé Fatou Sylla Samba, Rebecca Hargrove 9. Denis Daly 10. Fabio Cairoli

Scenes From African Lottery Association Congress, July 2019 in Casablanca, Morocco



1. Amadou Diaw 2. Amadou Samba Kane (ALA president) 3. Virginie Pasnin 4. Luca Esposito 5. Jihad Merhej, Younes El Mechrafi, Nicolas Othma
6. Sujit Lahiry 7. Jean Jacques Zaro 8. Giancarlo Sergi 9. Younes El Mechrafi, Rhita Lahrou, Rebecca Hargrove, Susan Jason, Paul Jason 10. Prathap Sam Prasad 11. Giancarlo Sergi



1. Gianfranco Allocca 2. Amadou Diaw, Thierry Gabarret 3. Younes El Mechrafi, Thierry Gabarret 4. Isaac Abraham, Younes El Mechrafi 5. Younes El Mechrafi, Rhita Lahrou, Jutta Buysse, Rebecca Hargrove, Richard Bateson 6. Alexandre Kateb 7. Rhita Lahlou, Fallé Ndiaye 8. Philippe Vlaemminck 9. Giancarlo Sergi, Luca Esposito 10. Alexandre Qader, Iarochevitch Marc, 11. Nicole Bosshardt, Younes El Mechrafi

PULSE of the Industry



These news stories comprise a very small fraction of the gaming and lottery news stories posted every day to PublicGaming.com. Too, these stories are the highly edited short versions. You can visit our news website PublicGaming.com and access all of its departments for free, including search to read the full version of the articles. Sign up for our free e-newsletter by sending your e-mail address to sjason@publicgaming.com.

NORTH AMERICAN NEWS

Jobs and RFPs listed over the past six weeks in PublicGaming.com

Information Security Analyst: Multi State Lottery Association

Staff Auditor I/II: Kentucky Lottery Corporation

Customer Service Specialist: Washington's Lottery

Player Support Specialist I: Texas Lottery Commission

Lottery District Sales Representative: Washington's Lottery

Cybercrime Manager: Oregon Lottery

Communications Specialist: Texas Lottery Commission

Customer Service Representative: Missouri Lottery

Agency Audit Manager: New Hampshire Lottery Commission

Administration Office II: Maryland Lottery (MLGCA)

Marketing Assistant: Maryland Lottery (MLGCA)

Executive Assistant: World Lottery Association (WLA) in Lausanne, Switzerland

RFP: Rhode Island Lottery Digital Draw System

RFP: MUSL Mobile App Development/Design and Related Services

New York getting a specialized gambling TV show

The future of sports TV is expected to involve

a lot of gambling. ESPN has already added a daily betting show. FanDuel has its own cable program. And Barstool Sports has emphasized wagering over many platforms. Now, Fox 5 New York is dipping its toe into the betting programming scene. On Saturday, Fox will have its Fox Sports 1 show, "Lock It In," broadcast a special regional edition.

Michigan has Legalizes Sports Betting to Strengthen its Economy

Michigan has joined the other 20 states in the country that are offering sports betting. On December 20, 2019, Michigan's governor Gretchen Whitmer signed three separate bills regarding betting being included in the Lawful Sports Betting Act, Fantasy Contests Consumer Protection Act and the Lawful Internet Gaming Act. All these acts are now regulating sports betting in Michigan. Michigan Gaming Control Board will now issue sports betting licenses through Lawful Sports Betting Act. The Lawful Internet Gaming Act will allow people to get online gambling permit under the boundaries of fantasy sports.

How soon Internet gaming and sports betting would actually begin in Michigan would depend on a number of factors, including how long it takes to produce rules related to the legislation, how long licensing takes, and how soon licensed operators have technology in place, officials said.

Scientific Games Extends Contact with California State Lottery



The three-year contract extension is for Scientific Games to continue as the Lottery's primary provider of instant games and associated services through November 2022, with optional extensions remaining through 2025.

Scientific Games' Signs Seven-Year iLottery Online/Mobile Games Contract with Pennsylvania Lottery

Scientific Games launched the Lottery's iLottery program in May 2018, and through the new contract will continue providing iLottery technology, online/mobile games and services for seven years with three additional one-year renewal options. Total sales for the Lottery's digital games topped \$342 million as of May 2019, the one-year anniversary of the program. That mark significantly surpassed any previous iLottery launch in the industry's history, and hit \$642 million in December 2019. The best-selling online/mobile games in Pennsylvania are MONSTER WINS, FOXIN' WINS and VOLCANO ERUPTION, with the GRUMPY CAT™ game debuting in April 2019 and quickly gaining popularity.

Scientific Games is also the current provider of the Pennsylvania Lottery's instant games as well as systems and retail technology.

