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PublicGaming

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Ernie Passailaigue, Director
South Carolina Education Lottery

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ON THE COVER:
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P R O F E S S I O N A L

The Future is Now!

"Telling the future by looking at the past assumes that conditions remain constant. This is like driving a car by looking in the rearview mirror." – Herb Brody, deputy editor at Technology Review, MIT's magazine of innovation.

Being in the lottery industry for more than 20 years has taught me an important fact, our business is ever-changing and while the past contains the path to our present, the future is a road never traveled.

As we ring in a new year, I am concerned by some recent statistics concerning tomorrow's workforce. In Colorado, roughly 40 percent of the state's entire workforce will retire in the next seven years. Also, during the past five years, the state has not been able to retain newer and typically younger employees for more than an average of three years. While these statistics are from Colorado, I would not be surprised if they are an accurate representation across the nation.

These developments have some potentially far-reaching consequences. If half of your employees with institutional knowledge will be leaving in the near future and younger employees aren't going to stay long enough to learn the so-called ropes, who will be left to run the store?

As managers, now is the time to plan for the future. Speaking as someone who has worked the majority of my adult life to ensure the success of the lottery industry, I feel it would be a shame if we didn't supply the foundation for the next generation to continue what we have started.

So how do we accomplish this? That's the million-dollar question. First, we must evaluate the situation. How many people in your lottery are going to retire in the near future and do you have enough newer or younger employees to fill these positions? Also, with all of your other duties, do you have the time to solve these issues? The answers may be startling. But there is hope.

In most cases the answers to a successful future are right there in front of you. Just like any successful sports team, you are only as good as your bench players and those players will eventually become your all-star talent. Research shows that most managers pick successors much like themselves. This may ensure the status quo, but in the long run it limits the diversity and ingenuity needed to keep your business at the head of the class.

Succession planning is no different than any other major project. First, you need a plan. Then you need to implement the plan. Start out by addressing the questions I brought up earlier. Once you have the answers to those questions, begin to evaluate the talent you have around you. Are there employees you feel have what it takes to move up the ranks? If so, tell them. Don't wait for them to come to you. Be proactive. Individual development can be made an integral aspect of compensation or reward. Focus on retaining your star employees, plan ahead as to how you will fill key positions in the future. Many successful corporations have found it easier to retain talented employees by providing a rich variety of assignments that include excitement and visibility.

While it is the employer's responsibility to build the foundation for the future, employees must take advantage of the opportunities afforded them. Like Milton Berle said, "If opportunity doesn't knock, build a door." Take the initiative to let your supervisors know you are interested in promotional opportunities. At the Colorado Lottery, we have implemented a mentoring program. As part of the program, employees were asked what, if any, positions they were interested in and then were provided information about each job. In the future, these employees will have the opportunity to select one job of interest. The mentor will then evaluate the participant's qualifications and help them determine what steps need to be taken for them to qualify for that job.

The lottery industry is facing a number of important issues in the near future including budget short falls, the standardization of technology, and Internet gaming. However, none of these issues will matter if there is no one left to run the business.

Just something to think about.

Mark Zamarripa

Industry News

Scientific Games Completes Acquisition of MDI

Scientific Games Corporation announced that its wholly owned indirect subsidiaries, Blue Suede Acquisition Corp., and Scientific Games International accepted for purchase all of the shares properly tendered under the previously announced offer to acquire all of the outstanding shares of common stock of MDI Entertainment, Inc. at $1.60 per share.

INTRALOT de Peru Established

Following the ten year contract with "Sociedad Beneficencia Publica de Jaen" of Peru for the license of a national lottery organization, INTRALOT is establishing a new lottery which will undertake the operation of all lottery games in the entire country. For this purpose INTRALOT has already established INTRALOT de Peru which will undertake the implementation of the project. In the new lottery, INTRALOT will join forces with local and international partners.

The start-up of the operation will commence in 2003. INTRALOT will supply and support an integrated lottery system, as well as implement a multimillion advertisement - marketing campaign and will provide all necessary management services for the launch of the games. Furthermore, INTRALOT anticipates the gradual launch of games like Lotto, Instant Tickets, Fixed Odds Betting games as well as the development and operation of Video Lotto. The games will be distributed by more than 1,000 points of sale, covering the whole Peruvian territory. The games organized by INTRALOT will be also offered by alternative media such as internet, mobile telephony etc.

The initial investment is estimated at US $15,000,000.

MDI to Offer The Honeymooners

MDI will offer TV sitcom giant, The Honeymooners(tm) as a licensed lottery promotion.

The Honeymooners lottery promotions could include a complete set of the TV series episodes and a home theatre system to watch them on. Trips to New York City, the home of the Honeymooners, and a wide selection of official merchandise and collectible memorabilia are also available to Lottery marketing creative teams.

The agreement with Jaglea VIP Corp., through Unforgettable, will run through 2005 and covers the United States.

Scientific Games Wins Six Pari-Mutuel Contracts

Scientific Games Corporation announced that Autotote Systems, Inc. its pari-mutuel subsidiary, has been awarded six new international pari-mutuel contracts for clients including the French Pari-Mutuel Urbain (PMU), Mexico (AMH) and four contracts in Korea. The total value of the contracts is over $5 million.

The PMU has ordered 100 new PC-based Mini(tm) wagering terminals in order to evaluate the latest generation of terminals for future expansion of its network of wagering outlets. In Mexico City, the Hipodromo de las Americas (AMH) has agreed to a five-year contract extension which includes a phased in terminal upgrade and OTB expansion. In Korea, the Korean Racing Association (KRA) and the Cycle Racing Association (CRA) have both ordered system upgrades due to their rapid expansion, the Motorboat Racing Association (MRA) has ordered more MAX3000(tm) terminals and the Korean Bull Fighting Corporation (KBC) has awarded Autotote a new contract for an Eclipse(tm) wagering system and MAX3000(tm) terminals.

Spielo Recognized

Spielo was honored at the Canadian Manufacturers and Exporters annual conference in Vancouver with the 2002 Canada Export Award with special recognition in the Job Creation category.

