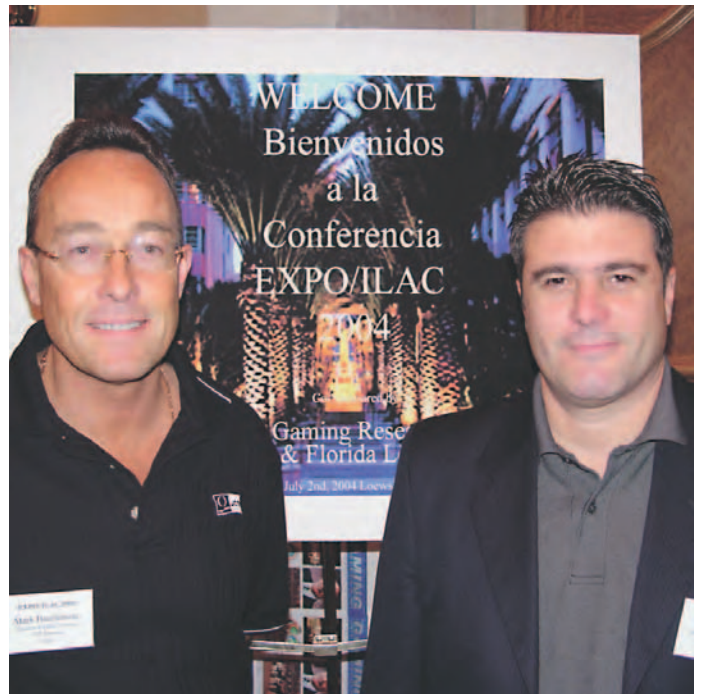


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Features



On the Cover:

(Top – left to right) PA Senator Robert Mellow, Democratic Leader; PA Governor Edward G. Rendell; Senator Tommy Thomlison [Photo Credit: CMS Photo–Ed Radesky]

(Lower right) JCM's Mark Hutchinson and Daniel Alza.

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Industry News



MDI Strikes Deal with Whac-A-Mole®

Lottery players worldwide: Get ready to Whac-A-Mole®. The fast, frenetic fun and frivolity of this enduringly popular, 27-year-old amusement brand is now available for themed online, instant scratch-off and pull-tab lottery games and promotions through MDI Entertainment, a wholly-owned subsidiary of Scientific Games Corporation. The exclusive agreement runs through February 1, 2007. Steve Saferin, President

of MDI Entertainment, said, "This property lends itself nicely to traditional instant, pull-tab and online games, but perhaps is most intriguing when you consider all of the out-of-the box concepts that can be developed around monitor games, our new electronic game cards, as well as traditional and Internet-based second chance drawing promotions."

OGT Grabs Numero Uno

Oberthur Gaming is proud to announce it will offer to the lottery industry the license for America's most popular family card game, UNO® for use on lottery games. UNO® has been the leading card game in America since 1983, with

one in seven households owning at least one UNO® game.

ONCE Places GTECH Order

GTECH announced that Spain's ONCE has exercised an option in its existing agreement with GTECH for the provision of an additional 7,000 handheld lottery terminals. ONCE, also known as the Spanish National Organization for the Blind, is authorized by the Spanish government to administer lottery and wagering games in Spain. With respect to this terminal sale with ONCE, GTECH expects to generate approximately \$11 million in revenue.

Scientific Games Extends with West Virginia

Scientific Games has extended its online lottery contract with the West Virginia Lottery for two more years, commencing July 1, 2005. The extension is valued at approximately \$10 million.

EssNet Signs in Rheinland-Pfalz and Sweden

EssNet and Lotto Rheinland-Pfalz, Germany, have signed a cooperation agreement under which the sales outlets will be modernized and player services improved. The agreement includes not only new terminals, but also introduction of new sales channels and updating of the central system. Initially, up to 1150 new E6 lottery terminals will be provided.

EssNet was also chosen as the vendor to provide hand-held terminals and software services to AB Trav och Galopp (ATG), the national horse betting company in Sweden. The terminals will have

touch-screen, wireless LAN connection, operating system, web browser and some terminal specific functions. In the pilot phase the terminals will be installed at two tracks and the plan is then to install terminals at more tracks and also at some off-track agents.

Cogetech Forms for Italian Venture

GTECH announced that Cogetech, a joint venture formed by GTECH Global Services Corporation and Cogemat S.p.A., has been named a successful applicant for a non-exclusive license to install and operate a network and related central computer system linking gaming machines in Italy, and provide technology and ongoing services to the Amministrazione Autonoma dei Monopoli di Stato (AAMS), the department of the Italian Ministry of Finance that regulates wagering games in the country. GTECH will be the technology and services provider to Cogetech and will have a 35% equity interest. Cogemat, a company founded by leading distributors and operators of Italian Amusements With Prizes (AWP) machines, will manage all field activities with a 65% equity interest in the joint venture.

Massachusetts Stays with Scientific Games

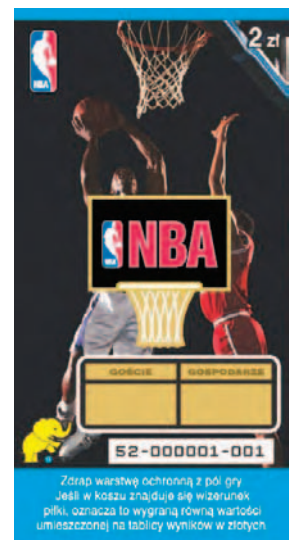
Scientific Games announced that the Massachusetts Lottery has awarded it the contract to be its primary supplier of instant tickets and related marketing services. The current Scientific Games contract is due to expire in August, 2004. The new contract is for an initial term of two years with three one-year options to renew. The value of the contract is estimated between \$20-25 million over the initial two-year term.

International Debut for NBA Instant

Totalizator Sportowy (TS), a government-owned lottery organization in Warsaw, will launch Europe's first instant scratch-off to feature the world-famous name and mark of the NBA, as announced by Totalizator Sportowy Sp. z o.o. and MDI Entertainment, a wholly-owned subsidiary of Scientific Games. The game will feature one winner of 500,000 PLN, (\$134,905 USD). As recent as mid-March, NBA team rosters included 67 international players from 33 countries and territories. Two of the 67 players, Cezary Trybanski of the New York Knicks and Maciej Lampe of the Phoenix Suns, are from Poland.

Penn Signs with GCA

Penn National Gaming, the sixth largest U.S. gaming operator, has signed a multi-year agreement to use several Global Cash Access (GCA) products and services, including Casino Cash Plus® 3-in-1 ATM, QuikCash Cash Advance, QuikCash Plus (QCP) Web and TeleCheck check guarantee. ♣





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The Future of Government Revenues from Lotteries and Gaming

By Duane V. Burke, Publisher and CEO Public Gaming Research Institute, Inc.

There is no single path to success for any lottery. The world holds a very diverse group of lotteries with widely varied product lines and very diverse customer sets. Lotteries around the world also experience wide ranges of economic conditions in which to operate. Even in areas where economic conditions are relatively good, lotteries are continually under pressure to reduce the amount of money they spend on operations. One example of this is advertising – even though keeping the advertising might make more sense, and more money, for the Lottery.

Most lotteries face some kind of competition from other lotteries or other forms of gaming. In the U.S. we're fortunate that there are not competing lotteries, but the reality is that in the U.S. there are competing gaming activities that are substantial in terms of potential negative impact on lottery revenues.

In the Latin and Caribbean lotteries, they have more difficult problems in many respects. They have many lotteries operating in the major cities, and don't have the monopoly situation that the U.S., Canadian and many other lotteries around the world have the benefit of.

Proven Ways to Increase Revenues

All lotteries have the job of raising money, and have the responsibility of continuing to increase the amount of money they raise. So what are the paths to increased success for lotteries?

- Revamp your Lotto matrix to increase jackpot size.
- Vastly increase the number of instant games that you offer.
- Increase the number of licensed games that you offer.
- If you have a lotto game, you can add another. Texas has already demonstrated that you can have more than one large jackpot Lotto game and have even more success.
- Increase market penetration by increasing the number of retail locations. One of the best ways to increase sales is to increase the availability of the equipment and make it easier for players to access the game.

Thinking Outside the Box: New Methods for Driving Revenues

In addition to the long-proven methods listed above, there are several new ways to drive revenues that are already compiling a successful track record. One new product that I'm especially enthused about is the video pull tab machine, or the monitor vending machine as they are being called in Iowa. One of the reasons it was implemented in Iowa is that the Lottery was unable to get approval of video lottery. They were faced with competition from tribal casinos and riverboat casinos and they had to deal with it. The Lottery already had legislation permitting pull tabs, so they simply looked into the possibility of using an electronic pull tab dispenser, rather than a conventional pull tab dispenser. I'm very optimistic that they are going to see some substantial revenue from those.

Another important development is the new monitor games. Keno games have been around for quite a while and are great, but now the

Rhode Island Lottery has added a new game – HotTrax – which is a keno-styled game featuring racecars. Jupiters Technology, a company based in Australia, has a whole line of monitor games that are experiencing success in multiple countries. These are new opportunities for growth.

The wireless distribution of games, and the sale of tickets using wireless devices is one of the places where you're going to have the opportunity to seriously expand your market. People are into convenience. Convenience stores used to be stand-alone, but now many of these stores are combined with gas stations. Within the last few years, the ability to pay at the pump has become almost the standard, but that convenience poses a problem for lotteries. Where I might have gone into a convenience

store when I was buying gas, now I have no reason to go into the store – I certainly don't have to go in to pay. So lotteries are losing opportunities for sale simply because the convenience store, which has been the foundation for lottery sales in the US, is eroding. Wireless applications are a new and convenient means of bringing these customers back.

Last, and currently of greatest potential, is video gaming. Before the New York Lottery was allowed to offer video gaming entertainment at racetracks to create "racinos", there were already five US states running video gaming in addition to all of the lotteries in Canada. The results of these lotteries' having added video gaming to their product mixes has been to dramatically increase net revenues with some US lotteries quadrupling prior revenues.

Video gaming can be implemented by government jurisdictions in a variety of ways - as racinos, as video games in age controlled environments, in stand-alone video salons and a combination of these. The division of responsibility among government and private interests can also vary substantially among jurisdictions and details of how the video gaming machines will be operated can also vary from one place to another. But all of these video gaming options will be successful if implemented with a high degree of integrity, attention to good operating procedures and tight regulation.

Video gaming entertainment can also create a variety of economic benefits in addition to the support of the government education programs, social services and other good causes. These entertainment options create employment; the businesses where the video games are installed gain direct and indirect revenues; the racing industry benefits in a variety of ways where they are a part of the video gaming operations; and both government and business benefit by keeping citizens' dollars at home rather than having the dollars spent for this type of entertainment in adjacent jurisdictions.

Thanks to today's technologies, video gaming entertainment can be implemented any place in the world and where implemented will be an important, successful contributor to government revenues.

Every government should have video gaming and other advanced, electronic lottery gaming options in its revenue plans to maximize revenues and to ensure that entertainment dollars are spent where its players live. ♣

“Every government should have video gaming and other advanced, electronic lottery gaming options in its revenue plans...”



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Australia

Queensland's hotel industry can now buy and sell rights to operate gaming machines. The new system still caps the number of machines at 18,843 but allows hotels to buy gaming machines when other hotels in their region close or reduce their number of machines.

Bulgaria

Bulgaria's Minister of Finance canceled a procedure to hire Intralot to manage Bulgaria's state lottery. The Minister said the company's offer did not meet the requirements of the Bulgarian public procurement law.

Caribbean

Rumors of a "Powerball" type lottery are swirling in the Caribbean. Caricom, an organization created by English-speaking Caribbean countries to promote regional cooperation, will reportedly discuss the idea in July. If approved, the game could be up and running by January, 2005.

China

Olivetti Tecnost has been awarded a major order worth more than 2 million dollars for the supply of 2,000 Mael 205 gaming automation terminals to the province of Shanghai in China. The first 1,000 terminals, which will go into operation by the end of June, were delivered in May. The remaining systems will be delivered by the end of the year.

An instant scratch ticket was recently launched in Shanghai. The ticket, called Slam Dunk, was developed by Win-Win Gaming Inc. for the Shanghai Welfare Lottery Distribution Center.

Czech Republic

SAZKA will invite tenders to broadcast its two lottery games this fall. The company's agreement with Czech Television expires on December 31.

Germany

Wincor Nixdorf is to equip the ticket acceptance points of the Bavarian State Lottery with 4,400 new Xion/Mtop lottery terminals. Bavaria is the fifth German lottery company to offer Wincor Nixdorf technology.

France

On June 7, La Française des Jeux launched a new special event instant game linked to the Olympic Games: Avec l'équipe de France Olympique à Athènes 2004 (With the French Olympic team in Athens 2004). The ticket features 5 games as well as a quiz and costs 5 Euro. This is the highest price La Française des Jeux has ever put on a scratch game. The 5 different games present 5 sports disciplines (cycling, athletics, judo, handball and swimming) and different ways to play.