Scientific Games Chosen by Fire-Keepers Casino Hotel to Power Tribal Sports Betting and iGaming in Michigan

IGT Expands Powerbucks Footprint to Ontario with Wheel of Fortune Slots

International Game Technology PLC announced the expansion of its Powerbucks® foot-

print in Canada with the online launch of the millionaire-making, wide area progressive game with Ontario Lottery and Gaming Corporation (OLG).

Players in Ontario can now win a life-changing jackpot at any bet level while playing the Powerbucks Wheel of Fortune® Hawaiian Getaway and Wheel of Fortune® Exotic Far East games on PlayOLG.ca. The games are linked to the Powerbucks jackpot pool, which combines play from casino, desktop, tablet, and mobile Powerbucks games across participating provinces.

Powerbucks is the world's first omni-channel wide area progressive game that links the jackpot prize pool between gaming machines found in casinos, with games available on mobile phones and tablets, as well as desktop computers. The Powerbucks jackpot pool has delivered some of the largest slot jackpots in Canada. Since making its Canadian debut in 2016, Powerbucks has paid 15 jackpots of more than a million dollars. Ontario joins British Columbia, Manitoba, Quebec, and New Brunswick in featuring Powerbucks.

IGT Signs Agreement with the DC Lottery to Deliver Instant Ticket Games and Services



INTRALOT appoints Lampros Klironomos Chief Financial Officer in its USA Subsidiary

The logo for Intralot features the word "intralot" in a bold, lowercase, italicized sans-serif font. The letters are black with a white outline, and there is a thick orange swoosh underline beneath the text.

While Oregon's lottery has been in the sports betting arena for many years, the lottery has now launched a mobile sports betting app called Scoreboard.

Iowa Online Sports Betting Now Legal And Live – Full Fledged Mobile Wagering Coming Soon.

Iowa online sportsbooks are open for business now, and include William Hill, ELITE, DraftKings, FanDuel Sportsbooks.

New Hampshire becomes latest state to offer sports betting

Gov. Chris Sununu placed the first bet (an \$82 bet on the New England Patriots to win the Super Bowl) on his phone at a sports bar in Manchester kicks off sports betting online and on mobile devices after the state approved a six-year contract with DraftKings to operate sports books in the state. The wagering is expected to produce an estimated \$7.5 million for education in fiscal year 2021 and \$13.5 million two years later. The contract between DraftKings and the New Hampshire Lottery gives the state of New Hampshire 50% of sports betting revenue.

Colorado Starts Accepting Applications for its First Sports Betting Licenses

The state of Colorado has started accepting applications for the first group of licenses to be issued by next month. According to the information provided by Dan Hartman, director of the Department of Revenue's Gaming Enforcement Division, the state has received applications from more than 50 contenders since November. The list of applications includes 28 from exiting casinos, 13 from internet applications, and ten from betting operators interested in running retail sportsbooks. However, the Colorado Limited Gaming Control Commission will only be granting licenses to a maximum of 33 physical and online sportsbooks. The first group of licensees is likely to get approval in February, although they can start accepting bets only after the new sports gambling law comes into effect on May 1.

The government will implement a tax of 10% on the total earning of a casino. The state anticipates amassing total annual revenue of around \$29 million as taxes only from this sector.

Maryland Could Be The Next US State To Legalize Sports Gambling

The current legislative season in Maryland will include discussion about sports betting Bill no. 58. According to the bill, the Maryland Lottery and Gaming Control Commission would be authorized to issue sports betting licenses to interested parties after a referendum in favor of sports betting legalization. The bill provides for a referendum in November this year.

The US Appellate Court for the First District granted the New Hampshire Lottery Commission and its co-plaintiffs NeoPollard Interactive LLC and Pollard

Banknote Limited an extension to file their response to the US Department of Justice's appeal in the Wire Act case.

Verizon to Expand Sports Betting Venture to Five More States



Verizon Communications Inc. got its Yahoo Sports betting venture out of the gate in New Jersey in November, and now plans to expand its online gambling partnership with MGM Resorts International to at least five more states this year. In November, the companies announced plans to let U.S. customers make wagers on the Yahoo Sports app using BetMGM, an online-gambling platform. The companies were also working on live events and other experiences for fans.

How Fortnite Changed Online Gaming Forever

Since Fortnite burst on to the online gaming scene in 2017, dozens of other games have attempted to replicate its success. Each one puts a new spin on the "battle royale" concept that was introduced by Fortnite. Battle Royale continues to emerge as a hugely popular genre in the online gaming world, alongside first-person shooters, RPGs, and racing titles. Other genres are expected to start including "Battle Royale" modes to attract more players in the future.

Fortnite has only been around for a few years, but it is already poised to expand into other markets. Players are speculating about the game being made into a film and television show, like Resident Evil, Tomb Raider and Assassin's Creed have.

There is even potential for Fortnite to be made into a casino game.