GTECH Signs Subcontract With Verizon to Provide Equipment and Services for New Communications Network in New York

GTECH has signed a multi-year subcontract with Verizon Select Services, Inc. (VSSI) to provide equipment and services for a fully integrated communications network system for the New York Lottery. GTECH's subcontract with VSSI, which is expected to commence on July 1, 2003, includes extension options.

VSSI and Verizon New York Inc. will replace the New York Lottery's existing communications network with an enhanced DDS (Digital) local access network and associated central office equipment. GTECH's subcontract with VSSI requires GTECH to install approximately 1,700 VSATs (Very Small Aperture Terminals), which will provide highly reliable communication between the Lottery's central system and a number of geographically dispersed retailers. GTECH will also provide ongoing services to VSSI, including telecommunications network management, network interface equipment, technical support, and overall project management. With respect to its contract with VSSI, GTECH expects to generate revenues of approximately $23 million over the initial term of the contract.

Seiko Expands U.S. Distribution Channel for Thermal Printing

Seiko Instrument's Micro Printer Division has expanded its nationwide distribution network for thermal printing solutions with the addition of Miami-based All American to its family of channel partners. Seiko Instruments' thermal printing products include component printer mechanisms, value-added subassemblies, and compact stand-alone printers. ■

Around the World

Europe

Camelot recently announced that it has signed a letter of intent with the French lottery operator, La Francaise de Jeux and Spanish lottery, Loterias y Apuestas del Estado, building on a previous discussion between the three lottery operators concerning the possibility of a joint venture.

This joint project to start up a common game will be marketed by each operator in its own country. In the United Kingdom and France the provisional name for the game will be "Euromillions", while it will be called "Euromillones" in Spain.

The game will be Lotto-style with a weekly draw. Tickets will cost two euros or its equivalent in each country's local currency. The launch is scheduled for the first quarter of 2004, subject to regulatory approval. After that date lotteries from other countries will be invited to join.

Brazil

Oberthur Gaming completed a major technical upgrade of its Brazilian subsidiary, Impressores de Segurança Associados Ltda. (ISA). The upgrade includes the installation of state-of-the-art manufacturing equipment such as: a Scitex 3600 high-speed ink-jet printer, multi-color high-resolution flexographic printing capabilities and optimized packaging processes. Now the Curitiba plant (Brazil) can offer the exact same products and services the company provides in other regional units around the world.

India

EssNet signed a contract to deliver an on-line lottery system to ITSPL, a Modi Enterprises company in India. Under the terms of the contract, EssNet will start installation of an ELOS system in January 2003 and approximately 10,000 terminals will be distributed all over India within the first year. Initially, Lotto, Pick 3 and a traditional game will be offered.

Hungary

Szerencsejatek Rt finally saw a winner for its all-time record jackpot of HUF 2.97 billion (EUR 12.64 million). One winning ticket took home the jackpot for the 5:90 game after 28 weeks of jackpot rollover.

In the last week 13.6 million lottery tickets were sold. Hungary's total population is 10 million.

The lottery company expects revenue of HUF 98bn-100bn for 2002, significantly up from its business plan which had anticipated HUF 82bn.

Norway

EssNet was chosen as the successful vendor to provide new lottery terminals to Norsk Tipping. EssNet will replace Norsk Tipping's existing terminal base with approximately 5,000 new terminals.

Spain

El Gordo - The Fat One just completed another successful run. The yearly lottery saw a 200-year tradition end this year, when the children who sing out the winning numbers sang out the prizes utilizing the Euro for the first time.

The game gave out $1.7 billion euro in prizes.

GTECH signed a five-year contract to provide an online gaming solution and handheld lottery terminals to Organización Nacional de Ciegos Espanoles (ONCE) in Spain. GTECH will also provide ONCE with game design and related services for the launch of a new online lottery game.

GTECH has teamed with Ingenico Iberia, the Spanish subsidiary of Ingenico S.A. to produce an innovative, secure handheld lottery terminal for visually-impaired retailers in Spain. The handheld terminal integrates highly secure online transaction capabilities, with state-of-the-art GSM/GPRS wireless communications, an integrated receipt printer, array imaging technology, a Smart Card Reader and a Magnetic Card Reader for processing payment information, and Text-to-Speech technology, combined in a compact, ergonomic, and durable package optimized to aid the visually-impaired ONCE lottery retailers. The Text-to-Speech technology will read and translate incoming messages into Spanish for the retailer, while the GSM/GPRS wireless communication permits the retailer to roam.

ONCE will initially receive approximately 7,000 handheld terminals, with an option to add additional handheld terminals in the future.

GTECH will provide additional services to ONCE including initial project planning and management; marketing and field services consultancy; ONCE staff, hotline operator, and retailer training; and operations support.

U.K.

In November, 2002 Camelot signed a statement of intent to work with Sky Interactive to explore joint opportunities in the interactive TV arena as part of its plans to develop The National Lottery via new media channels.

Camelot and Sky Interactive will work together to offer players the ability to buy tickets for the National Lottery draws through the Sky Active interactive television platform (available in more than six million UK homes) in addition to information on results, games, good cause beneficiaries and winners. It is anticipated that the National Lottery will launch on Sky Active during 2003.

The development of the lottery through digital interactive TV is part of a £45 million investment by Camelot which will also see scratch cards launched via the internet at www.national-lottery.co.uk in February and full lottery games being available online by the end of the year. ■

The South Carolina Education Lottery
Placing Its Own Patent on Success

I n the lottery industry, how does one measure success? Many believe a fair measurement is the sale of tickets. By any yard-stick, South Carolina has generated record-breaking sales during its first year of operations. And, there's more to come!

Before delving into the numbers, a little background may be in order. In the year 2000, the people of South Carolina voted to change the state constitution, paving the way for a state-run lottery. Since all net proceeds are required to be devoted to new educational opportunities, the nine member commission constituted to oversee lottery operations decided to incorporate education into the organization's name, the South Carolina Education Lottery (SCEL).