India

Another Indian state banned online lotteries, as the Karnataka Government joined several other states in either completely banning or severely restricting online games. Playwin, the operator of the online lottery in Karnataka, was funding welfare programs such as lunchtime meals for schoolchildren. Retailers across the state praised Playwin for bringing credibility to the Lottery and dampening the sale of illegal lotteries.

Meanwhile, in the southern State of Tamil Nadu, where the government banned lotteries nearly 18 months ago, organizers are now rallying and protesting for reauthorization of the lotteries. On June 27th, nearly 150,000 protesters gathered in Chennai with the support and organization of the All-India Federation of Lottery Trade and Allied Industries in a show of solidarity to appeal the government's position on lotteries.



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Israel

Mifal Hapayis is launching a new instant ticket -- "Ahava" (Love in Hebrew), in honor of the Israeli version of Valentine Day, which offers cash prizes of up to NIS 10,000. Price: NIS 5. Day of Love will be celebrated August 1st. One million tickets of the new series have been issued.

In March, 2004, the new lotto game of Mifal Hapayis was launched. In May, lotto sales reached a record high 108 million shekels for the month, a 45% increase over May 2003. In May alone the lotto paid out over 70 million NIS-worth of prizes to more than 2 million customers. The new lotto proceeds (for the months of March to July) come to 326 million NIS, a 52 million NIS increase (a 20.3% growth).

New Zealand

The New Zealand Lotto kicked its latest promotion between the uprights, giving away 10 limited edition Ford Falcon XR8s complete with an All Black signature, the All Blacks logo, and a personalized All Blacks number plate. To be eligible for the promotion, players had to purchase a "Triple Dip" between 27 June and 10 July.

Peru

Loterias PeruGana will support the Peruvian athletes who will participate in the Olympic Games of Athens. Loterias PeruGana belongs to INTRALOT de Peru, the sole State licensed operator of lottery games in Peru.

Philippines

The Philippines' Government has reportedly put in place new laws to combat illegal gambling. Prison terms for participating in illegal lotteries have been increased to as much as 20 years, and fines have been increased to up to P5 million.

Poland

Poland's Lotteries, Totalizator Sportowy and Polski Monopol Loteryjny have reportedly scrapped plans to merge. The Lotteries were unable to work past the fact that they had signed deals for exclusive co-operation with two different online vendors -- GTECH and Intralot.

Singapore

Singapore Pools is introducing a new prize category for the monthly Singapore Sweep and will allow cashless payments for its 4D, Toto and Singapore Sweep lotteries. The new bonus prize for the Singapore Sweep draw will be an adventure trip, such as a luxury cruise or a wildlife experience, instead of cash.

Also customers are now able to pay for their bets by CashCard and Nets. The new mode of payment will be introduced in phases, starting with 85 of the operator's branches and 12 retail outlets. Those who go cashless will have to pay a two-cent service charge for every CashCard payment and 20 cents for every Nets payment.

Spain

ONCE, the Spanish charity for the blind, is planning to launch a new €1 Euro lottery game called El Combo in October, which is expected to generate €200 million euros a year.

Thailand

Thailand's Prime Minister has reportedly scrapped a plan to use a state lottery to buy a stake in the English soccer club, Liverpool, because of mounting opposition. The government had proposed a one-off state lottery to fund the \$115 million deal to purchase a 30% stake in Liverpool, one of the world's best known soccer teams. ♣

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New Frontiers in Business Development by Michael Frick

With special thanks for the many contributions of my colleagues at the Florida Lottery, especially Secretary Rebecca Mattingly, Durwood Bass, James Hutchinson, Dennis Harmon, Walter Gaddy, Kimberly Donaldson & Diane Fletcher. Thanks also to my marketing professor, James R. "Doc" Ogden, for reviewing this article and offering valuable editorial insights.

While the domestic Lottery industry has enjoyed net income growth over the past decade, a trend analysis of historical data suggests that such growth has been generated at the expense of net margins. How much higher can Lottery sales and profits continue to grow at the expense of declining net margins? This article will examine the implications of declining margins, challenge conventional industry practices and explore strategic alternatives for achieving sustainable growth in earnings through ongoing business development.

What exactly is business development? Although the concept of business development has taken on a meaning synonymous with the sales function in some industries, a broader definition is needed for the development of comprehensive, long-term business strategies. For the purposes of this article, business development will be defined as a research-driven, integrated marketing approach that seeks out new opportunities for growth across all four "P's" of the traditional marketing mix: product, price, placement, and promotion.

The Good Old Days...

A retrospective examination of the US lottery industry reflects that the four "P's" of marketing were largely compressed into two – product and promotion.

In general, product evolution has followed a pattern from instant (or scratch-off) tickets to online 3 digit and 4 digit numbers games, then to online matrix games. In some states, the product mix has been expanded to include keno and video lottery terminals (VLT's). Historically, online games were also expected to have a shelf-life extending beyond two to three years. Research and development, particularly in terms of content and new play styles, represented a relatively small percentage of budgeted operating expenditures for most state lotteries. Consequently, online sales have not enjoyed the same kind of growth experienced by other product segments during the past decade.

As for promotion, the historical emphasis has largely fallen on mass marketing and point of sale (POS). To this day, industry awards from mass-market advertising tend to recognize creative content above advertising "effectiveness" (i.e., return on advertising investment or incremental sales and net profits generated per advertising dollar). As a result of such trends, lottery advertising expenditures have not kept pace with advertising expenditures for "substitute goods" in our price category and have forced the industry to pursue alternative marketing strategies that significantly reduce net margins. Figures 1 and 2 illustrate the impacts of such trends.

What does the data tell us? While it is understood that some states have an effective transfer rate that is higher or lower than this industry average, the trend analysis of historical data reveals that the combined effects of declining margins and inflation present a tremendous challenge for the US Lottery industry. Stated in terms of inflation-adjusted dollars, the industry as a whole has evolved to a point at which we need to generate more than \$154 million in sales today in order to simply maintain the same level of net revenues generated from sales of only \$100 million back in 1992! (Inflation Adjustment: Consumer Price

Figure 1

Profits UP – Margins down (U.S. Lottery Sales Rounded to Nearest \$Billion)

	FY 92	Share of Total Sales	FY 97	Share of Total Sales	FY 02	Share of Total Sales
Total Sales	\$21.70		\$35.48		\$41.98	
O/L	\$14.76	68.0%	\$17.74	50.0%	\$17.89	42.6%
Instant	\$6.51	30.0%	\$14.11	40.0%	\$18.40	43.8%
Keno & VLTs	\$0.25	1.0%	\$3.40	9.5%	\$5.23	12.5%
Gov't. Transfers	\$8.07	37%	\$11.94	33.7%	\$13.32	31.7%

Source Note: Sales and transfer data set forth in Figure 1 were obtained from various industry sources. Information about specific data sources can be obtained by contacting the author at (850) 487-7728.

Figure 2

Industry Average Transfers Per \$100 Million In Sales	
FY 1992	\$37.0 million
FY 1997	\$33.7 million
FY 2002	\$31.7 million

Index for All Urban Consumers (CPI-U), 1982-84 = 100, from Bureau of Labor Statistics Website: www.bls.gov/cpi/home.htm#data).

Although the trends noted above represent challenges for our industry, such challenges are not insurmountable. We must, however, recognize the need to re-evaluate existing business strategies, question old assumptions and focus on business development, i.e., adopt a research driven, integrated marketing approach that seeks out new opportunities for revenue growth across all four "P's" of the marketing mix.

Product

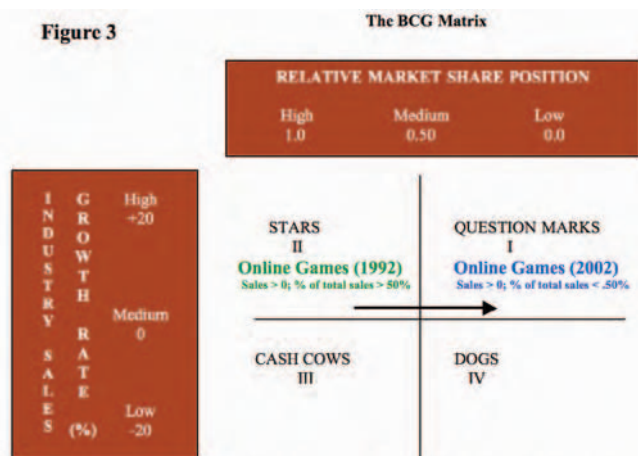
The development of product strategy, like any strategic process "entails managerial choices among alternatives and signals organizational commitment to specific markets, competitive approaches, and ways of operating." (Thompson & Strickland, Strategic Management; Concepts and Cases, 13th ed. New York, NY: McGraw-Hill/Irvin, 2003, p. 3). It requires that we examine product segments and alternative product lines. As part of this process, historical shifts in market share should cause us to question the future role and function of online games in our overall product mix. Where are online games in the product life cycle? And in the words of a former colleague, "is the juice still worth the squeeze" with respect to online product development?

The Boston Consulting Group (BCG) Matrix is one management tool that can be used to help with the formulation of competitive product strategies. The BCG Matrix enables an organization to manage its portfolio of business divisions (or product lines) by examining the relative market share positions and industry growth rate of each division or product line relative to all other divisions or product lines in the organization. For the purposes of this analysis, the "organization" will be the

domestic lottery industry as a whole.

The BCG Matrix consists of four quadrants that correspond to positions along “x” and “y” axes. Divisions or product lines located in Quadrant I are Question Marks, Quadrant II are Stars, Quadrant III are Cash Cows and Quadrant IV are Dogs. Question Marks have a low relative market share in a high growth industry. The organization must decide whether to strengthen Question Marks or divest. Stars have a high relative market share in a high growth industry, and represent the best long-term opportunities for profitability. Cash Cows have a high relative market share in a low growth industry, and should be managed to maintain their position as long as possible before divestiture. Dogs have a low relative market share in a low growth industry.

The divisions or product lines of an organization may evolve over time, moving from one quadrant to another. The example below illustrates the movement of the online product segment from 1992 to 2002. Note that data obtained from the 1995 LaFleur’s World Lottery Almanac (U.S. Lotteries Ticket Sales History, p. 320) reflects at least five years of industry sales growth sales growth prior to FY 1992.



Source: Adapted from Boston Consulting Group, *Perspectives on Experience* (Boston, MA: The Boston Consulting Group, 1974). See <http://iun.edu/~bnwcls/j401/bcg.doc>

Given its current position as a Question Mark (Quadrant I), lottery executives and managers throughout the industry are confronted with a need to make strategic decisions about competitive approaches for the online product segment. Should we focus our efforts on other product segments or should we attempt to strengthen our online product offerings through strategies aimed at market penetration, market development and product development? A convincing argument can be made for a renewed focus on the online product segment, especially in light of a decade-long decline in overall net margins during which product segments with lower profit margins were growing in relative market share.

In terms of online product development, we must be willing to embrace new approaches. Instead of pursuing product changes when a particular online game is under-performing, online product development must be part of a continuous and ongoing strategic planning effort. Online game content has grown stale. Market research must therefore play a more prominent role in gathering information that will allow product managers to develop new online game concepts that offer fresh content and add play value for our consumers.

Expectations regarding the shelf-life of online games must also be re-evaluated. Niche concepts with a shorter shelf-life can be strategically rotated in and out of the online mix to increase incremental sales. Product extensions can be used to inject freshness and add play value for base game offerings. We must also work closely with our online vendors in developing long-range online product calendars to accommodate lead time required for the development and successful launch of new online game concepts.

Price

The instant or scratch-off product segment has enjoyed dramatic sales growth during the past ten years, largely as a result of effective pricing strategies. Output (or the number of tickets sold) has remained relatively constant while the average sales price has increased. Although the increase in the average sales price of an instant ticket has been accompanied by higher prize payouts (lower net margins), total sales increases have more than offset the cost of higher payouts and, at least to date, have successfully generated net income growth.

Online games, on the other hand, have been offered for sale without a price increase for almost thirty years. With few exceptions, most online games are still sold for fifty cents or one dollar. The absence of effective pricing strategies for online products may be the single greatest constraint on sales growth in that product segment during the past ten years. Pricing strategy is of vital importance for online products in future years.

For a more detailed analysis of online pricing strategy and price elasticity, see Frick, “The Missing P,” *Lottery Insights*, July 2002, pp 10-12.

Place

Retail trade has gone through dramatic shifts over the past decade. New trade styles have emerged and many older trade styles that were once mainstays in traditional lottery retailer networks, particularly independents, are confronted with competitive challenges. The Lottery industry has not been quick to respond to these shifts that have occurred in the retail industry. As a result, a new level of importance must be placed upon distribution channel management.

There are two critical components to distribution channel management. The first component is making sure that we achieve and maintain an adequate level of market penetration, i.e., being in enough retail outlets. In addition to multiple regression analysis, there is also an index of retail saturation that offers a formula to help assess the retail saturation levels of various trading areas. See Ogden & Ogden, *Retailing: Integrated Retail Management*, (Boston: Houghton Mifflin Company, 2005), Chapter 7. The second component involves researching the viability of various retail trade styles to ensure that our products are being offered for sale in the right locations.