Tennessee Lawmaker Says State Plans To Roll Out Sports Betting In March

The Volunteer State doesn't have a single casino, and despite legalizing sports betting, it won't have any physical sportsbooks either. The bill only allows online or mobile wagering. Tennessee was one of seven states to legalize sports betting in 2019, but of the now 20 states that have legalized it, it is the only one that passed online-only legislation.

Tribal casinos make bold play to control sports betting in California — and legislators are not happy

Betting that California is moving toward legalizing sports wagers, American Indian tribes are looking to dominate the action. A powerful coalition of tribes recently proposed a state constitutional amendment that would allow bets only inside their casinos or the state's four major horse tracks. Their plan would also exclude licensed card clubs, which often compete with the tribes, and ban mobile or online wagering.

Should it pass, tribal casinos would be granted a near-monopoly on sports betting while severely limiting bettors' options — and the money the state could collect.

California's tribal casinos raked in \$8.4 billion in 2016, the most recent year for which figures were available, according to the Casino City Indian Gaming Industry Report. These casinos were expected to pay the state \$48.5 million (a tiny fraction of the percentage paid by casinos in most other states) under individually negotiated compacts for the fiscal year that ended June 30, according to the state Gambling Control Commission.

New Hampshire Lottery Partners with NeoPollard to Spread Holiday Cheer

NeoPollard Interactive LLC congratulates the New Hampshire Lottery Commission on the release of its first omnichannel game, Holiday Cheer. This unique game is available as both a scratch ticket and an iLottery game, encouraging players to engage with the Lottery at retail and online. The Holiday Cheer is a milestone game for NPI, marking the first time that one of NPI's iLottery game titles has been replicated as a retail scratch game.

IWG launches online instant win games in Georgia with third US lottery

Online instant win games provider IWG has agreed a deal to roll out its portfolio of games with the Georgia Lottery Corporation.

The agreement gives the Georgia Lottery access to IWG's catalogue of over 100 games, including flagship title Super Cash Buster, as well as upcoming new releases. Georgia Lottery Corporation president and CEO Gretchen Corbin commented: "Integrating IWG's games is an important step in our goal to diversify our online product portfolio with exciting new content. They have a strong reputation for delivering innovative instant win games to the North Ameri-

can lottery market and we are excited to partner with them. We look forward to introducing more IWG games in the future."

The partnership with the Georgia Lottery further enhances IWG's footprint in North America, where its games are live with Canadian provincial lottery operators Atlantic Lottery Corporation, BCLC and Loto-Québec, as well as the Michigan Lottery and Pennsylvania Lottery in the United States.

Amazon just released the first trailer for 'New World,' a massive multiplayer online game coming to PC in May 2020

Google Will Allow Online Casino Advertisements in Four States Starting This Month

The ads will be allowed to run in Delaware, Nevada, New Jersey and Pennsylvania — the states currently permitting online casinos. Google Ad Manager isn't yet open to online gaming operators, but companies in the aforementioned quartet of states will have access to platforms such as AdMob, Google Ads, Google Display Network, and YouTube. News that Google is moving up the timeline for online casino ads comes less than two months after the company announced an expansion of its internet sports betting advertising policy. The company prohibits gambling-related ads — sports betting, online casinos and otherwise — from appearing in venues such as Gmail, customer review forums, shopping advertisements, and ads run by gaming property operators used to solicit reservations from would-be visitors.

New Jersey Lottery Launches First Mobile App For Lottery Tickets



Players in New Jersey can place orders in the Jackpocket app for favorites like Powerball, Mega Millions, Cash4Life, and New Jersey's Pick-6. According to the company, 66 percent of Jackpocket users are under the age of 45.

BCLC has appointed a new Chief Financial Officer and Vice President of Finance & Corporate Services, Mr. Alan Kerr

Sports betting boosting Iowa's overall gambling

Iowans traveling to state-licensed casinos to bet on sports or establish online accounts apparently also are trying their hand at table games and slot machines while there. Patron "foot traffic" generated by Iowa's requirement that sports bettors initially go to a licensed casino to establish an online account and meet the qualifications to participate has created an overall positive bump in gambling revenue. An Iowa law that legalized betting on professional and college athletics took effect Aug. 15. Restaurants in casinos that house the sportsbook operation also are experiencing additional business.

JCM Enters into Multi-Year Master Supplier Agreement with Penn National Gaming



Expanding on a long-term partnership and laying the groundwork for the future, JCM Global® and Penn National Gaming have entered into a multi-year master supplier agreement that allows Penn National Gaming to increase its connections with players across the entire casino enterprise.

Under the agreement covering over 36,000 electronic gaming machines, JCM will supply equipment and systems to Penn National Gaming for many of its existing properties and all new properties for the next five years. Among the products JCM will supply are the iVISION® bill validator, GEN5® Thermal Printer, the patented FUZION® peripheral management system, the ICB® Intelligent Cash Box system, and the PROMONET® floor-wide promotional couponing system.