Instant Success

In its first full year of operations, the SCEL sold more than $650 million worth of tickets, with an average per cap sales figure for instant games running at $1.89! These numbers alone speak volumes about SCEL's success.

"Our lottery's weekly per cap sales trend for the first ten weeks of operation was higher than the 23 most recent lottery start-ups," said SCEL's Director of Marketing and Sales Pat Koop. "Since then, the sales trends have fallen in line with projections."

In January 2002, when the lottery launched, more than $19.1 million in ticket sales were recorded during the first week. In the second week, ticket sales reached $19.3 million, followed by another $19 million dollars during the third week.

"I couldn't believe the amount of ticket sales that were coming in," said Ernie Passailaigue, the South Carolina Education Lottery's executive director. "We couldn't keep tickets stocked in the retail locations."

A Quick Snapshot...

The South Carolina Lottery launch was one of the quickest in lottery history. The time between its initial launch and its first sale of on-line tickets (Pick 3), was also record-breaking. In fact, the SCEL was the first lottery to unveil four instant tickets with different price points on launch day.

And yet another first was the use of cutting-edge technology for the communication system with the Virtual Private Network (VPN). This network is used by many Fortune 500 companies, as well as federal government agencies that require a high degree of security.

SCEL Exec. Director Ernie Passailaigue before the legislature

Another first for the SCEL, building a state-of-the-art broadcast studio, located on Main Street of the capital's city, in less than 40 days for the lottery's Pick 3 drawing.

The SCEL was the first lottery to be 100% operational on first day of sales for its on-line game.

South Carolina was first to launch a five-number game (Carolina 5) with taxes paid feature.

And, the icing on the anniversary cake was SCEL's admission into the country's most recognizable multi-state lottery game, Powerball, within 10 months of start-up!

The State Board of Economic Advisors, the agency charged with forecasting lottery results originally predicted that the SCEL would transfer $67 million to the Education Lottery Fund within the first six months of operation. The actual transfer amounted to $80.4 million, which is twenty percent more than the original estimates.

In the first year of operation, more than $178 million has been transferred to the Education Lottery Account.

Prize payouts amount to over $350 million in the first year of operation and retail agents have earned over $45 million in commissions.

So if it appears the South Carolina's lottery is both "first" in its class and first class, it truly is. But success did not come easily, as it took a combination of hard work, perseverance, a tremendous amount of will power, and yes, luck to produce these results.

The Beginning...

In July 2001, the nine member Commission hired Ernie Passailaigue as South Carolina's first executive director. Passailaigue has a unique connection to the lottery, as he is a former State Senator who helped formulate the Lottery Act.

"From the very first day, I was honored by their choice to serve as Executive Director," said Passailaigue. "Our success will be measured by maximizing the returns to the taxpayers while ensuring compliance with the statues."

Passailaigue, along with the SCEL's Director of Human Resources Ernestine Middleton, developed a staff of more than 100 employees in less than three months.

"We received over 4,000 applications in the first week," said Middleton. "My job was to hire the best and the brightest and that task was accomplished."

As staff was assembled, they adopted the motto, "Whatever It Takes." Passailaigue even used a cup with the phrase
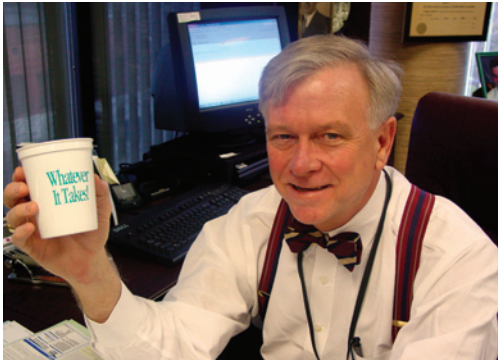
Passailaigue holds a cup showing the Lottery's adopted motto.

engraved on it as a constant reminder.

"Everyone's eye is on us now," stated Passailaigue. "I am determined to have the best run lottery in this world and I will do, 'Whatever It Takes' to make sure that happens."

The original launch date set by a consultant employed by the state before Passailaigue was hired was November 5, 2001. That date was unrealistic given that a staff had to be hired and trained, on-line, instant tickets and advertising services needed to be procured and a retailer-base had to be trained and licensed. The Commission decided upon a more appropriate start date of January 7, 2002. Ambitious yes, but staff, vendors and retailers alike were determined to do 'whatever it takes'. And, the race was on!

The Challenges...

A major obstacle facing the SCEL was the state procurement process. Faced with a short time frame to launch, the competitive bidding process proved cumbersome.

"The process of writing an RFP to getting it to the streets for a bid takes time," said the SCEL's Chief Operating Officer, Tony Cooper. Cooper, who came to South Carolina with more than a decade of lottery experience under his belt, was an invaluable part of the team.

Each morning, Cooper sat down with lottery managers to get daily updates from their respective departments. At these meetings, the team would discuss their highlights and yes, even their lowlights, constantly revising the business plan.

In September of 2001, Scientific Games was awarded the instant ticket game contract.

In that same month, the advertising contract was seemingly awarded to a Greenville, S.C. based ad firm. But legal wrangling kept this contract from moving forward, leaving the SCEL without important ingredients, such as a logo or advertising plan to promote the "new game in town."

"We were under the 90-day mark from launch," recalls Pat Koop, the SCEL's Director of Marketing and Sales. "As a back-up plan, we were making adjustments to bring the lottery's advertising in-house."

After much debate, an agreement was struck with the top three ranked advertising bidders to the RFP. All parties agreed there would be a final "shoot out", allowing each firm the opportunity to present to a diverse panel of advertising experts, their plan to produce an advertising, marketing and promotions campaign from scratch, given the fact that the winner would be less than two months way from launch. The agreement that was struck between the three advertising suitors called for the expert panel's final decision as to a winner to be binding, with no appeal rights.

In November 2001, Newman, Saylor and Gregory (NS&G) was selected as the lottery's advertising firm. Their concept was basic and straight to the point: make this lottery South Carolina's lottery. The race was on to produce a corporate brand in time for launch.