Another important element of supply chain and distribution channel management involves terminal types and placement. Here again, our industry has not kept pace with changes in the retail industry, particularly in the online product segment. Product distribution methods for the online segment are outdated. Unlike most products sold by large multi-lane chain store accounts, our online products are not sold at the registers. We can see it for ourselves and we certainly hear it from retailers. Many store managers view our online sales method as a nuisance. I believe we have to shift our focus. We still require separate hardware, as well as cash management and inventory management systems that are not captured by the retailers’ operating systems. It must be noted that

Continued on page 28...

Pennsylvania Gets Slots

Rendell Stands Firm – State Poised to Become Gaming Capital of the East

On Monday, July 5, Pennsylvania Governor Edward G. Rendell signed legislation implementing expanded gaming and delivering on a decades old promise to deliver property tax relief. House Bill 2330 allows Pennsylvania to have up to 61,000 slots – more than any state except Nevada.

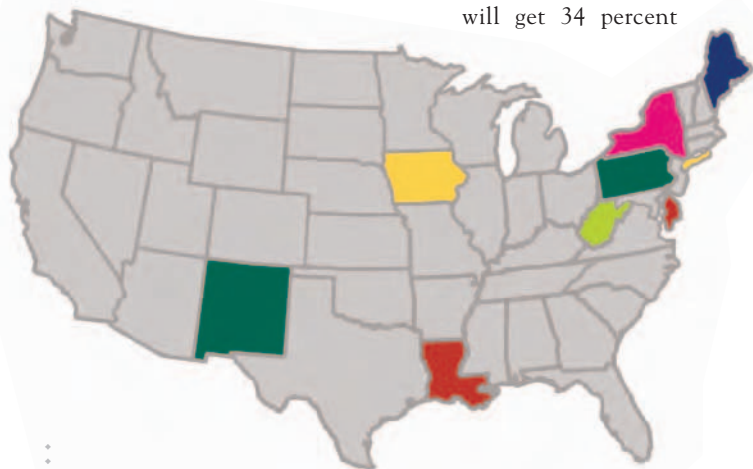
"Today the people of Pennsylvania are true winners. Starting now, we begin the long overdue process of recapturing billions of dollars in lost revenue, creating thousands of jobs, dramatically contributing to the future of the horseracing industry and finally returning millions of dollars in the form of lower property and wage taxes for the citizens of Pennsylvania," said Governor Rendell. "Urban slots venues will also generate significant resources for the Commonwealth to invest in economic development projects to improve our communities in every county."

The Governor added, "Just stand back and watch us over the next two years. Watch three-to-four thousand construction jobs being created. Watch the jobs in the horse racing industry double. Watch an additional 36,000 jobs be created because of expanded gaming in Pennsylvania."

The passage of the Bill didn't come easy. It was reported that Rendell and members of the Legislature's Democratic minority insisted on the slots bill coming to a vote before the budget could pass. This move prevented lawmakers from adjourning for the summer without considering the bill.

Of course, the move turned out to be successful, and now House Bill 2330 expands gaming in Pennsylvania to include fourteen slot venues – seven at racetracks, five non-track parlors and two at resort-based locations. These licenses will reap \$610 million in license fees while revenues from slot machines will eventually fund a \$1 billion property tax relief fund.

The machines are expected to generate \$3 billion per year. Licensees will keep 48 percent of the revenue, the state will get 34 percent



RACINO STATES: Delaware, Iowa, Louisiana, Maine, New Mexico, New York, Pennsylvania, Rhode Island and West Virginia.

(roughly \$1 billion) and the remainder will be divided between the equine industry, counties and municipalities housing slots facilities, and public construction projects.

Protecting Against Corruption

HB 2330 includes aggressive anti-crime and anti-corruption measures making Pennsylvania a leader among states with major gambling operations.

"This bill includes far-reaching anti-corruption provisions -- making it one of the most responsible gaming laws in America that I will be proud to sign," said Governor Rendell. "Today, I amend the Governor's Code of Conduct further protecting against opportunities for political influence in this burgeoning industry by prohibiting people in my administration from holding any financial interest in gaming companies."

Also prohibited from holding any financial interest in the gaming industry are the following: employees of the Pennsylvania State Police and Department of Revenue, members of the Pennsylvania State Horse Racing and Harness Racing Commissions and their respective staff, members of the board of PSERS and SERS and their respective staff and members of the board of the Independent Regulatory Review Commission and its employees.

Launching the Machines

While there has been no official word as to when the machines will be operational, some have speculated that certain facilities could be eligible to have machines up and running as soon as Memorial Day, 2005. Of course, a lot has to be accomplished before that can happen, including the appointing of a gambling commission, background checks on slot vendors, and completion of the license-application process by facilities.

HB 2330 calls for a seven-member Pennsylvania Gaming Board that will oversee all licensing and operations of the slots venues. The Governor will appoint three members, and four members will be appointed by each legislative caucus.

It has been estimated that it will take sixty days to create this Board, so if all goes according to plan it should be in place sometime in September.

Cashing in on the Bonanza

Penn National Gaming is one company that is looking to cash in on the slots Bonanza. The Pennsylvania company owns or operates several horse racing and casino facilities in North American, including ven-



ues in Pennsylvania, West Virginia, Colorado, Louisiana, Mississippi, New Jersey and Ontario.

The Company operates two tracks in Pennsylvania that are likely candidates for slots – Penn National Race Course near Hershey and Pocono Downs near Wilkes-Barre – and had begun preparing for the advent of slots well in advance. Penn National reportedly had plans approved for each track nine months in advance of the signing of the legislation. Penn National Racecourse is planning a 200,000 square foot slots facility, while Pocono Downs is expecting a facility in the range of 150,000 square feet. Together, the construction of the facilities is expected to cost between \$150 and \$200 million. If all goes according to plan, slots will be operational by January 2006.

There's one hitch in Penn National's plans. HB 2330 only allows a gaming company to own 100 percent of one slots venue and one-third of a second. Penn National owns 100 percent of both tracks, and as such will have to sell two-thirds of one of the tracks to get slots at both.

Philadelphia Park in Bensalem is also expected to reap the benefits of gaming machines. The track's most recent accomplishment was producing Kentucky Derby and near triple-crown winner Smarty Jones. ♣



* Pennsylvania Governor Ed Rendell signs HB 2330 into law, legalizing the operation of slots in the state.

Racino States

Delaware

Vendors: System–AWI (now IGT); Machines–IGT, Bally, WMS, Spielo
 Delaware Park Raceway & Slots–Wilmington, DE–2,500 VLTs, 150 video poker machines
 Dover Downs–Dover, DE–2,000 VLTs, 400 video poker machines
 Harrington Raceway–Harrington, DE–1,550 machines

Iowa

Vendors: IGT
 Bluffs Run Casino (Harrah's)–Council Bluffs, IA–1,500 slots
 Dubuque Greyhound Park & Casino–Dubuque, IA–600 slots
 Prairie Meadows Racetrack and Casino–Altoona, IA–1,500 slots

Louisiana

Vendors: IGT, Bally, AC Coin, Aristocrat, Konami, Williams
 Delta Downs Racetrack & Casino–Vinton, LA –1,496 machines
 Harrah's Louisiana Downs – Bossier City, LA–1,400 machines
 Evangeline Downs Racetrack & Casino – Carencro, LA–1,627 machines

Maine

Bangor Historic Raceway–Bangor, ME–has legislation, is trying to implement racino.

New Mexico

Zia Park Race Track & Casino–Hobbs, NM–under construction
 Downs at Albuquerque–Albuquerque–310 slots
 Sun Ray Park & Casino–Farmington, NM–480 slots
 Ruidoso Downs RaceTrack and Billy the Kid Casino–Ruidoso, NM–325 slots
 Sunland Park Racetrack & Casino–Sunland Park, NM–700 slots

New York

Vendors: System–Multimedia; Machines–IGT, Bally, SDG), Spielo
 Saratoga Gaming and Raceway–Saratoga Springs, NY–1,324 machines
 Finger Lakes Gaming and Racetrack–Farmington, NY–1,010 machines
 Fairgrounds Gaming and Racing–Hamburg, NY–900 machines

Coming soon:

Vernon Downs
 Batavia
 Monticello in the Catskills–1,746 machines
 Yonkers Raceway–5,500 machines
 Aqueduct–4,500 machines

Rhode Island

Vendors: GTECH, IGT, Spielo and WMS
 Lincoln Park Greyhound Track–Lincoln, RI–2172 machines
 Newport Grand Jai Alai–Newport, RI–776 machines

West Virginia

Vendors: Aristocrat, Casino Data Systems, IGT, Spielo, Summit Amusement & Distribution, VLC, WMS, Autotote, Bally, Integrated Systems Design
 Mountaineer Racetrack and Gaming Resort–Chester, WV–3,200 VLTs
 Charles Town Races & Slots–Charles Town, WV–3,500 VLTs
 Wheeling Island Racetrack and Gaming Center–Wheeling, WV–2,400 VLTs
 Tri State Racetrack and Gaming Center–Charleston, WV–1,600 VLTs ♣

Ecuador: A New Game Gets Big Results

For nearly 100 years, Loteria Nacional de Ecuador (the National Lottery of Ecuador) has been in the business of exclusively selling traditional lottery games. The Lottery's approach changed in July, 2003 with the launch of a game called Posso.

Posso is a preprinted lotto game. It's not an online game yet because the online distribution system isn't available yet, but it acts like an online draw game, and customers are responding to the big jackpots.

"As with any lotto the jackpot is calculated by the amount of sales," said General Manager at J. Walter Thompson in Ecuador, and Communication Consultant to the Lottery, Francisco Sola. "We get huge jackpots. We awarded \$850,000 one time, so it's already a big game."

To participate in Posso, players buy a preprinted ticket containing fifteen numbers from 1-25. Each Sunday, fifteen balls are drawn. The \$0.25 game has a guaranteed \$200,000 jackpot for having all 15 correct numbers. The game also awards approximately 1,500 \$500 prizes for tickets that pick 14 out of 15, \$10 prizes for 13 of 15, and \$1 for those holding 12 of 15 numbers.

One aspect of the game that adds greatly to its popularity is the fact that it's supported by a TV show. Not only has the Sunday morning show become the number one television show in the country, the success of the show, and the game, has been nearly instantaneous.

"In the first six months we were in the market we gained 43 percent

of the market share, so it was a huge instant success," said Sola. "That accounted for an 83 percent growth in ticket sales for the Lottery. We expect that the game will grow at least 30 percent more this year. The good thing is that there has been no cannibalization of the traditional lotteries – that was the biggest fear the Lottery had. In fact, in the last six months of 2003, since the launch of Posso, the traditional games actually grew. We expect that eventually they will start to slow down. That is the tendency but that hasn't happened yet so we're very happy."

Eventually, the Lottery would like to see the game transition into an online game. Once the Lottery feels it has enough hands-on experience in a jackpot game, and once the customers seem ready to make the jump into the online world, the Lottery expects to make that transition.

In the meantime, the game is still going strong.

"We have a huge advertising campaign," said Sola. "The campaign has been one of the main drivers of sales. We use TV very aggressively because it's relatively inexpensive and covers 98% of the market. We feel it has very good leverage for us."

The Lottery is also selling the game over the Internet. "We have a very nice web site where you can also buy tickets," explained Sola. "Not single tickets, but you can buy them in \$5 packs (20 tickets). We then mail the packs to the buyer." ♣

Duane V. Burke, Publisher & CEO of PGRI

United Kingdom: Camelot Living Life at the Cutting Edge

Lately, the United Kingdom's National Lottery has been operating on the cutting edge of the industry. Lottery operator Camelot is reportedly spending £45m over a seven-year period on developing and running new sales channels, such as Internet, wireless and digital TV.

Camelot has launched sales for EuroMillions on interactive platforms. The game can now be bought at the National Lottery website, or through Sky Active, an interactive TV platform. Once registered, online players can pick their own numbers or select the Lucky Dip option for any EuroMillions draw up to four weeks in advance.

Players taking part through Sky Active must register by supplying their name, date of birth and home address and then choose a user name and password. They will automatically be informed if they have won a prize, which will be credited to their account or, for larger prizes, tell them to contact officials. The National Lottery has been selling through interactive channels for a number of months now, and online registrations are coming in at a rate of more than 10,000 per week.

The National Lottery isn't the only gaming operator taking advantage of interactive channels in the UK. Sportech PLC, owner of Littlewoods Gaming, announced the launch of two football themed

interactive games on ITVi, running alongside Euro 2004. The games, available to 7.3 million interactive viewers, include: AGBP1 Million Hotshot – a scratchcard style game, the first ITVi game offering an instant cash prize of up to AGBP1 million; and Three Lions on the Shirt – a multiple choice football quiz.

The Littlewoods Gaming ITVi offering, is supported by an exclusive direct-to-application TV advertising campaign, which enables viewers to hit the red button while watching the advert and be taken directly to the 'Three Lions' quiz game on ITVi.