Illinois Gaming Board opens sports gambling application process

The Illinois Gaming Board said the sports gambling application process is phase one. They expect to unveil rules to make sports gambling operational in phase two early next year. Some operators are hopeful that can be done in time for two of the biggest sports gambling events: the Super Bowl in February and the NCAA mens' basketball tournament.

WORLD NEWS

Bulgarian Cabinet backs gambling bill banning private lottery games

EL publishes 2018 Report on the Lottery Sector in Europe

In 2018 the Members of the European Lotteries Association provided an overview of how they work and demonstrated the importance of State Lotteries for society. This year's 13th report is the most detailed regarding both EL members operating in the EU and EL members all together.

In 2018, the money contributed to society by 51 EL members in the EU (that reported their contributions) amounted to €18bn, channelled towards sports, culture, funds for other good causes and taxes for treasury. As for all reporting EL members (72 in total), their contribution to society amounted to €20bn in 2018. This means that some 52 percent of the Gross Gaming Revenue (GGR) generated by EL members (not including sponsorships) went back to society in the respective countries. Responsible gaming activities are an integral part of the core business of EL members. In 2018 they continued to spend a significant effort on measures to prevent problem gambling.

The report goes on to cover key descriptive statistics about current members operating in Europe in 2018. As EL members operate a variety of game activities, depending on their historic background, local legal conditions, or their positions in the market, the emphasis placed on particular gaming activities may differ from one member to another.

The report is available via The European Lotteries website European-Lotteries.org.

No takers for lotteries, says Belize Commission

New Scientific Games Technology to Power Germany's LOTTO BADEN-WÜRTTEMBERG

Scientific Games has finalized a new five-year technology agreement with lottery partner Lotto Baden-Württemberg in Stuttgart in south-west Germany. The Company will launch its advanced, new SYMPHONY™ Gaming System technology, migrating the gaming system it currently provides over the next year. Scientific Games will provide Lotto Baden-Württemberg software support and maintenance from its

world-class European technology facility in Vienna, Austria.

With over 3,000 licensed retailers, state-owned Lotto Baden-Württemberg is the third largest of 16 German state lotteries and generates almost €1 billion (Euro) in annual revenues, benefiting good causes like sports projects, art, cultural heritage preservation and other social programs.

Scientific Games And Norsk Tipping Sign Supply Agreement For Video Lottery Terminals Across Norway

Scientific Games, through its subsidiary Global Draw Ltd., has secured a landmark agreement with Norsk Tipping to supply Video Lottery Terminals (VLT) across multiple locations throughout Norway. Norsk Tipping is the only VLT operator in Norway and is owned by the Norwegian Ministry of Culture. Starting in late 2020, the Company will supply 3,000 to 4,500 VLTs in approximately 1,000 venues, including convenience stores, bingo venues and other arenas across the country.

The winning design provides a one stop gaming solution to meet the unique needs of the Norwegian market. Modular in design, each VLT model ensures a consistent player experience that is customizable to suit the needs of each individual venue.

This exciting deal also makes Norsk Tipping the first European customer of Scientific Games to secure partnerships with the Company for lottery, gaming and digital services. Scientific Games also provides iGaming, eInstant games, instant lottery games, lottery gaming systems and retail technology to its longtime partner.

Abacus: Bridging the Gap Between Lottery and Retail

Abacus Solutions International Group announces that through the use of the Abacus Fusion Platform® its Dutch client Nederlandse Loterij (NLO) has further expanded its in-lane sales network in The Netherlands, with the addition of self-service cash registers to its ever growing network of connected systems.

Retail is moving rapidly towards the concept of self service in store, a development that is still unexplored territory for most of the traditional lottery market. From now on it is possible to buy tickets through the self-scan cash register, making Albert Heijn the first retailer to offer the sale of lottery tickets through this channel.

How does it work? When entering the supermarket, the consumer chooses a self-scanner or activates the Albert Heijn app on their phone. They can either select a voucher from hanging

racks or from the promotional display. On the voucher is a barcode which can be scanned with the hand scanner or the mobile app, which adds the ticket to their digital shopping basket. (The scanning is identical to all other groceries that are purchased.) The consumer goes to the self-scan checkout and after paying for all products, the ticket is automatically printed on the receipt. The voucher can also be added to the basket at the self-service checkout by scanning the barcode just like all other goods.

NLO and Albert Heijn are also exploring new options and possibilities to offer other games of chance in keeping up with the new way in which the modern consumer wants to shop. The ABACUS Gateway offers a unique solution by opening up the retail omnichannel experience at the retailer, creating a significant increase in the number of touch points for the sale of lottery games.



Inspired Signs Global Virtual Sports Partnership with Novomatic

This agreement covers a wide range of Virtual Sports, including Soccer, Horse Racing, Greyhounds, Motor Racing, Trotting, Basketball and Football. Inspired will look to deliver new content throughout the course of the agreement. Inspired recently signed new agreements with the NFL Alumni for a new Virtual Football game and Jaromir Jagr for Virtual Hockey.