In the meantime, the on-line contract was also awarded to Scientific Games.

But did this mean the SCEL was ready for launch? Not quite. The lottery was still developing its retailer base. The dilemma was not only who could receive a license, but also the decision as to deployment of the equipment between instant ticket agents only and those retailers who could sell both instant and on-line products.

"Our MSRs (Marketing Sales Representatives) were out recruiting retailers and making sure their contracts were signed," says Ann Scott, SCEL's Deputy Director of Marketing and Sales. "It's difficult to determine what terminal a retailer should receive when you don't know how they will perform."

By the end of November 2001, retailers were identified for the launch and things were looking up, until another challenge surfaced: the provisioning of phone hook-ups to retailers.

Simultaneously, newspaper headlines read, "Lottery numbers game may be delayed." Incorporated as part of the original RFP response by Scientific Games to the SCEL was the proposal to implement a Virtual Private Network (VPN) to connect the central gaming system with the retail community.

"Before then, VPN had only been used within Fortune 500 companies," said Cooper. "We realized that we would be the first lottery to launch a product using this cutting-edge technology that was unproven in the lottery industry." So, SCEL was well on its way to making its own mark in history.

In December 2001, SCEL's Marketing Sales Representatives were training all the retailers that had applied for a lottery license. With the holiday season approaching, everything appeared to be on track. Point of sale advertising material was being posted in the retail locations, terminals were being placed in some 3,100 lottery outlets, commercials advertising South Carolina's lottery were filling the airways and launch activities were being planned. Everyone was working up to the last minute...doing whatever it took.

Everyone, that is, except Mother Nature. On January 3, 2002, weather forecasts predicted a snow storm for much of South Carolina.

"Someone forgot to tell her we were launching a lottery in three days" said Tara Robertson, the South Carolina Education Lottery's public relations manager. "We had the Lottery Express (a 2002 Ford Excursion that is used as a mobile tool to promote lottery games and to develop awareness) out touring the state and we had to turn around."

Let the Games Begin...

On January 7, 2002, at 6 a.m., South Carolina Education Lottery made lottery history by launching the sale of four instant tickets games. This would set the stage for a year of unprecedented success. No other lottery has launched with as many games with different price points as the South Carolina Education Lottery - another in its long list of firsts.

Within two months of operation, the SCEL launched its first on-line game, Pick 3: the shortest time frame between a lottery launching its instant product and its on-line product.

"We did not set out to break lottery records," said Passailaigue. "My goal was to run this lottery with integrity and enhance the educational opportunities for the citizens of this state, and we're doing that."

By mid-June 2002, the South Carolina Education Lottery had launched its five-number game, Carolina 5, with a top prize of $100,000, with taxes paid up front. "This game is advertised as Carolina's game," stated Koop. "Since we launched Carolina 5, there has been no cannibalizing with other games."

As tiring as this whirlwind of activity could be, the lottery showed no signs of slowing down. The staff was already looking at launching Powerball in the fall.

To get retailers excited about the most recognizable game in the lottery industry, the lottery began a selling bonus, something retailers had been asking for. "Before, retailers were getting a seven percent commission off of every lottery dollar they sold," said Scott. "Now, they were getting the commission plus one percent of any winning ticket over $10,000 claimed from their store."

With excitement built within the retail base, the focus turned to the players. The lottery decided it was time to conduct a large player promotion and began hyping a giveaway involving a red Volkswagen Super Beetle. "We traveled across the state with a ping-pong ball-filled Beetle," said Karen Buck, SCEL's promotions manager. "It was important to us to get as much exposure to keep up with the reputation of Powerball." Potential lottery players had a free chance to guess how many ping-pong balls were inside the Beetle. There were

A ping-pong filled VW helped promote Powerball.

SCEL staff, ready for action!

objects inside the car to increase the odds of winning.

In the first week of Powerball sales, South Carolina emerged with more than $1.9 million, including Power Play sales. "Our sales and per caps were the best in all the states," said Koop. "And we were third in Power Play." By the seventh Powerball drawing that the SCEL was a part of, South Carolina was #1 in both Powerball and Power Play sales!

The beneficiaries...

Today, more than 64,000 students in South Carolina are receiving lottery-funded scholarship aid; over 200 new school buses have been purchased with lottery proceeds and more than $ 32 million of lottery funds have been directed to the basic skills curriculum for children between kindergarten and the fifth grade. And yes, that's just part of the $252 million appropriated by the South Carolina Legislature for new or expanded educational opportunities in the first year and a half of the SCEL life!

What's Next...

The SCEL has no plans to slow down. In fact, several ambitious projects are planned for the near future:

• Launch of Pick 4 in January 2003.

• Participation in the Powerball Instant Millionaire Game Show beginning in February, 2003.

• Also in February, launch of the first licensed product instant ticket 'Harley-Davidson'.

• In April 2003, the SCEL will commence a mid-day Pick 3 and Pick 4 drawing.

• A second weekly drawing for Carolina 5 will be added later in 2003.

• At least three new instant tickets will be added monthly, with promotions and second chance drawings thrown in to widen the appeal.

So when you look at the what "record breaking" accomplishments the South Carolina Education Lottery has achieved in the first year, it's no wonder why lotteries such as, Thailand, Ireland, Mexico, Colorado, California, Tennessee, the District of Columbia lotteries, just to name a few, want to know how they do things in the Palmetto State.

The SCEL staff continues to move mountains, and shake-up the industry with new, innovative ideas. The South Carolina Education Lottery has placed its own patent on success. And the strides made to the South Carolina educational system will be the true testament and lasting legacy. ■

Best Selling Instants

Public Gaming International recently surveyed North American Lotteries to find out which were the best selling instant tickets for each lottery. The categories were: total dollars sold for a one-year period; average dollars sold per week on the market; total number of tickets sold for a one-year period; and average number of tickets sold per week on the market.

Understanding that each game is different, and several factors can influence the life of a game, we also gave lotteries an option of listing a few more tickets that were worthy of mention.