Also, Manchester-based Million-2-1 recently launched the UK's first regional mobile phone lottery, aiming to raise £1m for local charities in its first year. In addition to signing up several more regions, Million-2-1 is also looking to strike a deal with Camelot to offer the National Lottery on handsets. Million-2-1 users text their orders for up to 10 £1 electronic tickets, then wait for the results from the weekly draw. While the prizes are much smaller than that of the National Lottery (maximum win of £25,000), the game offers a 15-times greater chance of winning £1,000. ♣

Duane V. Burke, Publisher & CEO of PGRI

ILAC/EXPO 2004 – A Truly International Experience

Whether talking to representatives from the Italian/Chilean company, Olivetti Tecnost, Greg Duggan, from the Australian company Jupiters Technology, or a representative from any of the lotteries and vendors based in 25 countries that congregated at the Loews Miami Beach Hotel, one thing was clear – ILAC/EXPO 2004 was an international affair.

The joining of two of Public Gaming Research Institute's celebrated international conferences did not disappoint attendees. You can get an idea of what went on by taking a look at the collage on the following pages.

Highlights

While more went on at ILAC/EXPO 2004 than we can print in the allotted space, a few conference highlights stood out among the rest.

After more than a decade as a leader in the lottery industry, Kentucky Lottery Corporation President and CEO Arch Gleason was awarded the Major Peter J. O'Connell Lottery Lifetime Achievement Award. Gleason first served as Director of the West Virginia Lottery in 1989, and signed on as head of the KLC in 1993. In his tenure he has also served as President of MUSL and NASPL. The presentation of the Award was preceded by an introduction from PGRI CEO Duane Burke, and speeches from two industry professionals who have been close to Mr. Gleason, Iowa Lottery CEO Ed Stanek and Scientific Games Regional Manager Charlie Scannella.

After many years of handing out awards, Duane Burke finally received one. Ing. Orestes Cachay, General Beneficencia del Callao, Peru, presented Mr. Burke with an award for his many years of helping Latin lotteries.

Exhibitor Highlights

Chadwick Group – Presented information pertaining to its newest game, Tic Tac Toe.

Creative Games – Brought its innovative Progressive Instant to the attention of many lotteries.

Diamond Game – Showed off its Class II video pull-tab machines, offering the entertainment value of a VLT while maintaining a legal edge in states that can't offer video gaming, but can sell pull-tab tickets.

Florida Lottery – Displayed several of its games, signage and more.

Jupiters Technology – Continued to mesmerize attendees with its Racetrax monitor games, and introduced a new race car-styled game.

Olivetti Tecnost – Presented several exciting machines to conference attendees, including a lightweight, lower cost VLT and several multi-function online terminals with an extremely small footprint.

Public Gaming Research Institute – Introduced the NEW Public Gaming International Magazine

Ticker Communications – Had several, eye-catching scrolling digital message display boards on hand for attendees to see.

Szrek-2-Solutions – Displayed its Trusted Draw, secure auditable electronic draw system. ♣



Twenty-Five countries were represented at PGRI's ILAC/EXPO 2004: Argentina, Aruba, Australia, Bahamas, Barbados, Bolivia, Brazil, Canada, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, India, Italy, Israel, Mexico, Nicaragua, Peru, St. Lucia, Spain, Trinidad & Tobago, USA, Venezuela.

Exhibitors and Sponsors:

America Unwired – www.arcone.com/amu/
 Chadwick Group – www.scorebingo.com
 Creative Games – www.creativegames.com
 Diamond Game – www.diamondgame.com
 Florida Lottery – www.flalottery.com
 IGT – www.igt.com
 Jupiters Technology – www.jupitersinternational.com
 LOTEX of Bolivia
 Olivetti Tecnost – www.olivetti.com
 Public Gaming Research Institute – www.publicgaming.org
 Scientific Games Corporation – www.scientificgames.com
 The NEW Public Gaming International Magazine – www.publicgaming.org
 Ticker Communications – www.tickercom.com
 Zrek-2-Solutions – www.szrek.com ♣



1 Victor Echeverria, Loteria Nacional de Bolivia, Roberto Rabello, Mgr. Loteria do Estado da Paraiba, Brasil and Plinio Machado, Tecnoformas, Ltda, Brasil take in an exhibit.

2 JCMs, Mark Hutchinson and Daniel Alza

3 Ing. Orestes Cachay, Mgr. Beneficencia del Callao, Peru, presents Duane Burke with an award.

4 Ing. Orestes Cachay, Victor Echeverria and Alejandro Fontanet

5 Bill Breslo demonstrates a Diamond Game monitor vending machine.

6 PGRI's Raquel Orbeagozo, with Devant Maharaj and Patricia Pierre-Joseph from the National Lotteries Control Board Trinidad and Tobago.

7 Attendees were captivated with the Jupiters Technology Racetrax monitor games.

8 Gerardo Anglada of Olivetti Tecnost shows off a small footprint, multi-use online machine.

9 Loteria Nacional de El Salvador (Center) Lic. Mauricio Chavarria, Presidente with his assistants.

10 SCEL Director Ernie Passailaigue speaks during a conference panel (Nancy Palumbo and Randee Kerns also pictured).

11 Appreciative attendees enjoy the IGT-sponsored luncheon.

12 New York Director Nancy Palumbo delivers an electrifying speech.

13 America Unwired's Russell Carter with Szrek-2-Solution's Irena Szrek.

14 Award Presentation: (left to right) Dr. Edward Stanek, Arch Gleason and Charlie Scannella.

15 Alejandro Fontanet speaks with the heads of several Latin lotteries.

16 Arch Gleason cuts the cake commemorating his Lifetime Achievement Award.

PGRI Thanks the Following Speakers for Participating in ILAC/EXPO 2004

Dr. Albert Rojas, Fmr Director, Sorteos Extraordinarios Asociados, Colombia

Alejandro Fontanet, Gerente Comercial, Scientific Games

Arch Gleason, President & CEO, Kentucky Lottery Corporation

Bill Breslo, Vice-President, Business Development, Diamond Game

Brennan Lawrence, Director of Business Development, Scientific Games

Charlie Scannella, Regional Manager, Scientific Games

Chris Essai, Director of International Sales, Creative Games

Chuck Strutt, Executive Director, Multi-State Lottery Association

Connie Laverty, Director of Marketing & Sales, New York Lottery

Dan Bower, Chairman, Telecom Game Factory

Derek George, General Manager, St. Lucia National Lotteries Authority

Doug Orr, Director of Marketing & Production, Multi-State Lottery Association

Duane Burke, President/CEO, Public Gaming Research Institute

Durwood Bass, Director of Business Development, Florida Lottery

Dr. Eduardo Esquivel, Manager, Loteria del Tolima, Colombia

Dr. Edward Stanek, CEO, Iowa Lottery Authority

Ernie Passailaigue, Exec. Director, South Carolina Education Lottery

Dr. Fabio Villa, General Manager, Sorteo Extraordinario de Bogota

Fran Gruden, President, Chadwick Group

Greg Duggan, Business Development Manager, Jupiters Technology

Dr. Hector Rubiano, Manager, Sorteo Extraordinario de Colombia

Hubert Kock, Director, Aruba Lottery

Irena Szrek, Partner, Szrek-2-Solutions

Jay Young, Chief Operating Officer, DC Lottery

Jim Homes, Diamond Game

Ing. Jorge Murillo, General Manager, Loteria Nacional del Ecuador

Kevin Johnson, Marketing Manager, DC Lottery

Klement Dumler, Director of Cop. & Gov. Affairs of Intralot de Peru

Maharaj Devant, Marketing & Public Relations Officer, National Lottery of Trinidad & Tobago

Mario Alvarado, Consultant to Loteria de La Beneficencia del Cusco, Peru

Maurizio Bertolotti, Product Mgr., Gaming Solutions, Olivetti Tecnost

Michael Frick, Deputy Secretary, Florida Lottery

Nancy Palumbo, Director, New York Lottery

Ing. Orestes Cachay, Manager, Sociedad de Beneficencia del Callao, Peru

Phil Green, Senior Vice President, Sales and Marketing, Canadian Bank Note

Randee Kerns, Director of Compliance, ILAC de Guatemala, S.A.

Ray Michel, Sales Executive for Ticker Communications

Rosa Ochoa, Regional Director, Scientific Games International

Russell Carter, President & CEO, America Unwired, Inc.

Shaul Sotnik, General Manager, Mifal Hapais - Israel National Lottery

Victor Hugo Echevarria, Director of Operations, Loteria Nacional de Beneficencia y Salubridad, Republic of Bolivia

Wilmer Montes, Executive Director, LOTEX, Bolivia



La Société des Loteries Vidéo du Québec Inc.

A Loto-Québec Subsidiary Celebrates Its 10th Operational Anniversary



On June 28th, 1994, La Société des loteries vidéo du Québec inc. (SLVQ) installed its first video lottery terminal (VLT). This event led to a revolution in Québec's gambling industry, as the following figures show.

In its first year of operation, the VLT network posted net revenues of \$59 million, recording \$18.3 million in net earnings (2.7% of Loto-Québec's profits). In 2003-2004, net revenues and net earnings respectively reached \$1.129 billion and \$746.6 million (50.0% of Loto-Québec's profits).

According to Claude Trudel, President of Operations at the SLVQ, "VLTs in Québec have not only contributed to a his-

toric expansion of Loto-Québec's commercial activities, but also to the establishment of a world renowned expertise in terms of new technologies and partnership with the private sector." Indeed, employing about 40 (less than 1% of Loto-Québec workforce), the SLVQ relies largely on the private sector to handle the majority of its daily operations, including data management systems, the central workshop where VLTs are prepared, and the representation, installation, maintenance and repair of those terminals.

Legal VLTs also led to the dismantling of a troublesome network of illegal machines (about 40,000 video-poker machines in 1993), which were not only a large source of revenue for organized crime, but also easily accessed by minors.

As of March 31, 2004, the SLVQ operated 14,293 VLTs distributed over 3,362 locations (bars, pubs, taverns and racetracks). Today, among the eight Canadian provinces where VLTs are in operation, Québec (along with Alberta) has the lowest number of terminals per capita.

Responsible gambling: a priority

Number of VLTs and retail sites per 1,000, per province*								
	ALB**	SASK**	MAN	QUÉ	NB***	NE***	TN***	IPE***
ALV	1.9	3.8	4.6	1.9	3.5	4.1	5.1	2.8
Sites	0.4	0.7	0.5	0.4	0.9	0.6	1.1	0.6

* There are no VLTs in British Columbia and Ontario.

** As of March 31st, 2003.

*** As of February 28th, 2004.

Responsible gambling is also one of the SLVQ's priorities; all of its terminals are equipped with features designed to prevent and combat compulsive gambling, including a continuously displayed clock appearing on all game screens, a timer for selecting playing duration, a display of wins and losses in dollars rather than credits, and messages promoting moderation and a help hotline.

On the same note, the SLVQ has achieved enviable international recognition in 2003 by obtaining a special distinction during the International Association of Business Communicators' Gold Quill Award presentations. The SLVQ earned its award for the excellence of its information and awareness program called As Luck Would Have It. Focused on chance and excessive gambling and aimed at owners and employees of establishments equipped with VLTs, the program was the product of a close collaboration with Laval University.

Loto-Québec's proposed strategy

Recent studies show compulsive gambling is relatively stable in Québec (0.8% of adults in 2002) and accessibility to the VLT network has declined continuously since 1997 (with the reduction of 1,008 sites representing a decrease of 23.1% over seven years). Still, recommendations of various researchers favor the concentration of VLTs in a limited number of gaming hall-type sites so as to reduce the visibility and accessibility of these units.

Acting on the basis of these recommendations, Loto-Québec's proposed strategy for the immediate future relies on an important reconfiguration of the VLT network by reducing the number of sites by a minimum of 31% over three years and concentrating the majority of terminals thus recovered in a network of five gaming halls controlled by Loto-Québec.

The proposed network of five establishments under the control of Loto-Québec would allow for more rigorous monitoring to ensure respect for all regulations, improved client "filtering" (with respect to age or the self-exclusion program), less pronounced visibility and reduced accessibility to non-players. There would be no loyalty program permitted, and as compared to bars, business hours would be shortened while the consumption of alcohol in playing areas would be prohibited.

These measures, among others, are part of Loto-Québec's 2004-2007 Development Plan, released on May 6th, 2004. The Corporation is now awaiting official approval from the Québec Government before imple-

D.C. – Eight out of 13 D.C. Council members signed a resolution vowing to campaign against an initiative that would authorize the placement of 3,500 slot machines on D.C.'s New York Avenue. This came on the heels of two members of the U.S. House of Representatives predicting that Congress would stop any attempt to bring slots to D.C., regardless of whether voters want the machines or not.

Delaware – House Bill 250, which would have allowed a

fourth VLT venue in Delaware failed to gain the majority support needed from the Gaming and Parimutuels Committee to bring it before the full House. The committee voted 2-2, with one member abstaining from the vote. The bill, dead in the current session, is expected to return next year.

Maryland – Maryland Gov. Robert Ehrlich is once again calling for a vote on slots. After Pennsylvania voted to legalize the machines, the state is virtually surrounded by

jurisdictions that allow gaming machines. The problem in Maryland isn't that there is a major force set on keeping gaming machines out of the state, it's that opposing sides can't agree on how to vote the machines in. The Governor wants the legislature to vote on the issue, while House Speaker Michael Busch would like to see the issue voted in through a referendum. The difference between the two is that if machines are voted in through a referendum it will make it harder to increase the number of machines, as

Nebraska Lottery's New Lotto Network Activated

Becomes First U.S. Lottery to Launch an INTRALOT USA System

Nebraska Lotto game terminals and related services are now being provided by INTALOT USA under a new seven-year contract that took effect on July 1, 2004.