Inspired Entertainment Games Launch Across 888 Casino and Inspired goes live online with Bet365 in New Jersey

German state of Hesse: no operator has filed an application for a federal sports betting licence

Zero operators have applied for Hessian licensing ahead of January 1, 2020 deadline. Hesse's Minister of the Interior warns of prosecutions for unlicensed gambling and advertising. The Ministry of the Interior and Sports for the German State of Hesse has chided sports betting operators serving Hessian citizens for failing, to date, to apply for licensing to provide those services in the state.

The UK Gambling Commission publishes independent advice from its expert advisory groups to reduce online gambling harm

The recommendations include developing a better understanding of the link between game design and gambling harms, trialling new approaches to harm education through evaluation and information sharing and engaging with consumers who have gambled online to understand their experiences and help drive change. More information on the Digital Advisory Panel can be found on our website (www.gamblingcommission.gov.uk) along with the Commission response the DAP's recommendations.



UK: Royal Society for Public Health (RSPH) report raised concerns over video game loot boxes – where players buy or earn randomised in-game rewards

Charity warns that betting features in video games harm young people

Call for overhaul of regulation amid fear that gambling is 'polluting' hobbies. Most people aged between 11 and 24 consider buying a loot box or taking part in skin betting to be forms of addictive gambling, a survey by the Royal Society for Public Health (RSPH) found. Betting-style features in video games, such as so-called loot boxes, are "polluting" young peoples' lives and should be reclassified as gambling for over-18s, the Royal Society for Public Health (RSPH) has warned.

Former press baron Richard Desmond and Camelot in bitter battle over ticket to run the Lottery

The National Lottery operator Camelot and former press baron Richard Desmond have begun a war of words as they prepare to fight for the right to run the competition from 2023. Former Daily Express owner Desmond, whose Northern & Shell media group runs The Health Lottery, is aiming to take over the licence for The National Lottery.



Française des Jeux (FDJ) also makes play for UK National Lottery



JCM Global® Establishes Local Relationship with Mercado Gaming to Benefit Latin American Customers

JCM Global® customers in Argentina, Chile, and Paraguay now have an extra layer of confidence thanks to a new partnership between JCM and Mercado Gaming Latinoamerica. With this new relationship, Mercado Gaming will provide direct and localized sales, service, training, support, and warranty of JCM's award-winning product portfolio. Mercado will represent JCM's full portfolio of gaming and commercial products for the region, including JCM system solutions. Mercado will cover all local warranty and service calls with its certified technical service. It will also support customers on new integration processes in new and existing opportunities and provide solutions to both gaming and commercial markets.

sports betting platforms will now be given the opportunity to apply for a licence for the operating of online sports betting in Germany. Unlike in the past, the number of licence holders is no longer limited.

Growth of mobile betting contributes to EU iGaming revenue

Recent statistics show that 43% of bets last year were placed via mobile or tablet, up 4% on 2017's figure. Altogether, online gambling in the 28 member states grew 11% year-on-year between 2017 and 2018. €22.2 million in total revenue was reported, compared to €20m in the previous 12 months.



Ukraine: Interior Minister Avakov cracks down on gambling, state lotteries



El Gordo: Spanish lottery winners strike it lucky in world's richest draw

The lottery, known as El Gordo or "the fat one", handed out €2.24bn in prizes this year. There are many smaller prizes in addition to the top prize. Other lotteries have bigger individual top prizes but El Gordo, held each year on 22 December, is the world's richest in terms of the total prize money involved. Children from Madrid's San Ildefonso school called out the prizes on a nationally televised draw at Madrid's opera house. Families, friends and co-workers buy tickets together as part of a winter holiday tradition. They then gather around their television sets, radios or mobile phones, hoping that fortune shines on them. The lottery is run by the state and supports a number of charities.

Sweden's Spelinspektionen is launching a broad nationwide campaign with the aim of raising awareness of the authority and the legislation on gaming

The campaign is the authority's first since the major re-regulation of the gaming market and the change of name from the Lottery Inspectorate at the beginning of the year. It is almost a year since the new Gaming Act came into force, which means that gaming companies must have a Swedish license in order to conduct gambling operations in Sweden. This is the first part of a long-term effort to increase awareness of the Gaming Inspection's mission and counteract gambling problems and increase the proportion of gambling companies with Swedish licensed companies.

Germany opens online sports betting market for private operators on 1 January 2020

The third amendment to the German State Treaty on Gaming (GlüStV) came into force on 1 January 2020. Private operators of online

2. Harm must be prevented as much as possible. The potential victims and vulnerable groups include problem gamblers and underage consumers. These groups should therefore be identified, and appropriate measures taken to ensure AI causes no harm.
3. Fairness with a substantive and a procedural dimension. There is a requirement of absence of unfair bias, discrimination or stigmatisation. In practice it would mean assessing of costs and benefits to all stakeholders. Procedural fairness would mean that entity accountability for decisions taken by the AI is identifiable.
4. Explicability which means being transparent in its processes, openly communicated regarding its capabilities and purpose, and to make its methods explicable to all those directly affected.