California

Total $$$ sold: The $3 Triple Tripler, selling $80.52 million. This ticket was the Lottery's first with a nine-times multiplier.

Avg $$$ sold/week: Triple Tripler, selling $1.83 million per week.

Total tickets sold: The Big Spin ($1), selling 59.17 million tickets. The high rate of sales is due to the fact that this game enables entry to the Lottery's television game show.

Avg tickets sold/week: The Big Spin, selling 1.14 million per week.

Colorado

Total $$$ sold: Big Money, selling $15,050,315. This game did particularly well due to the $5 money theme.

Avg $$$ sold/week: 10 Times the Money, selling $855,972. The $10 price point really helped this ticket excel.

Total tickets sold: 7-11-21, selling 6,086,303 tickets. The low ($1) price point and the numbers theme were keys to this ticket being a fast seller.

Avg tickets sold/week: Monopoly, selling an average of 231,029 tickets per week. An increased amount of advertising was key to the success of Monopoly.

Florida

Total $$$ sold: Cash Bonanza, selling $96,049,660. Cash Bonanza was the Lottery's first $10 Scratch-off ticket.

Avg $$$ sold/week: Cash Bonanza, selling an average of $4,802,483 per week. The ticket was only offered the last twenty weeks of the calendar year.

Total tickets sold: $2 Monopoly, selling 24,999,167 tickets. This game had a longer selling window (available all 52 weeks) and has been a core product since 1997.

Avg tickets sold/week: $1 Holiday Bucks, selling an aver-

age of 1,009,041 per week. This game was available for only a few weeks and was launched during a peak selling period.

Of the tickets mentioned above, Cash Bonanza was launched with full media support including TV, radio, and in store point-of-sale. In addition, radio remotes, special events and promotions were conducted statewide.

Other tickets the Lottery felt worthy of mention were:

$5 Super Monopoly launched in February '02 and amassed over $69 million in sales. Super Monopoly was a brand extension of the Lottery's $1 and $2 Monopoly. Collectively, Monopoly games contributed over $137 million in sales during 2002 or 18% of total scratch-off sales.

$5 Gold Rush sold $33.3 million in just over six months on sale. Gold Rush had multiple games and a top prize of $100,000.

The Lottery's family of Fast theme $2 tickets with a $100 top prize. In 2002 Florida launched three games with the Fast Cash theme (Quick Cash, Fast Springtime, and Fast New Year's Cash) which contributed $31.8 million in sales. Players love the idea of winning $50 & $100 more often even at the expense of having a lower top prize.

Kansas

Total $$$ sold: Bonus Crossword, selling $11,738,400 (over 14 percent of total Instant sales). By far the Lottery's best game for the last few years, it offers extended play, lots of play action and is easily understood.

Avg $$$ sold/week: Bonus Crossword, selling $225,738.

Total tickets sold: Bonus Crossword, selling 5,869,200 tickets.

Avg tickets sold/week: Bonus Crossword, selling 112,869 tickets per week.

Other tickets the Lottery felt worthy of mention were:

The Lottery also gave mention to Powerball Instant Millionaire, Holiday Wishes (it's first $10 ticket), and Bingo (extended play) as very successful tickets.

Kentucky

Total $$$ sold: Bingo sold $17.77 million in FY02. This game was successful largely because of the recognizable play style associated with bingo.

Avg $$$ sold/week: Bingo, averaging $341,687 per week.

Total tickets sold: Bingo, selling 8.88 million tickets.

Avg tickets sold/week: Bingo, averaging 170,839 tickets sold per week.

Maryland

Total $$$ sold: Money Talks, a $10 ticket sold $28,418,100 in FY02. The Lottery attributes the tickets success to its price tag, as well as the fact that it was on sale more weeks in FY02 than all other $10 games.

Avg $$$ sold/week: Money Talks, selling $546,502.

Total tickets sold: Super 7 Jackpot, a $1 ticket, sold 4 million tickets in FY02. A large print run and new play style for Maryland led to success.

Avg tickets sold/week: Super 7 Jackpot, selling 76,923 tickets per week.

Other games the Lottery felt worthy of mention include:

Hit the Jackpot, a $5 ticket printed on hologram paper. The ticket was good at grabbing attention and flew out of the dispensers in record time.

Monopoly, a $2 ticket. The game was in MD's top 5 sellers.

Bingo. Week in and week out, a most reliable performer.

Michigan

Total $$$ sold: $2,000,000 Celebration (a $20 game) sold $25.9 million through January 6, 2003. Price point, great odds, lots of play value, and a unique prize structure led to success. The game featured over 2,000 prizes of $1,000. Each $1,000 winner is automatically entered into a grand prize drawing for the $2,000,000 top prize. (Awarding a single top prize in a drawing allows the Lottery to control the top prize and extends the life of the game.)

Avg $$$ sold/week: $2,000,000 Holiday, selling an average of $2,238,000 per week. This was the Lottery's first $20 game and players were ready for it. 600,000 tickets sold out in 3 weeks.

Total tickets sold: Wild Wild Time ($2 game), selling 12.8 million tickets. Wild Time is one of the Lottery's base games. It's extremely popular and has a large, loyal following. A version of the game is always on sale and since its first launch in October 1993 the game has generated nearly $450 million in revenue.

Avg tickets sold/week: Cashword ($2 game), selling an average of 535,000 tickets per week. This is another base game and is very popular with players, especially bingo players due to the similar play styles.

Both $20 games were the recipients of radio, print, and point-of-sale advertising.

New Jersey

Total $$$ sold: Crossword, selling $156,353,343. This ticket did well due to extended play, and the fact that it was fun and entertaining.

SGI Introduces New Colormark™ Marking System For Extended Play Games

Innovation Makes Historically Strong And Reliable Revenue Source Even Easier To Mark And Identify Winning Patterns

Bob Wilcox, Scientific Games' Vice President of Manufacturing, carefully examined the marked spots on each Player's Card of his Extended Play ticket samples. Within seconds, he offered up a simple, but enthusiastic expression: Bingo!