The centerpiece of the new system is the Coronis terminal, featuring a touch screen for transaction selection, and state-of-the-art data processing. As many as 1,500 Nebraska Lottery retailers will be able to use the new equipment, which is linked by satellite to the central processing facilities in Lincoln.

The successful conversion marks the completion of a process that began in August of 2003 when INTRALOT was named the successful bidder after a competitive process.

FAST TRACK: Preparing for the Change

The changeover was preceded by a six-week, statewide retailer training effort. The program, which ran from April 26 through June 3 encompassed 42 separate sessions in two-dozen cities across Nebraska. Known as The FAST TRACK, the program employed a racing theme to take retailers through four stages.

Each stage was a turn on The FAST TRACK course. Turn one introduced the Coronis terminal provided by INTRALOT and explained its operation. Many features of the new terminal were developed as a result of focus group research that was conducted with Nebraska Lottery retailers. Turn two covered the features of the GVT+, the Scratch validation equipment and reporting system provided by GTECH. On Turn three, account-

ing information and helpful tips for using the reporting resources of the two pieces of equipment were shared. Finally, Turn four reviewed the marketing resources available to help maximize Scratch and Lotto sales, and gave retailers a sneak preview of new Lotto and Scratch products planned for the next several months.

Two training sessions were offered each day, one in the morning and one in the afternoon, and retailers were invited

to drop in at any time during the scheduled sessions. Additionally, retailers were encouraged to (send as many employees to the training as they wished). Completing the four turns of the track took about one hour.

As retailers entered the track area, they receive a Program folder and a

Pit Pass that, when punched as they completed each Turn, became their entry card for prize drawings. A Grand Prize drawing at the end of the six-week program awarded a VIP trip for two to the EA Sports 500 NASCAR race at Talladega Super speedway October 1-4, 2004. The Winners Circle also provided everyone who attended with a special Nebraska Lottery t-shirt and \$20 in Nebraska Lottery products.

Retailer attendance during the first week of the training schedule, which covered eight sessions in three cities, exceeded 90 percent.

The training was staffed by representatives of the Nebraska Lottery marketing and accounting departments, GTECH Nebraska, INTRALOT Nebraska, and the Nebraska Lottery advertising agency Ayres Kahler.

New System Advantages

In addition to the \$3 million the Nebraska Lottery expects to save each year with the new system, players will also enjoy several advantages provided by the changeover. These include:

- Speed – Lotto tickets will now be printed on thermal paper, and will print faster than before.
- 3 Pack Wagers – This feature will make it possible to buy one play for each Lotto game by asking for a 3 Pack.
- Ticket Repeat – When players want to purchase another ticket with the same numbers, Ticket Repeat makes it fast and easy. The retailer presses the Ticket Repeat icon and scans the barcode of the existing ticket. The system will select the numbers played on the existing ticket as well as the number of draws, and a ticket with the same characteristics will be printed for the next drawing. This feature can be repeated for up to 180 days from the date of the original ticket.
- Scratch Equipment – Nebraska Lottery retailers have also begun to receive new Scratch ticket validation equipment. Although Scratch validations will no longer be done through the Lotto terminal (as was the case with the previous system), the new Scratch terminal is smaller and can be situated next to the new Lotto equipment. ♣



any increase will have to pass another referendum.

Michigan – The Michigan Senate voted 29-7 to raise the wagering tax on Detroit's three casinos from 18 percent to 24%. The House, which already passed a bill raising the tax to 36%, rejected the Senate's version, sending the legislation to a House-Senate conference committee.

New York – The Appellate Division of the New York State Supreme Court ruled unanimously that Indian-owned gambling casinos could legally be operated in New York and

that the state could be part of the multi-state Mega Millions lottery game, but that the legislation authorizing VLTs was deemed illegal. Specifically, the judges said the law stipulates that a portion of VLT revenues go to horse-racing breeding funds and to enhanced track purses. That violates the state constitution's provision that all of the net proceeds from lottery games go to aid education in New York state.

New York Governor George Pataki said that the ruling does

have a positive side. The Court didn't question the legality of operating VLTs, only the way the funds were distributed. Gov. Pataki filed an appeal with the U.S. Supreme Court seeking to overturn the ruling.

Rhode Island - Rhode Island's Governor Carcieri vetoed legislation calling for a November 2 casino referendum. He said that the last-minute deal would have granted a 10-year monopoly to an out-of-state company (Harrah's) for next to nothing. ♣

Evolution of the Lottery: The Iowa Lottery Pioneers to Add Video, Graphics, Sound to Traditional Tickets



Each of these Class II machines contains a roll of tickets and a scanner which scans the bar code on each ticket.

There's no denying the lure of video, graphics and electronics in today's entertainment and business worlds. Think of the appeal offered by computer-generated animation in films or the convenient entertainment that comes from portable players for music and movies. Even something as simple as a personalized screen saver for a computer or a personalized ring tone for a mobile phone has translated into millions of dollars in products sold.

If it's got catchy tunes, eye-catching graphics and it's easy to use, people want it. Businesses, in turn, want to offer products that please their customers.

In today's lottery world, one of the most lucrative and sought-after products is the video lottery terminal. And while cautious legislatures often toy with and eventually kill bills that would legalize video lottery, in virtually every U.S. state there are video proponents pushing bills to implement gaming machines.

What if there were a product that fit within the parameters of existing laws while still offering the requisite video, graphics and sound? As a matter of fact,

it exists, and it is performing well.

In May 2003, in another pioneering move, the Iowa Lottery launched a test of 30 monitor vending machines (MVMs). The Lottery views the machines as an evolution of traditional tickets. The machines are easy to play and add entertainment value to the tickets they dispense while creating appeal to a new base of retailers.

Getting the Go-Ahead

The Iowa Lottery began exploring the prospect of monitor vending machines in 2001. While the machines had been offered in Indian gaming locations and bingo halls for several years, they'd never before been offered by a Lottery.

After receiving prototype equipment in late 2001, the Lottery reviewed it with legislators and officials from the Governor's office in order to get their input.

In May 2002, the Iowa Legislature instituted a budget with language authorizing the Lottery to develop a business plan for the machine's deployment. The Lottery ultimately decided to conduct a six-month market test to evaluate several factors including the machines' revenue potential, reliability and effect on traditional pull-tab sales. In early

May 2003 the Lottery deployed 30 MVMs from competing vendors at certain Lottery retailers already selling traditional pull-tab tickets. Games were offered at the 50-cent and \$1 price point, with prizes ranging from 50-cents to \$300 dollars.

Producing Results

The Lottery decided not to put marketing support behind the machines during the test out of concern that a campaign would skew the results, producing numbers that could not be supported during statewide deployment. Still, even without marketing support the new machines produced nearly \$640,000 in sales by October 2003. In addition, the machines had a noticeable effect on traditional pull-tab sales, producing combined sales that were much higher than the totals produced by sales of the traditional product alone. Finally, it's important to note that during the market test, the state's toll-free gambling hotline received no calls concerning the monitor vending machines

Moving Forward

Pleased with the results of the test, the Lottery decided to drop the 50-cent price point, increase the top prize to \$600 and begin the deployment of machines across the state, marketing them under the brandname "TouchPlay." Rather than buying, distributing and servicing the machines itself, the Lottery entered into a revenue-sharing agreement with amusement operators who are gradually buying and deploying TouchPlay machines at age restricted locations. As of June 22, two months into implementation of the program,

61 amusement operators had been licensed as MVM retailers and had installed about 220 machines at businesses across the state. In the end the Lottery expects to have close to 2,000 retail locations licensed.

In order to stimulate retail partners to take the necessary risk, the Lottery agreed to receive only 28% of the revenue from machines selling under \$800 per week and 36% for incremental sales over and above that amount. In their first two months of statewide deployment, sales from the machines were nearly \$700,000 for the 220 machines in the field – with more being added each week.

In describing the reasoning behind the Lottery's plan to partner with retailers, Iowa Lottery CEO Dr. Ed Stanek stated, "Although we could increase the profitability by not involving so many partners with the business we would also have to come up with capital costs of close to \$40 million in order to buy all 4,000 machines. Under this scenario not only do we have a significant revenue potential, we have virtually zero risk in capital investment, and the labor is being provided to us at no additional cost by the partners involved in this business."

It will likely take a few years to reach full deployment, but the Lottery ultimately expects annual sales of more than \$46 million and income of about \$20 million based on projections from 4,000 machines. ♣

MVM vs VLT

Monitor vending machines offer video and sound similar to that of a VLT, but with legally significant differences. Public Gaming International recently discussed those differences with Bill and Jim Breslo from Diamond Game Enterprises of Chatsworth, Calif., one of two MVM suppliers to the Iowa Lottery.

Diamond Game VP of Business Development Bill Breslo stated, "Video gaming has been huge for the last fifteen years. Many Lotteries would love to put out video machines, but it's a political hot potato. What we have is nothing more than a video-styled instant ticket vending machine, which provides the entertainment value of a VLT and the revenue potential but without the legal hurdles. It is legally an instant ticket dispenser."

The MVMs in Iowa don't pay out money – players redeem their winning tickets at the business in which they buy them. Also, players put money into the machines and make plays based solely on that money, so the machines don't build up credit. Finally, and this is the clincher, the machine is not required to determine a prize or to claim winnings. All prize information is displayed on the ticket dispensed. The machine is merely present to enhance the playing experience.

Jim Breslo, President of Diamond Game, put to rest questions surrounding the legality of the machines by stating, "Even though it was litigated in terms of Indian gaming, and therefore fell under the Indian Gaming Regulatory Act, there was also an issue of whether the machine constituted a Johnson Act device, which is a Federal statute. None of the three federal courts, the 8th, 10th and DC circuit found the machine to be a gambling device under the Johnson Act. Those decisions were then appealed to the U.S. Supreme Court, and the Court reviewed the briefs and decided, this year, to not take the case –

letting the other three rulings stand. The law is now clearly established that the Diamond Game machine is not a gambling device."

Each of these Class II machines contains a roll of tickets and a scanner which scans the bar code on each ticket. One of the important points in the case was that the machine can't play without the tickets. All the machine is doing is displaying the results on a video monitor. In theory, one could play the tickets right off the roll.

Jim Breslo added, "Only Diamond games has these court decisions, so our position is unparalleled in regards to having the legal footing which you can use to talk to the Governor or legislators."

Diamond Game has been in business for 10 years, and has well over 1,000 MVMs operating in casinos across the country. The company sports a crack game development team and a system development team. Diamond Games employs two systems, one of which is being used in Iowa and is housed in the company's facility in California. Diamond also has a real time online system employed in the casino business that is keeping track of every transaction.

Bill Breslo summed up the advantages of using buying MVMs through Diamond Game by saying, "Our focus as a company is on producing the most entertaining video gaming experience. We're leading the charge in animation and interactive bonus rounds and doing it with machines that can be played in jurisdictions that currently do not allow slots or VLTs. Finally, no other company can boast the firm legal footing we have for machines." ♣



One of the many monitor vending machines (MVMs) being offered by Iowa Lottery retailers.

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Value-Added Gaming Through the Internet



The New Jersey Lottery used trucks as billboards to advertise Cyber Slingo®.

Lottery has been our creative and fun instant games,” said Virginia S. Bauer, the Executive Director of the New Jersey Lottery. “Our customers respond very well to them and we in turn respond by developing new games.

“Cyber Slingo® represents the next generation of lottery gaming. This instant game offers the opportunity to reach a more Internet savvy lottery player.”

Players cannot claim or actually win a prize on the Internet and they are not required to go on-line to win. Instead they can simply ask their retailer to scan their Internet play ticket stub to determine if that portion of their ticket is a winner.

With 79% of the population using the Internet, players are welcoming the interactive play experience that Cyber Slingo® offers.

Recently, the New Jersey Lottery hosted several mobile-market-

If you think Internet play is a concept reserved for the future of the U.S. Lottery industry, think again. The future is now. Two U.S. lotteries, the New Jersey Lottery and the Kansas Lottery, are already employing Internet games.

While Internet gaming is still not legal in the U.S., these games are legal because transactions do not occur on the Internet, and the outcome of the Internet portion of the game is predetermined (players don't have to play online, they can have the ticket scanned at the retailer to see if they are a winner). These games would be legal in most states. All the Internet does is add value to the game.

New Jersey: Cyber Slingo®

The New Jersey Lottery became the first U.S. Lottery to launch a game with an Internet component when it began selling Cyber Slingo® on February 23rd at over 6,000 licensed New Jersey Lottery retailers. Since launching, the game has been a remarkable success, selling at a rate of over \$550,000 per week.

Cyber Slingo® offers lottery players two distinctive play areas - the traditional scratch-off portion and a new revolutionary Internet component. The scratch-off section is played in the same fashion as most instant tickets, with players revealing a series of graphics and symbols to win prizes.