For practical purposes the principles were translated into 7 requirements for AI applications: human agency and oversight, technical robustness and safety, privacy and data governance, transparency, diversity, non-discrimination and fairness, societal and environmental wellbeing and accountability.

Very sensitive applications of AI should be guarded against: unjustified personal, physical or mental tracking or identification, profiling and nudging through biometric recognition (emotional tracking, emphatic media, DNA, Iris and behavioral identification, voice and facial recognition, and the recognition of micro-expressions). We expect all these matters to lead to a review of existing legislation and how that might be adapted for AI as it is used in the domains of consumer protection, data protection, and rules or cyber-security. Proposals based upon these principles will likely be submitted within the next few months.

Moving from the European Commission to the European Parliament, we see that the Committee on Legal Affairs (JURI) also pays attention to digitalization and its ethical and legal considerations in interconnection with AI and robotics. At the end of last year, JURI launched public consultations in the field of robotics and AI and it was helpful in addressing the ethical, economic, legal, and social issues.

This EU institutional approach can be inspiring for many sectors including the world Lottery community which may decide to initiate its own approach. A multi-

Lotteries have all capabilities to set the world standard for integrating AI into Customer Relationship Management, Responsible Gaming, and a new age of enlightened game development for the benefit of players, society, and lottery beneficiaries.

disciplinary lottery “think tank”, not just a working group, involving the top lawyers, CSR, CRM, security and technology experts from various continents in the lottery sector is essential to develop a timely and comprehensive framework that can afterwards be used to convince the regulatory authorities to embrace this approach for the whole gambling sector.

But how can AI affect the lottery and gambling sector?

Last year, an AI bot called Pluribus developed by Carnegie Mellon University and Facebook beat world-class professional poker players. At the same time, Facebook announced that they won't release the code as it could cause 'a potential impact on the poker community'. Pluribus is an upgraded version of Libratus, which 2 years ago beat professional players. It is not hard to imagine the harmful ways in which AI could be applied to confer unfair advantages and seriously undermine the integrity of the games-of-chance industry. On the other hand, AI could indeed be used for positive purposes, like teaching people poker strategies with simulated play that would not cause them to lose money. And to interpret behavioural patterns for the purpose of helping to manage play responsible as opposed to exploiting insights to promote addictive behaviour.

In the horserace and sport betting sector, AI could be a serious game changer. Through the use of AI the outcome of the race/match could be predicted, thanks to big data analytics. AI could actually jeopardize, or possibly even destroy the integrity of horse race/sport betting. In other segments of the gambling sector, there are substantial risks for consumers who play with illegal online gambling operators who could use AI to influence players to play more, and to play irresponsibly. In the absence of a serious regulatory approach, adequate tools and trained staff as well as an enhanced law enforcement, AI could be a dangerous tool in the hands of illegal and unscrupulous operators and seriously undermine consumer protection. That will negatively impact government lottery

as it will tarnish the entire games-of-chance industry.

On the other side, AI could be useful for both enhancing Responsible Gaming, CRM, and player experience in a strongly controlled and legal environment. Player preferences and potential risks can be predicted faster, more efficiently, and more effectively, and potential problem gambling identified before it starts. Medical and psychological experts can substantially improve player protection technology to focus on prevention rather than waiting for gambling and addiction problems to take hold before trying to apply curative remedies.

Machine learning can also be tailored to collect and process player data, with due respect for their privacy, to provide much deeper insights into player preferences which inform game development. Broadening the portfolio of games with attributes and playstyles that we know appeal to the players is a good recipe for profitable growth. AI would enhance the ability to evolve the games to be both appealing while not being addictive and over-stimulating. The safer gaming experience gives players a better and more satisfactory and personalized experience, promotes loyalty and repeat play that is the basis for sustainable and responsible business growth.

We are entering a new era of gambling. The lessons from the internet of the 1990s provides a looking glass into the transformative impact that information technology has on business and life. The impact of AI promises to be just as significant as the internet. The main difference is that it won't take fifteen years to unfold – it is already happening at warp speed. Lottery has the opportunity and responsibility to lead the charge to ensure that the application of AI benefits players and society.

Lotteries have all capabilities to set the world standard for integrating AI into Customer Relationship Management, Responsible Gaming, and a new age of enlightened game development for the benefit of players, society, and lottery beneficiaries.