"Bingo" – as in – that's it; that's the solution! Mr. Wilcox's ringing endorsement was a response to his R & D Department's new Colormark™ marking system for Extended Play games, which is now being employed in eight US jurisdictions.

Here's how it works:

Players of Extended Play games scratch spots that correspond to the numbers revealed in the play area. Standard practice. Nothing new.

But here's the difference. At the moment the player scratches the desired spot, a ring of color (e.g., red or blue) appears around the number. It is this unique ring of color that differentiates Colormark from all other marking systems and, more important, what enables players to determine easily which numbers they intended to mark and whether or not they have a winning pattern.

"Our research continues to support our assertion that Colormark is the most intuitive marking system on the market today," says Jim Kennedy, SGI's Vice President North American Sales & Marketing. "Moreover, in a recent quantitative study, Colormark tested as well or better than competitive marking systems in terms of 'scratch-ability.'"

Colormark can also be used to enhance the play value of an Extended Play game. For example, say a Bingo player matches all the numbers in a line for $4. With Colormark, a blue ring would appear around each number in that line. Lotteries that wanted to offer a doubling or tripling feature on this game would simply make one of the five rings in the winning line red (instead of blue).

"These types of added-value features allow lotteries to build additional excitement into their Extended Play games that, before now, were not possible," says Kennedy.

Scientific Games says its ultimate goal is for its customers to realize increased sales from these player-friendly enhancements. ■

Rings of color help lottery players easily identify patterns. Already 10 Extended Play games involving eight US lottery jurisdictions have employed SGI's new Colormark marking system, with additional games in the pipeline in 2003.

Avg $$$ sold/week: Crossword, selling an average of $3 million per week. .

Total tickets sold: Crossword, selling 52 million tickets.

Avg tickets sold/week: Crossword, selling an average of 1 million per week.

Ohio

Total $$$ sold: $1 Cash Explosion, selling $60,623,654. This game featured a TV game show tie-in with a play-at-home feature.

Avg $$$ sold/week: $2 Jingle Bucks, selling an average of $2,227,000 per week. This was a holiday game with a 75-percent prize payout.

Total tickets sold: $1 Cash Explosion, selling 60,623,654 tickets.

Avg tickets sold/week: $1 Cash Explosion, selling an average of 1,166,000 tickets per week.

Cash Explosion gets promotional support through the 30-minute weekly TV game show and advertising for the new play at home feature.

Other tickets the Lottery felt worthy of mention include:

$20 Tis a Winning Season, the Lottery's first $20 game with a guaranteed prize of $5 on every ticket. The game went on sale October 21, 2002 and sales averaged $2,047,000 for the first ten weeks.

$5 Holiday Lucky Times Ten. Lucky Times Ten is a $5 game that has run the last couple of years. By adding the holiday twist to it, sales averaged $2,035,000 for the first ten weeks. The Lottery feels the high sales from this game came as a result of players turning the $5 prize from the $20 game into a purchase of this ticket.

$2 Crossword is the Lottery's first attempt at a $2 Crossword type game. The game started off slow due to the learning curve, but sales have been building steadily since.

Oregon

Total $$$ sold: $2 Crossword Multiplier, selling $6,863,826. Crossword has been the Lottery's best selling game - week in, week out - since its launch in 1998. Combined with a popular "Multiplier" feature, Crossword Multiplier was the Lottery's best performing game.

Avg $$$ sold/week: $1 Mystery Money, selling $316,300 per week. This game only had 2 weeks of sales in CY02.

Total tickets sold: $2 Crossword Multiplier, selling 3,431,913 tickets.

Avg tickets sold/week: $1 Mystery Money, selling 317,300 tickets per week.

Other Oregon Lottery tickets deserving mention include:

$1 Winter Double Doubler, which sold out in 6 weeks. This game featured a double/doubler feature and a 70% prize payout (Oregon's average payout for $1 games is 65%). This game was extremely popular with players, and was heavily purchased in December for holiday gifts.

7's theme games are very popular in Oregon. In October, the Lottery introduced a new $5 game, Super Hot 7's Times 7. This Red Hot game offered 4 different games, a times multiplier bonus, 21 chances to win, and a 70.54% payout. This has been the Lottery's best $5 game this year.

$50,000 Bingo Party is a $5 pouch game that features five individually perforated player tickets (each with 2 cards) and one detachable Callers Card. The idea behind of this game was to let players create their own "Bingo Party" with up to 5 friends. Bingo Party offered a 70.65% payout with overall pouch odds of 1 in 2.18. Although the concept of this game was sound, the Lottery learned that the overall pouch odds of 1 in 2.18 did not meet the player's expectations. Players believed that every pouch should win at least once.

South Dakota

Total $$$ sold: Casino Cash, selling $1,494,634.

Avg $$$ sold/week: Casino Cash, selling an average of $29,000 per week.

Total tickets sold: Casino Cash, selling 747,317 tickets.

Avg tickets sold/week: Secret Santa, selling an average of 28,600 tickets per week. The succss of this ticket is attributed to its holiday theme.

Other tickets the Lottery felt worthy of mention include:
Road Trip; 15 Grand Years; and Lucky 7.

Texas

Total $$$ sold: Break The Bank, selling $91,651,380. The Lottery was able to sell more of this game because it has been a core game since 1995.

Avg $$$ sold/week: Holiday Million, selling an average of $7,882,653 per week. This game was able to achieve lofty sales due to the high price point. This was the Texas Lottery's first $20 instant game.

Total tickets sold: Break The Bank, selling 45,825,690 tickets.

Avg tickets sold/week: Break The Bank, selling an average of 1,048,316 tickets per week.

Virginia

Total $$$ sold: $10 "Millionaire Party," which generating an estimated $19.8 million, was tops in FY02. The primary reason for its success was its $1 million grand prize, which amounted to a lump sum payment that was several times bigger than any other Scratch prize the Lottery had ever offered. Virginia feels that the ticket's novelty (their first $10 ticket), advertising support, and the support of retailers were also important to its success.