What makes Cyber Slingo® a unique lottery game is the Internet feature. To take advantage of the web portion of the game, New Jersey players visit www.njlottery.net, input the access code printed on their instant game, then play a short five minute Slingo game. To win, players complete horizontal, vertical and diagonal rows to achieve the highest score.

“A main source of success over the recent years to the New Jersey



Recently, the New Jersey Lottery hosted several mobile-marketing events at “cyber cafés” throughout New Jersey to promote the game while also allowing players to experience Cyber Slingo® in a controlled environment.

Online Scratch Cards: Instant Winners for National Lotteries

Boss Media, a leading interactive gaming systems supplier, has earned a winning reputation for its products among state-owned gaming corporations such as Svenska Spel, Scandinavia's largest gaming corporation. Svenska Spel relied on Boss Media to design its e-casino and a host of interactive games it offers to Swedish residents on the Internet and mobile phones. Scratch cards have been especially successful.

Electronic scratch cards created by Boss Media are identical to their printed counterparts. Even the suspenseful scraping sensation is replicated on the Internet. Online customers also avoid some possible hazards associated with printed game cards, like the risk of misplacing or being robbed of a winning ticket.

However, with quick and easy e-gaming comes the added concern about problem gambling. Boss Media has therefore implemented a number of measures in its gaming systems to address the problem.

Most responsible gaming operators require identification and proof of age before a customer can open a personal wagering account. Unauthorized access to an online account is prevented by a confidential user name and password. To thwart access by individuals in jurisdictions where games are not permitted, the system can detect customers' physical locations based on their Internet service providers, IP addresses and/or credit card verification codes. Extensive customer data compiled by the system can be analysed to detect customer behaviour patterns that may indicate a problem. By accessing the secure back-office interface, operators can see the amount of gambling time or money that any customer spends, and can establish limits to prevent excessive gambling.

Customers themselves can access a detailed log of their gaming activities at any time. An accurate record makes it easier for customers to evaluate their own gambling behaviour. Operators can also give customers the opportunity to enlist in a self-exclusion program.

Boss Media's games themselves serve to promote more responsible gaming. "Just like PC or console games, our scratch tickets and other games motivate customers to play for the sake of enjoyment rather than to heedlessly gamble in the blind pursuit of a large prize win," explains Robert Skogh, Boss Media's marketing and sales director. ♣

Sidebar information submitted by Boss Media

ing events at "cyber cafés" throughout New Jersey to promote the game while also allowing players to experience Cyber Slingo® in a controlled environment. Each location provided 10 or more computer terminals for the players to use and the Lottery allowed every player who attended a promotional event, one free game play.

Each promotion was publicized through local press releases as well as radio station remotes. Radio remotes not only increased traffic to the site, but provided additional product advertising.

In total, more than 1,000 players attended while local television and newspaper coverage of each event further boosted player awareness of Cyber Slingo®. In addition to playing the game for free, and in some cases winning cash prizes, players also received a free "goody bag" filled with giveaways such as a Cyber Slingo® mouse pad.

"We were able to expand this game to a new group of players who had a great time experiencing the next generation of lottery gaming," said Bauer. "As the first state lottery to venture into the world of 'e-games,' New Jersey is moving from 'scratch-and-win' to 'click-and-win'."

"Our customers love Cyber Slingo®, said Praful Thakkar, a Lottery retailer at Todd's News Agency in Vineland, NJ. "They enjoy taking it home and playing online. One customer bought quite a few packs and won on about 20 of them for \$175.00."

Cyber Slingo®, a cooperative effort between the New Jersey Lottery, Lotto-Québec subsidiary Ingenio and Oberthur Gaming Technologies, is purchased in a special five-pack that offers five Internet plays for only \$5.00.

Kansas: eScratch

The Kansas Lottery has also ventured into the cyber-world with



its newest online game, eScratch, launched May 3, 2004. This game offers interactive, Internet entertainment with animated games. Tickets can only be purchased from a Kansas Lottery retailer. After purchasing an eScratch ticket, which can be purchased in 10 cent, 50 cent and \$1 plays, the player can log-on to their computer, access www.escratchks.com, enter the ticket ID number and play the games. It's easy and fun. As with Cyber Slingo®, prizes on eScratch tickets are pre-determined at the time of purchase, which allows the player to check the ticket without playing the interactive games on the Internet.

"We did make it a soft launch of the eScratch game," said Executive Director Ed Van Petten. "It seemed reasonable to put the game out there and take some time to work through any software issues that might come up. There were a few questions that had to be resolved, but we think the game will catch on and increase overall sales."

Radio advertising, some TV spots and point-of-sale are all now in effect to support the game. ♣

on the internet

For convenience, with controls:

Atlantic Lottery to offer lottery products on website

After more than five years of research and development, the Atlantic Lottery Corporation will soon offer existing lottery products to Atlantic Canadian adults through a secure and controlled environment on the corporation's website. The products to be offered are: LOTTO 6/49, Atlantic 49, LOTTO SUPER 7, TAG, Atlantic PAYDAY, PRO_LINE, and OVER/UNDER.

The website, called PlaySphere, will be available in early August 2004.

"These are the same products, just a different way to deliver them. The idea is to provide Atlantic Canadian adults convenience and choice," says Michelle Carinci, ALC President and CEO. "Research tells us that more and more adults feel comfortable and secure about banking, renewing their vehicle registration, making travel arrangements, and shopping online.

"ALC has adopted a rigorous approach to responsible play within this site," adds Ms. Carinci. "We've done our homework."

Maurice Richard, Director of eBusiness, says: "When players register to set up an account, they will be required to provide proof of age and Atlantic Canadian residency. Access to the site will be password protected. Players will be able to determine weekly spending limits up to a set maximum; they will have access to comprehensive responsible gaming information; and they will have the ability to exclude themselves from playing for periods ranging from one day to a full year."

PlaySphere will complement the existing retailer network throughout the region, and is expected to appeal to consumers who already do their shopping and banking online, and who do not regularly visit traditional lottery outlets.

In addition to funding their account using a voucher purchased at lottery outlets, consumers will be able to pay for their lottery product through an electronic funds transfer from their bank account. There will be no option to use a credit card.

Currently, more than 30 regulated lotteries worldwide offer products for sale over the web.

Folkspel Continues Rise in Prominence with New Partnership

The European market for online lotteries and gaming is growing at a tremendous rate. Now, due to a partnership with Veikkaus, Folkspel is poised to be the number-one seller in the Swedish Internet gaming market.

In Sweden, sales over the Internet amounted to SEK 1.2 billion in 2003. In addition to this, foreign websites generated sales which the industry estimates at SEK 2-3 billion. Growth for the coming years is estimated at 25-50 percent per annum!

"This is an important part of our future strategy, to be a prominent actor in this area," says Susanne Hörmander, Head of Development at Folkspel.

The idea behind the partnership with Finnish Veikkaus is simple but

important: game development is a costly and time-consuming process employing complicated technology. Entering a partnership with Veikkaus, which has spent ten years developing the OnNet digital gaming platform, is therefore a natural step. The OnNet system is designed to handle transactions over the Internet, as well as digital games and lotteries.

"We can use the same technical platform, we can share investment costs and collaborate on the development of future systems and products," says Susanne Hörmander.

Veikkaus has been working closely with the Dutch State owned DeLotto for over a year, and Folkspel now joins them as a third, strong actor. "Competition from overseas actors is stiff. But together we stand strong," says Risto Rautee, Director of Veikkaus Research and Development.

Veikkaus is a good example of the growing Internet-based gaming market. The Internet games offered currently represent more than 10% of Veikkaus' total sales, and the company has more than 310,000 registered OnNet players. Folkspel will of course benefit from their Finnish colleagues' experience. "There's no need to reinvent the wheel. We were the first to launch an Internet lottery back in 1996, and we've been developing the platform since the early 1990s, so Folkspel will now benefit from this experience," says Risto Rautee. The Finnish IT company Softplan, which is a part of the HiQ Group and, in practice, acts as systems developer for Veikkaus, has adapted the system to Swedish conditions for Folkspel.

KLC Launches New Look Site

The Kentucky Lottery has unveiled a new website, complete with a fresh look and exciting new features for players.

The website (www.kylottery.com) already receives a tremendous amount of traffic, with 300,000 unique users each month accessing the 2.6 million page views. New features on the site include: "Check how often your numbers have won"; Animated "Lucky Number Cruncher"; Horoscopes; Spanish language sections; and Re-vamped winners pages. The site is home to the Player's Fun Club, an area where registered users can play cool games, win prizes, enter members-only second-chance promotions, and get coupons for free Lottery items. The club is free to join and has nearly 30,000 members.

OGT Internet Options Increased by Bell Canada

Oberthur Gaming will offer its clients a wider range of solutions for lottery games played on the Internet thanks to a servicing agreement reached with Bell Canada, which will include the infrastructure management of Internet lottery applications.

The Bell Canada solution includes, among others: hosting of the website; management of the server and database; firewall; applications management of the operating systems and Internet website; backup files; modulated bandwidth; 24/7 network management and supervision; network guaranteed against all problems; and management of a portion of, or the lottery's entire information system. ♦

Oregon Budget Approved

The **Oregon Lottery** Commission adopted a 2005 budget that continues spending reforms that began at the end of Gov. John Kitzhaber's term. Besides cuts in travel costs, reductions in expenses include reducing cell phone costs to approximately \$141,000 from roughly \$234,000 in 2002. The Lottery budget approved by the commission includes \$663.5 million in net revenue after lottery prizes are paid. The Lottery's net profit for distribution to state programs is \$403.3 million for the fiscal year beginning July 1.

Oregon Lottery Director Brenda Rocklin said the agency is on its way toward fulfilling an order from the 2003 Legislature to generate an additional \$108 million for state programs. The agency, Rocklin said, has achieved about \$86 million of that goal. It has another year to cover the remaining \$22 million. Video poker revenue should be a big help in gaining that additional revenue. Video poker revenue is growing faster than had been predicted, with an expected 2 percent increase for 2003-05.

ALC Launches New Programs to Help Retailers

The **Atlantic Lottery** introduced its new Inside Sales and Courier Distribution service in June. Under this new model, ALC will help retailers build their lottery business by maintaining inventory levels and delivering the right product mix quickly and efficiently. The Inside Sales team will make regularly scheduled calls each week to take retailer's orders. All retailers, except for a few in isolated locations, will receive their orders within 24 to 48 hours of placing them. New products will be delivered prior to launch.

With Inside Sales processing ticket orders and managing inventory levels, ALC's Business Development Representatives (BDRs) will also begin their new roles this summer. The BDRs will have more time to help retailers maximize their sales and profit potential. Dedicated regional trainers have also been hired to provide retailers and their staff with all their training needs.

Clean\$weep in South Carolina

South Carolinian lottery players showed their pride and helped keep South Carolina clean by participating in the South Carolina Education Lottery and PalmettoPride's yearlong initiative aimed at taking action against litter.

Last July, the two organizations launched Clean\$weep, an effort that encourages South Carolinians to help reduce the amount of litter by submitting their non-winning instant game tickets for a chance to win a cash prize. The last drawing is June 30, 2004. To-date, more than 900,000 tickets were mailed to the SCCEL for the monthly drawings. By submitting five non-winning tickets, entrants have the chance to win in the Clean\$weep second-chance drawing. Each month, SCCEL draws 100 entries and award each winning entrant \$50. The SCCEL and PalmettoPride are working together for another exciting Clean\$weep promotion in 2004-2005.

Virginia Testing Electronic Jackpot Pole Signs

The **Virginia Lottery** is testing a program to make hand-changed jackpot signs at retailers obsolete. Electronic jackpot pole signs utilize the technology behind electronic jackpot billboards and apply it to a smaller format, either inside or outside a retail location. Shortly after each drawing, the signs are updated when a phone signal is sent via Sunshine Electronic Display Corporation, and received by a device on the sign (similar to a pager), which then automatically updates the advertised jackpot amount. The signs are currently being tested at the Red Barn in Emporia, one of the Virginia Lottery's busiest retailers.

Second Chance to Win Pays Off for New Jersey Lottery Players

The **New Jersey Lottery** is turning coal into diamonds through the Lottery Bonus Zone. So far this year, over 300 lucky players have received prizes, ranging from trips to home entertainment centers, thanks to the second chance drawings that accompany many of the Lottery's instant games.

Here's how it works: instead of discarding non-winning instant tickets for Lottery Bonus Zone games like The Honeymooners, Winning Legends and NHL, players submit three-non winning tickets of a given game to be eligible for second chance drawings for that game. Drawings are held 10 times over a 20 week period with each Bonus Zone game producing hundreds of winners and one grand-prize winner.

"Licensed-product games like The Honeymooners are very popular among our players," said Executive Director Virginia S. Bauer. "The fact that many of these games also offer a second chance to win makes them that much more fun to play."

Recent winners include Joe Clark of Laurel Springs who won the grand prize in the NHL Second Chance Drawing held on June 10. The grand-prize included the "Stay-At-Home Getaway" which includes a 57" home theater system, including a Sony DVD Dream System and \$1,000 in cash.