THE MULTI-DISCIPLINARY ROADMAP INTO THE FUTURE:

AI : THE LOTTERY COMMUNITY'S PATHWAY FOR BOTH PROTECTING PLAYERS AND ENHANCING THE PLAYER EXPERIENCE

By *Philippe Vlaemminck, Managing Partner & Beata Guzik, Director EU Public Affairs*

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The emergence of Internet gambling in the 1990s was an important focus of Lottery conferences, and now provides the perfect looking glass into how the application of AI is likely to unfold in the coming years. Twenty-five years ago, the internet was seen as a communication and information-dissemination tool, but not so much as a channel for distribution, and certainly not as the paradigm-shifting innovation of the era. Nobody believed that the Internet would become the game-changer that it is today. The online market was first exploited by gray-area and illegal online gambling companies who were first to recognize the potential of the internet. It took years before the Lottery community understood the far-ranging impact that the internet would have on gaming, marketing, and business in general. By the time Lotteries realized the incredible potential for the Internet to connect operators with their players, online gambling companies had taken control of the majority of the market. Today, intense competition from illegal online gambling companies which are relentlessly finding new ways to circumvent the laws ... is an unfortunate reality that government-lotteries all are facing on a daily basis.

Thirty years later, the digital economy channels more and more market power to the most dominant players. We even have an acronym, GAFA, for the four companies (Google, Apple, Facebook, and Amazon) whose business is based on big data and machine learning. Witness the incredible success of Google Assistant with its 500 million monthly users and Amazon

Alexa which is installed in 100 million devices. Next-generation knowledge-management systems are based on AI technologies. Like the Internet in the 1990s, AI is indeed still an evolving technology and therefore it brings also uncertainty. But also like the Internet, we can predict with confidence the transformative impact that AI will have on business and every-day life. As Google's Larry Page said, "It's not about search. Artificial Intelligence would be the Ultimate version of Google." And Amazon's Jeff

The impact of AI promises to be just as significant as the internet. The main difference is that it won't take fifteen years to unfold – it is already happening at warp speed.

Bezos, "The development of Artificial Intelligence is a renaissance, a golden age."

The medical sector is an example where AI is strongly embraced on a global scale. Universities and Medical centers are developing powerful AI-based tools that can improve people's health by identifying disease, infections, and problems like brain tumors at an earlier stage) and anticipating cardiological problems that may occur during an operation. As always, technology has a magnificent potential to improve the well-being of human-kind, but society must be protected against the malicious use of the internet by criminals. It is therefore necessary and urgent to find the appropriate framework to allow the technology to develop further while society and consumers determine the most effective and appropriate measure of protection.

EU institutions are considering how to

regulate the uses and applications of AI. The European Commission has indeed the intention to come up with regulatory proposals in upcoming months. A lot of preparatory work has already been done by the High-Level Expert Group on AI, which is currently the only available guidance on the future of AI regulation within the EU. This High-Level Expert Group was comprised of experts appointed by the EC and had as their objective to support the implementation of the EU strategy on AI.

The High-Level group developed ethical guidelines that establishes several principles by which AI practices must comply in order to be ethical. Although not a legal instrument, it will be used by the EC when drafting the new AI regulation.

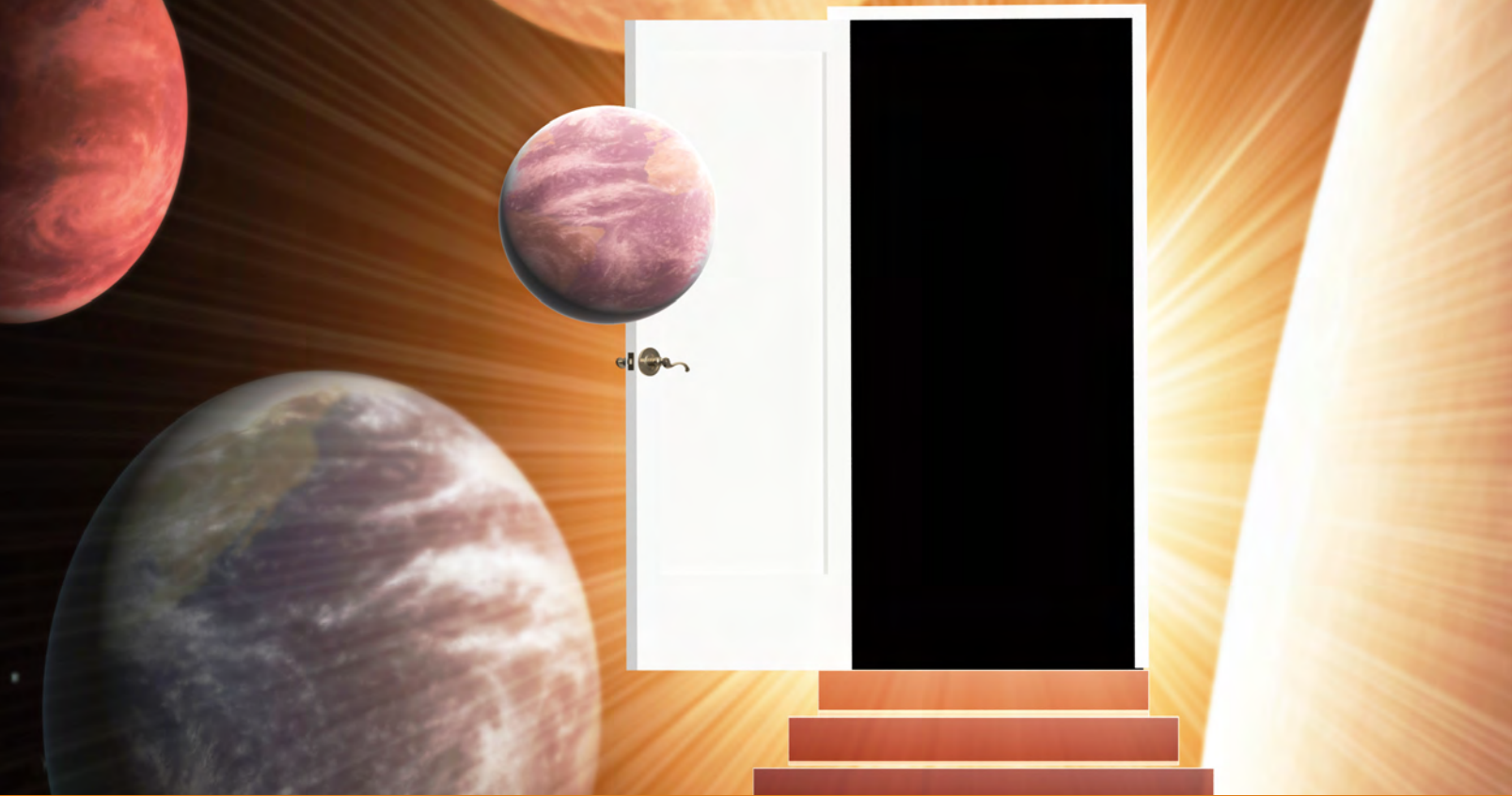
The Expert Group sets out 4 principles for an AI application to be ethical.