Avg $$$ sold/week: $10 "Million $

Blackjack," selling an average of $629,000 per week during the 22 weeks it was available in FY02. As the Lottery's second $10 Scratch ticket, it benefited greatly from the success of the first $10 ticket ("Millionaire Party"). It was also helped by the popularity of Blackjack themes among Scratch players in Virginia.

Total tickets sold: $1 "Blackjack," selling an estimated 15.5 million tickets in FY02. This game has been a perennial favorite with Scratch players in Virginia. The game is simple and plays like real Blackjack.

Avg tickets sold/week: $1 "Blackjack," which selling an average of 298 thousand tickets per week. It was available for the entire 52 weeks of FY 2002.

Washington

Total $$$ sold: $7 Magnificent 7s, selling $9,326,000. The key to this ticket's success was in part due to the layout - horizontal with three "7-shaped" play areas.

Avg $$$ sold/week: $3 Harley-Davidson, selling $652,000 per week. Lofty sales for this ticket can be attributed to a higher prize payout than other $3 games.

Total tickets sold: $1 Beat the Croc, selling 2,635,000 tickets. The success of this ticket can be attributed to the theme and artwork, as well as the "beat" play style.

Avg tickets sold/week: $1 Beat the Croc, selling 289,000 per week.

The $3 Harley-Davidson ticket received POS, Radio and promotions supporting the game. The Lottery also licensed several Harley-Davidson dealers to sell the ticket.

West Virginia

Total $$$ sold: Scratch Keno, selling $21,599,800. This ticket has had three incarnations and been on the street for over seven years. It has a solid mid-tier prize structure, is easy to play and players do a quick play by checking the codes for prizes of $100 or under. If they do not find a winning code, they play the game to see if they have a high-tier winner.

Avg $$$ sold/week: Scratch Keno, selling an average of $415,400 per week.
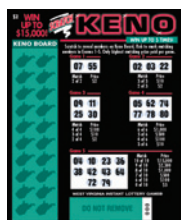
Total tickets sold: Scratch Keno, selling 10,800,000 tickets.

Avg tickets sold/week: Scratch Keno, selling an average of 207,700 per week.

Other games the Lottery felt worthy of mention include:

Extra Bingo - Sales for the year totaled $6.1 million for the calendar year, our second best seller.

Lucky Dog 5 - This one-dollar ticket is a player favorite. The game is never altered. Players love the higher than normal payout and an instant win of $100 by finding a dog bone. It was also the Lottery's third best selling game at $5 million for the year.

Wild Crossword - The crossword games have also found a niche among West Virginia's extended play lottery players. It has produced $3.2 million in 30 weeks.

A License to Entertain

Chuck Kline, Executive VP Marketing, MDI Entertainment

Lotteries are in the entertainment business. "Where else can you have more fun for a buck?" That's been our message over the years, and our advertising has communicated it quite well.

However, when a lottery customer passes an instant ticket dispenser, is "entertainment" the first thought that crosses his mind?

Our objective with licensed games is to enhance the entertainment or fun message that the lottery industry tries so hard to communicate to the customer.

Our animated category, for example, not only makes use of the imagery, symbols and metaphors associated with well-known characters like Popeye®, Betty Boop™ and the Pink Panther™, but also transfers emotions — like fun, entertainment and excitement — from the brand to the entire lottery product line.

The idea is not to try to create something new in the mind of the customer, but to simply retie the positive connections that already exist.

We only have to look to the casino industry over the past few years to see the importance of the licensed game category. The popularity of licensed slot machines — led by Wheel of Fortune® — has contributed greatly to the growth of the entire casino industry. For years now, the casino industry has been introducing licensed game after licensed game in order to bring something to the floor that generic games lack — entertainment value.

It seems the more variety of licensed games, the better the results. That's because regular introductions of licensed games create an "entertainment halo effect" over the entire product line.

With increased competition for the entertainment dollar, licensed lottery games are more important today than ever. A coordinated licensed game strategy adds entertainment value to the lottery experience, which helps to attract new players and bring customers back. ■

Western Canada

Total $$$ sold: $3 Crossword, selling approximately $36,320,000 for CY02. The Crossword staple game was released with a consistent and clean look. Consumers could readily identify and purchase their favorite game at a LTC. The play mechanic was kept the same throughout releases of the game to maintain player familiarity. Consumers continue to enjoy the fun Crossword play mechanic (hunt and peck letter format).

Avg $$$ sold/week: $3 Crossword, selling an average of $711,000 per week.

Total tickets sold: $1 The Western, selling 15,469,000 tickets. There is strong brand recognition and attachment associated with this ticket. The first The Western game was released in 1993 and featured a passenger train background which was fanned across 5 tickets. Since then, the game has been continuously updated and released. The game offers a $25,000 top prize or winner's choice of Ford vehicle selected by WCLC. Consumers relate to their winning experience playing The Western. It features the highest percentage payout of all WCLC Instant games.

Avg tickets sold/week: The Western, selling approximately 300,000 tickets per week (average).

Other tickets the Lottery felt worthy of mention include:
WCLC's best selling new game was the $5 20TH ANIVERSARY

6/49 ticket. This ticket sold a total of $9,421,000 for CY02. To mark the 20th Anniversary of the national online game Lotto 6/49, Loto-Quebec and WCLC jointly marketed a special $5 20TH ANIVERSARY 6/49 ticket that offered 10 top prizes of $1 Million. Strong brand recognition and a play mechanic that was similar to the online game helped to build sales.

WCLC's $4 LUCKY LINES helped introduce the $4 price point. Sales of LUCKY LINES held stable between $250,000 and $300,000 per week. Total sales for CY2002 were $14,385,000. The game is now a staple at the $4 price point.

CY02 saw first release of the Calgary Flames and Edmonton Oilers Hockey Lottery titled BREAKAWAY TO WIN. Proceeds from this $10 ticket supported the hockey teams. Ticket sales reached a 75% sell-through in just 12 weeks. The ticket offered, cash prizes, 10 Once In A Lifetime Hockey Experiences (including playoff tickets), and autographed hockey jerseys.