Nancy Brand of Manasquan won a home entertainment center by entering the second chance drawing for "The Honeymooners" game. This prize included a video collection of the best "Honeymooners" episodes, two "Honeymooners" prize packs and \$1,000 in cash. Winning Legends, a baseball-themed instant game which features the likeness of Yogi Berra, Reggie Jackson, Tom Seaver and Gary Carter, offers second chance winners a trip to either the 2004 or 2005 All-Star Game and a choice of limited edition autographed prints.

Look for upcoming Lottery Bonus Zone games, including Breeders Cup Gold and The Young and the Restless. ♣

Video

News

VLTs Approved for Puerto Rico

The passage of a new law in Puerto Rico will allow VLTs in approximately 700 pari-mutuel wagering locations making up the El Comandante Off-Track-Betting (OTB) Agency system. The law allocates 15% of the "net win" generated from the new VLT machines as commissions to the respective OTB agencies, and contributes another 15% to the horsemen's purse account at El Comandante, the only horse racing and wagering franchise in Puerto Rico. The balance will be split between the VLT operator and the racetrack operator, respectively. It is expected that the El Comandante Racetrack will receive sufficient net revenues from VLT operations to fund the interest and principal repayment on approximately \$60 million of race-track first mortgage bonds, which have been in default for the past 2 years.

Jamaica Signs with GTECH for VLTs

GTECH signed a new contract to provide a complete video lottery solution, including a central system, VLTs, a communications network, and related services to Supreme Ventures Limited in Jamaica. The new contract is coterminous with GTECH's existing online lottery contract with Supreme Ventures, which is set to expire in January 2011. GTECH expects to generate approximately \$50 million to \$60 million in revenues over the contract term.

Oregon Video Vendors Stick it Out

Oregon bars and taverns aren't happy with the new video poker commissions, but most appear willing to accept them. Despite a threat that 15% of retailers would abandon the program, the Oregon Lottery is seeing a 98% renewal rate from video vendors. So far, only nine of the state's 2,158 video poker establishments have removed themselves from the program, while 35 more are still deciding. The old commission rate was 32% of sales. The new commission rate is 29% of sales. The average establishment will make \$7,000 less per year under the new agreement.

West Virginia Considers Video Options

West Virginia officials are considering options to help the state deal with the potential loss of revenue stemming from the decision to legalize slots in Pennsylvania. One option would see payouts increased on West Virginia machines. Currently, West Virginia machines have to pay out at least 80%, and machines can pay up to 95% (though any machine paying higher than 92% must be approved by the Lottery). The average payout for machines in the state is 91%.

VLTs on New York Ferry?

Video lottery terminals would be allowed on the high-speed ferry that recently began operating between Rochester, N.Y., and Toronto under a measure introduced in the New York Legislature. Assemblyman Joseph Morelle, one of the sponsors of the legislation, said the operators of the ferry, Canadian American Transportation Systems, approached him and state Sen. Joseph Robach about bringing the gambling machines aboard the ferry. The legislation would amend the state law that allowed the VLTs to be set up at horse racing tracks around the state.

The ferry, The Spirit of Ontario, will carry as many as 774 passengers and 220 cars three times daily between Rochester and Toronto. Morelle said the boat's operators would be prepared to turn off the VLTs when the vessel leaves New York waters.

SAZKA Launches New Central System with Interactive VLTs

SAZKA has launched a new product – a central lottery system with interactive video lottery terminals. By the end of 2004 hundreds of interactive video lottery terminals should be in operation. Eventually, the number will grow to 10,000 terminals. The interactive VLTs will be placed primarily in traditional casinos, sports bars and other gambling centers, including SAZKA's selected selling sites.

Star Wars Slots

IGT has partnered with Lucasfilm to create a series of Star Wars themed slots for casinos. The first game represents 'A New Hope.' Other episodes and specific characters will be represented in the future. The Star Wars slot game should be available by the end of 2004.

Sigma Launches New Slot Technology

Sigma Games Inc. announced that it has received regulatory approval for its new advanced technology spinning-reel base operating system along with the first in a series of associated game themes. This initial approval from Gaming Laboratories Inc. (GLI) encompasses the company's new "Interactive Series 1000™ (IS1000)" technology and the game title, "Treasure Tunnel™." With this approval, the company can immediately begin selling and installing the new mechanical reel games in gaming locations that accept GLI certification. Approvals on this new spinning reel technology, also referenced as the "SG2300™," are pending in other major regulatory jurisdictions including Nevada and New Jersey.

The "Treasure Tunnel" game is the first in a series of classic titles to be made available on the new platform. It brings back the company's popular three-reel, single-line slot with its bonus multiplier showcased in a special top box.

Mikohn's Garfield Approved

Mikohn Gaming announced that it has received approval from Gaming Laboratories International (GLI) for the Garfield™ slot game in 16 of 18 targeted GLI jurisdictions. Additionally, the Company has completed initial installations at various customer locations in North America slightly ahead of its estimated target dates.

Tattersall's Machines in South Africa

GrandSlots, 65% owned by Australia's Tattersall's, has been awarded a gaming machine license by the Western Cape Gambling and Racing Board. GrandSlots will reportedly invest more than 70 million rand in the province over the next nine months. The new 1,000-machine operation will create 229 jobs, stimulate development of 225 small business premises, and generate returns for the government of approximately 56 million rand in taxes and other fees over five years. ♣

\$1,000,000 Corvette® Instant Game Kicks Off Massachusetts Lottery Summer of Fun

After you successfully launch a Harley-Davidson-themed instant game that becomes your fastest-selling \$5 game in history, generating \$150 million in sales and \$19 million in local aid, what do you do for an encore? In the case of Massachusetts, you do as you have always done: research various game options, and then let the consumer guide your decision.

Following extensive player research, the Massachusetts Lottery and MDI Entertainment, a wholly-owned subsidiary of Scientific Games, are teaming up once again – this time offering a \$5 instant game that will give players an opportunity to win one of 30 new Corvette® convertibles. The top prize, of

which there are 10 in the game, is \$1 million in cash, plus a brand new Corvette® convertible.

Known as “\$1,000,000 Corvette®”, the new \$5 offering features over \$115 million in total prizes, including more than 15,000 Corvette® merchandising prize packs, each consisting of a Corvette® leather jacket, leather travel bag, and sunglasses.

“A significant number of lottery players who were tested said they would either ‘Definitely Buy’ or ‘Probably Buy’ an instant game designed around a Corvette® theme,” said Massachusetts Lottery Executive Director Joseph Sullivan. “And certainly given the success of the Harley-branded game in Massachusetts from last summer, a Corvette® themed game tied to summer-time fun should do extremely well.”

In its first year, the Corvette® license generated instant games in four states, including Washington, Indiana, Virginia, and New Jersey, with tickets valued at \$33.6 million. MDI and General Motors recently agreed to a new contract extension that gives MDI the lottery licensing rights to Corvette® and several other popular GM brands. The 15-month extension runs through December of 2006.

E-10 Unleaded Is Major Prize In New Sports Car Game –by Brian Rockey

As part of its popular series of \$2 Scratch games offering vehicle prizes, the Nebraska Lottery has introduced Sports Car Cash II. Along with more than 250,000 cash prizes, the game offers three top prizes of a 2004 Corvette Coupe, and five prizes of \$1,000 in E-10 Unleaded with Ethanol. Each Sports Car Cash II ticket includes three distinct games.

The Sports Car Cash II Corvette has a Torch Red exterior, Black Highway Nuance Leather interior, 5.7L LS1 V8 SFI engine, 4-speed automatic electronically controlled-overdrive transmission, and electrochromic (light-sensitive auto dimming) mirror. The value of the Corvette top prize is \$58,000, which includes federal and state withholding paid by the Nebraska Lottery, along with

\$1,011 for expenses associated with ownership.

Each Corvette winner will receive \$100 in E-10 Unleaded, courtesy of the Nebraska Ethanol Coalition which is also providing the five \$1,000 fuel prizes in the game's prize structure.

While E-10 Unleaded with Ethanol is a prize frequently awarded in Nebraska Lottery contests and promotions, Sports Car Cash II marks the first time that E-10 has actually been included in a Scratch game's prize structure. In addition to the second edition of Sports Car Cash, the Nebraska Lottery is offering its ninth version of Truck\$ & Buck\$; this year featuring the Ford F-150 SuperCrew 4x4. Truck winners also receive \$100 in free E-10 Unleaded, and each of the 25 semifinalists in the Tough Truck Giveaway second chance contest will receive \$25 in E-10 Unleaded.

Additional information is available on the Nebraska Lottery website, www.nelottery.com.

California Has “Bingo” mania –By Eric Johnson

Since its introduction in May of 2003, Bingo has been the California Lottery's biggest Scratcher ticket seller. Bingo kicked off with a barrage of television and radio advertising which emphasized the game's long-lasting familiarity and popularity among all age groups. Promotions with major and minor-league baseball teams got the word out to new demographics. Several Lottery employees even dressed up as human size “Bingo Balls” and paraded through the streets of Old Town Sacramento in 100-degree weather.

Not only did the advertising and non-traditional promotion help produce the largest first-week sales ever for a \$3 game, but the sales curve did not follow the typical pattern of drastic fall-offs in sales over the next few weeks. Instead, sales stayed at a remarkably high plateau, consistently out-performing newly-introduced games.

Obviously, Bingo filled a void in the California Lottery player's mind. Until recently, a Bingo theme for Scratchers had been against the law. Through its diligent efforts the Lottery was able to convince the California Legislature that lifting the Bingo restriction would result in increases in contributions to education. It worked—The Lottery has sold over \$173 million in Bingo tickets since last May.

In addition, the runaway success of Bingo has paved the way to explore new lottery game concepts in California. This summer, the Lottery will introduce its first crossword game and launch its first \$5 game of the millennium. Of course, the Lottery has extended the Bingo line with updates of the game (two extra caller's numbers, for example) and Bingo is well on its way to joining The Big Spin—which gives players the opportunity to spin for up to \$3 million on The Big Spin television show—as one of the California Lottery's core games.

The California Lottery has achieved its goal of forwarding \$1 billion to public education for three consecutive years. And, with the success of the Bingo theme the Lottery is on its way to reaching \$1 billion for an unprecedented fourth year! The California Lottery looks forward to many years of great sales from the various iterations of Bingo. ♦



Georgia

The Georgia Lottery discontinued the Change Game and has no immediate plans to introduce a new game to replace it. The Change Game allowed players to bet anywhere from 25 cents to 99 cents on a ticket, and the Lottery was betting people would be willing to part with their spare change. During the first nine months of fiscal year 2002, the game earned \$6.3 million. During the same period in 2003-04, it earned about \$790,000 - a drop-off of 87.5 percent.

Idaho

The Idaho Lottery and the Boise Hawks challenged local celebrities from all over the Treasure Valley to step up to the plate and take a swing at scoring some money for area schools with the Celebrity Homerun Derby, on Saturday, June 26. By the time they take the first of fifteen pitches, each celebrity batter had already pre-chosen a K-12 public school in the area to sponsor. With each good hit, the batter collected cash from the Lottery for their school: hits in the infield equaled \$15; hits in the outfield equaled \$150; homerun hits out of the park equaled \$1,500.

Illinois

The Illinois Lottery celebrated a record sales year and a major anniversary with a 30th Anniversary Birthday Bash at the James R. Thompson Center in Chicago. The birthday party was a virtual throwback to 1974. Hundreds of Lottery fans and players were on hand as Illinois Lottery Superintendent Carolyn Adams gave remarks on the success of the Lottery and Jimmy "JJ" Walker from the 1970's hit television series "Good Times"

entertained the crowd with a stand-up comedy performance. V103 FM DJs Ramonski Luv and Joe Soto served as emcees for the event, while Jimmie Walker and Superintendent Adams also served as judges in a 1970's Television Celebrity Look-A-Like contest. Contestants competed for cash prizes of \$5000, \$2500 and \$1000, while impersonating celebrities. During the event, Lottery players also had a chance to win thousands of dollars in prizes with the "Prize Wheel" and the "Money Machine."

Iowa

The Iowa Lottery will become the first U.S. Lottery to test an electronic version of a scratch ticket when it kicks off an October trial for Quarter Play. The Electronic Game Card will cost \$20 and offer 80 plays. The test area will cover a portion of eastern Iowa, including Cedar Rapids, Dubuque, Davenport, Waterloo and Iowa City.

Kansas

The Kansas Lottery launched a new \$1 game celebrating 150 years of the Kansas Territory. Each ticket features one of six images of the state's history. The top prize, \$1,854, represents the year President Pierce signed the Kansas-Nebraska Act in 1854.

Maine

The Maine Lottery will reportedly have Powerball up and running by July 30. The Lottery expects the game to generate \$9 million to the state's general fund in FY05.

Michigan

In June, James Rutledge of Holt became the Michigan Lottery's newest

People



The Director of Mexico's National Lottery, **Laura Valdes**, was recently replaced by **Tomas Ruiz Gonzalez**, a congressman who also served as Mexico's assistant treasury secretary. President **Vicente Fox** thanked Valdes for her work at the lottery, but did not specify why she was being replaced.