1. Respect for human autonomy, freedom to make decisions. Indeed we must be able to retain full and effective self-determination when confronted with AI applications. As AI gets better, it will be better at personalizing user experience (i.e. player experience for lotteries) and also be able to create a context in which humans' thinking patterns become a roadmap of how particular stimuli will lead to particular response and behaviour patterns. The Expert Group wants to ensure that this kind of deep insight will not be misused to undermine human autonomy, the freedom to make informed decisions without being inappropriately influenced by marketers with a commercial agenda.

Continued on page 57

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- **March 3, Tuesday 5:00pm:** Opening Night Reception
- **March 4, Wednesday:** Conference Sessions followed by Reception
- **March 5, Thursday:** Conference Sessions conclude at 12:30pm PGRI conference followed by lunch and ... 1:30 to 4:30 pm. Women's Initiative in Lottery Leadership Seminar (WILL)
- **March 5, Thursday 4:30 pm to 6:30 pm:** WILL Reception

GOVERNMENT LOTTERIES RESHAPING THE GAMES-OF-CHANCE INDUSTRY

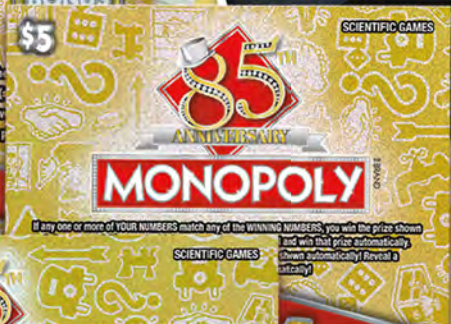
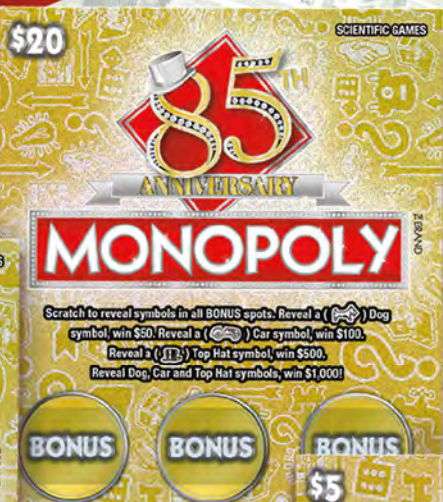
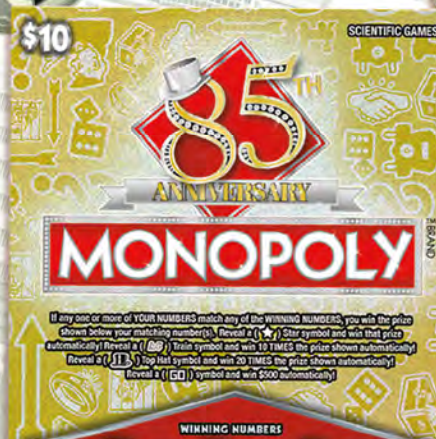
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