The Minnesota Lottery's Acting Director, **Mike Vekich**, won't be looking to make his stay as Lottery Director a permanent one. Vekich, who sees himself as a turnaround expert, expects to vacate the post soon. In his short stay, Vekich adopted 49 fixes recommended by auditors, raising sales (8%) and profits (23%) in the process.

There are several personnel changes at the Ontario Lottery and Gaming Corporation (OLGC). **Brian Wood**, the OLGC's Chief Operating Officer since the establishment of the Corporation, retired on June 15, 2004. A newly created role, Chief Marketing Officer, will be filled by **Alan Berdowski**, effective in July. Also, **George Sweny** is returning to the OLGC as Senior Vice President of Lotteries. Sweny, a long time employee of the Ontario Lottery Corporation, is currently Vice President with the B.C. Lottery Corporation. **Mike Sharland**, Ontario Provincial Police Chief Superintendent, will assume the role of Vice President of Corporate Security and Surveillance, and OLGC Chief Information Officer **Mike Nieder** will assume additional responsibility for technical delivery of the "e-business" functions previously managed by Corporate Planning.

Virginia E. Haines, the former New Jersey Lottery director, was elected by a vote of 23 to 4 as the state's national Republican committeewoman. State Republican Committee members elect one man and one woman to the national party.

Uthingo Management Board Chairman, Professor **Barney Pityana** announced the appointment of **Dr. Oupa Monamodi** as Chief Executive of Uthingo Management, effective immediately. Dr Monamodi, who holds post-graduate degrees in Business Administration and Sociology from Indiana University in the United States, and has been an IT professional for the past 20 years both in the U.S. and South Africa, served as acting CEO since January this year, following the resignation of Humphrey Khoza.

JCM American has brought gaming industry veteran **Mark Hutchinson** to the JCM team as the company's Director of Public Gaming and International Sales. As Director, Hutchinson will oversee the company's two business segments, providing expertise and direction. Hutchinson is recognized around the world as an expert in lottery and public gaming, having lived and worked in the UK and South African lottery markets for 12 years. He recently returned to the U.S., where he worked for IGT in the company's public gaming area. Hutchinson will remain in the U.S. and will be based out of JCM's headquarters in Las Vegas. ♣

multi-millionaire during a grand-prize drawing ceremony just prior to the start of the DHL® 400 NASCAR® Nextel® Cup series race at the Michigan International Speedway in Brooklyn. On June 20, Rutledge, 46, was one of five finalists for the "Casino Millions" instant ticket grand-prize who competed in the trackside drawing for a \$2,000,000 grand-prize.

Minnesota

The Minnesota Lottery has been making many cuts suggested by state auditors. The cuts are expected to produce a projected savings of \$4.5 million. \$2.5 million will be saved by laying off 42 employees, \$1.5 million will be saved by ending several promotions, and \$500,000 will be saved by closing down or reducing the rent of five district offices.

Missouri

The Missouri Lottery's new "Tell-A-Friend" limited-time promotion, which started June 28, gives players who get their friends to join the Lottery's My Lottery player services a chance at a special night out at the ballpark or \$500 cash. Players receive one entry in the promotion for every friend that joins the program. Also, starting July 1, My Lottery participants will receive a free-play coupon on their birthday, which is good towards the purchase of any Missouri Lottery Numbers game, except Club Keno, at any Missouri Lottery Numbers Games retailer.

On Monday, July 26, the Missouri Lottery's Pick 3, Pick 4 and Show Me 5 games added a mid-day drawing in addition to the evening drawing. Drawings will now be held at 12:57 p.m. and 6:57 p.m. The Lottery expects the additional draw to increase sales by at least 9%.

New Jersey

So far this year, Jersey Cash 5 players are winning more money, more frequently than ever before! The New Jersey Lottery announced that a total of 76 players have claimed a top-prize jackpot since January '04, surpassing the 72 top-prize winners in all of 2003. At the same time, the average top-prize has grown to \$233,000 this year compared to the \$37,000 average Jersey Cash 5 jackpot in 2003. Each and every week, an average of three Jersey Cash 5 players are winning a prize over \$233,000! In September 2003, the Lottery changed the game from a "roll-down" to a "roll over" structure.

New York

New York Lottery Director Nancy A. Palumbo introduced Fast Cash Finish, the Lottery's newest addition to its popular series of racing-themed Instant game tickets. The new game offers players an opportunity to win a top prize of \$1,500 and numerous other prizes ranging from \$1 to \$500. The game went on sale on June 2, 2004. In addition, Director Palumbo introduced details of the Fast Cash Finish Sweepstakes that offers New Yorkers a chance to experience the excitement of thoroughbred racing first-hand. The \$1 Fast Cash Finish Instant ticket prominently features the logos of three of New York's most exciting thoroughbred race tracks: Aqueduct, Belmont Park and Saratoga. The Fast Cash Finish Sweepstakes offers New Yorkers an opportunity to experience the thrilling sights and sounds of horse racing at historic Saratoga Race Course. The sweepstakes is open to holders of non-winning New York Lottery Fast Cash Finish tickets or any non-winning New York Lottery tickets on sale or open for redemption during the promotion period between June 2 and June 30, 2004. Sweepstakes winners will receive: one night accommodation; clubhouse admission for two; seating and lunch for two at the "At the Rail" pavilion; two Post Parade programs; and \$100 spending money.

North Dakota

The North Dakota Lottery has done it again. The Lottery's recent Hot Lotto launch tied a record for sales on the first drawing, bringing in 8.9 cents per capita – more than four times the average per capita sales of the seven other Hot Lotto jurisdictions. The \$56,330 in sales may have been helped by a record-breaking Hot Lotto jackpot of \$5.5 million.

Rhode Island

As a sponsor of the 2004 International League All Star Game, hosted by the Pawtucket Red Sox, the Rhode Island Lottery added to its own 30th Anniversary festivities, giving away tickets to the game and other All Star events held throughout the week. Tickets for events such as the All Star Home Run Derby, Providence's WaterFire and All Star Fan Fest, and an All Star luncheon with notable sports celebrities were given away at weekly Lottery Retailer promotional events and through on-air promotions with local radio stations.

On Tuesday, July 13, an All Star Gala at the State House Reception Room, hosted by Rhode Island Governor Donald Carcieri, was attended by several of baseball's greats, as well as corporate sponsors. To help mark the occasion, nine of the 62 Rhode Island Lottery Retailers who have sold Lottery products for the past 30 years were selected at random to be invited along with their guest to attend the private gala. To help others in the community, The Lot also donated several All Star events packages, including box seat tickets to the sold out game, where they were auctioned off by radio personalities to raise money for local charities.

South Carolina

The South Carolina Education Lottery has hit another milestone with one of its instant tickets. The SCEL has printed the 100 millionth 3 Times Lucky ticket. This batch of tickets is currently being offered to the lottery's 3,500 retailers statewide.

Texas

Texas Lottery players have a brand new opportunity to win a million dollars. The newest Scratch Off game to hit the streets, Run-The-Table, allows players the chance to run away with three \$1,000,000 top-cash prizes. Run-The-Table, which is the Lottery's first \$25 ticket, has great odds. Chances of winning any prize, including break-even prizes, are 1 in 2.78. Chances of winning one of three \$1,000,000 prizes are 1 in 1,680,000.

Virginia

The Virginia Lottery has moved into the final phase of its consignment sales conversion, and Lottery retailers are getting a chance to cash in on it. The "pack activation" phase, in which retailers activate packs of instant tickets using their ISYS terminals, was introduced on June 6 with a retailer incentive program called Activate and Earn. Every time retailers activate a pack of instant tickets, they receive a bonus equal to .5% of the packs retail value. ♦



CORRECTION: The PGI caption for this picture in July 2004 erroneously stated that this was PA Director Ed Mahlman demonstrating new terminals, when in fact the man in the picture is State Secretary of Revenue Gregory C. Fajt

our vendors have made significant progress during recent years in the area of product distribution, but finding solutions to integrate our lottery networks with retailer operating systems still represent both challenges and opportunities for growth in the years ahead.

PROMOTION – Advertising

How much advertising is enough? Is advertising cost effective or not? There is an old saying that half of every advertising budget is wasted, you just don't know which half. Even so, when one examines the cost of advertising compared to other sales drivers, advertising is an essential and cost-effective part of the marketing mix.

Compare the cost of increasing your ad budget by \$10 million to the cost of increasing your prize payout by only one percent. Apply multiple regression analysis and take a look at what each option contributes to your bottom line. Compare it also to a one percent increase in retailer commission.

How should we benchmark advertising expenditures? What are the right measurement techniques? Should we focus on advertising expenditures as a percentage of sales? Or do we tend to apply that yardstick simply because we can?

What about expenditures per adult consumer? Would that not be a more meaningful performance metric? Isn't it more relevant?

What about comparing advertising expenditure levels to other lotteries? If we compare our ad expenditures as a percentage of sales to other lotteries, does that not rest on a fundamental assumption that other lotteries are spending enough? Are we?

What about comparing our advertising expenditures to substitute goods in our price category? We compete for discretionary consumer spending with other consumer goods that are commonly positioned at the point of purchase.

What about measuring advertising effectiveness by share of voice or other awareness measures? What share of voice do we achieve based on a given level of advertising? Have ad budgets kept up with the price of media inflation? Forget about economic inflation, what about media inflation? Take a look at the mass market. Twenty years ago, the networks dominated. Nothing else came close to the level of reach and awareness you could achieve back then by simply advertising on the big three networks (ABC, CBS, NBC). It's a totally different landscape today. The average household now receives 100 channels. The number of products competing for a share of voice has also increased dramatically, so the cost to achieve the same level of awareness has increased through the effects of dilution. See Bianco, "The Vanishing Mass Market," *BusinessWeek*, July 12, 2004, pp 61-68.

Advertising will always present questions and challenges for domestic lotteries. We are unique creatures in the world of state government. Very few other public agencies, if any, operate as profit centers in a retail environment. Our challenge is to develop statistically valid performance metrics that provide budget analysts and cost accountants with a better measure of advertising effectiveness.

PROMOTION – Merchandising

Should retailer commissions be tied only to sales? Would it not also be beneficial to find innovative ways to base retailer commissions and incentives on factors such as terminal placement, product placement, play station placement, point of sale placement, outdoor signage, following plan-o-grams, etc...?

Improved inventory management represents another opportunity in the area of merchandising. We hope to develop Tel-Sell applications that apply customer relationship management (CRM) principles and

provide retailer-specific data in real time. We hope that this enhanced functionality, with built-in system alerts, will not only help us and our retailers to do a better job of keeping our top selling games on display, but will also help to eliminate or significantly reduce empty bins.

PROMOTION – New Market Development

Arm & Hammer has mastered new market development. They have created all sorts of ways to use the same product – baking soda. You can use it to brush your teeth, you can use it for your refrigerator, another box for your freezer, and when you're finished with that you can use it to deodorize your garbage disposal. They also have used it in laundry detergents, carpet fresheners and cat litter. And you can still bake with it too!

Until recently, our industry has focused entirely on business-to-consumer sales. We have not even scratched the surface of commercial sales opportunities in the business-to-business market. From customer appreciation and employee recognition to specially tailored sales promotions (and everything in between), the business-to-business market represents a spectrum of new sales opportunities. This will involve more than a passive sales approach. Unlike that often repeated line from the movie *Field of Dreams*, this may not be a simple "if you build it, they will come" proposition. Commercial sales may require a separate developmental effort in terms of product, sales and delivery.

Strategic alliances with sales and promotional partners represent another window of opportunity. Choosing strategic alliances or partnerships involves a process of mutual selection (or de-selection). The strategic partners that we select should have special core competencies, brand equity or other things that they can bring to the table to complement our business and marketing strategies. The idea here is to create synergy or outcomes that will be greater than the sum of the individual parts.

Year round gift sales reflect another missed opportunity to generate incremental sales. No one in the industry has quite perfected a marketing strategy in this area yet, but most major retailers offer gift cards of some kind. And they're not just offering them to be trendy. Considering that a modest one percent incremental increase in domestic lottery sales would equate to nearly a half-billion dollars annually, it would seem that someone in the vendor community will eventually recognize the income potential that gift cards represent and make the necessary investment in R&D to seize this emerging market development opportunity.

Conclusion

Business development is about strategy, but it is also about change management. Revenue expectations will continue grow and we will be expected to meet them. As an industry, we cannot indefinitely increase revenues at the expense of our margins. If we fail to confront this particular industry trend, some of us will eventually reach a point of diminishing returns (selling more year-to-year, but transferring the same amount or less).

Above all else, keep moving. As Yogi Berra once said, when you come to a fork in the road – take it! Inaction can often result in greater harm than an imperfect action. Do your homework and involve external stakeholders at every opportunity. More often than not, a well-developed business case will still carry the day. ♣

About the author: Michael Frick serves as Deputy Secretary of the Florida Lottery. Prior to joining the Florida Lottery, he served as a Deputy Executive Director for Support Services with the Pennsylvania Lottery. He holds a B.A. and law degree from Marquette University, Milwaukee, Wisconsin, and is admitted to the practice of law in Wisconsin and Pennsylvania. He also holds a Masters Degree in Business Administration, with honors, from Kutztown University of Pennsylvania.

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