Ontario

Total $$$ sold: Instant Bingo, selling $127,118,994. It is the most popular Instant game and the game that consumers have the highest degree of satisfaction with.

Avg $$$ sold/week: Instant Bingo, selling an average of $2,444,596 per week. This core Instant game is treated as a brand and received continuous marketing support.

Total tickets sold: Instant Bingo, selling 42,372,998. Instant Bingo has the largest player base of all OLGC Instant tickets.

Avg tickets sold/week: 2002 Cash Blowout (2nd Anniversary Edition), selling an average of 501,466 per week. This game featured increased payout (65% from 60%), was a collectible and heightened media buy.

Instant Bingo and Cash For Life receive the most advertising support of all Instant games. Instant Bingo sponsored a province wide Country Music Tour featuring 15 concerts over 5 months.

Rhode Island

Total $$$ sold: $2 Crossword, selling $4,185,114. The Crossword game concept has proven to be very popular with the Rhode Island players.

Avg $$$ sold/week: $10 Rhode Island Holidays, selling an average of $290,059 per week for the first 12 weeks. This was the Lottery's first $10 instant ticket, and was a holiday game

Total tickets sold: Crossword, selling 2,092,557 tickets.

Avg tickets sold/week: Holiday Wishes, selling an average of 81,077 tickets per week for the twelve weeks. In addition to being a $1 holiday game, this ticket also had a To: and From: feature, which proved popular for gift giving.

The Rhode Island Lottery offers Holiday Mugs and Card Gift Packs for sale at Lottery Headquarters and Retailer Locations during the Holiday Season. Both Rhode Island Holidays and Holiday Wishes were included in the Mugs and Gift Packs. ■

Building Retailer Relationships

Retailers are both a lottery's ambassador and sales channel to the buying populace. That being said, it is important that lotteries have good relationships with their retailers. Retailers need to know what a product is, they need to possess a desire to sell lottery products, and an optimal scenario would be one in which a retailer is excited about the lottery.

Of course, we're preaching to the choir. Public Gaming International recently took the opportunity to see where North American lotteries were at in their relationship with retailers.

PGI: *Does your Lottery view retailers as a customer?*

Arizona (AZ): Yes, our primary customer is our retailer network. We clearly understand that it is our responsibility to provide retailers with support, resources and up to date information on game sales and customer preferences so that they can offer their customers the best selection of games.

Kentucky (KY): Very much so. As part of our strategic plan and Quality Improvement program we have conducted a Voice of the Customer quality project with our retailers. The prevailing requirement that they voiced was that we work on "making it easier to work with the KLC" in all facets of our business. The second most important requirement was to provide better marketing support and product information to help our retailers improve their lottery sales.

Colorado (CO): Yes, we do, but more importantly we view them as partners and that is the relationship we seek to cultivate with our retailers.

Kansas (KS): Yes, our retailers are both our customers and our partners.

[PGI Note: The Maryland (MD), Ontario (ONT), Texas (TX), West Virginia (WV), Virginia (VA), and Ohio (OH) lotteries all responded by indicating that they also view their retailers as customers.]

PGI: *What is your Lottery's plan to make the most out of its relationship with retailers in 2003?*

AZ: In mid-January we will be introducing a new automated delivery system that will ensure delivery to all retailers within 24 hours. In the past, with sales representative delivery it has taken two weeks to distribute a new game to our retailer network. In addition, this system will give us the ability to analyze retailer sales in a much more detailed manner. Because this system provides retailers with a higher level of inventory information and 24-hour delivery, they will be able to reduce their inventory and increase sales.

In addition, the Arizona Lottery will continue to provide retailers with advanced knowledge of issues that could potentially affect their sales. We will also work closely with our Retailer Advisory Committee that meets quarterly. We

ask their input on all matters of policy, incentive plans etc. On several occasions, we have changed a specific rule or policy after hearing from our advisory committee. Our retailer relations have improved dramatically because we ask for retailer recommendations before implementing a new plan.

KY: We will continue to review all our processes where we interact with our retailer customers. We have added an incentive program which rewards the retailers for instant ticket sales based on their performance. We have improved our instant ticket distribution system to allow them to receive next day delivery on ticket orders. We will be working on several IT projects during the year to assist the retailers in effectively monitoring instant ticket inventory.

MD: Effective, January 13, 2003, our Sales Division will institute their reorganization plan. Under the new plan there

will be 39 sales territories throughout the state. Twenty-eight territories will be comprised of independent retailer accounts and eleven will encompass corporate retailer accounts. Each District Manager (Lottery Rep) will be responsible for covering a smaller number of retailers and therefore they should be in the locations more frequently. It is our hope that these more frequent visits will lead to better service and an increase in lottery sales in all subdivisions.

ONT: We are introducing a new lottery terminal that will help with speed of transactions and the overall operating efficiency for our retailers. It includes a 12-inch customer display screen. We regularly do retailer satisfaction surveys to compare ourselves to other packaged good vendors and to ensure we are addressing any areas that we can improve on. Also, we will be launching a retailer extranet.

WV: We have an excellent "Retailer Rally" program that is an evening of food, awards and entertainment. This strengthens our Lottery/vendor relationship with our agents.

CO: We have just distributed a 2003 calendar to all of our retailers. It depicts endangered wildlife which is one of the many outdoor initiatives that funds from the sale of Colorado Lottery tickets protects and supports. Each retailer also received a "Proceeds Placard" highlighting what portion of the Colorado Lottery's record $110 million in proceeds from FY02 was attributed to the hard work and efforts of that particular store. On January 23, 2003, we will begin celebrating our 20th Anniversary over several weeks across the State of Colorado. We will be thanking all of our retailers as well as players and reminding them that all that has been accomplished over the past two decades could not have been done or realized without them. We also have just completed a new format for a letter size comprehensive Business Review for each independent and chain store available by quarter as well as calendar and fiscal year. We have begun to distribute these reviews which also point out the commission percentages and dollars retailers have earned through the sale and redemption of Lottery tickets in their stores.

OH: Maintain good lines of communication; ask for retailer feedback; and encourage and develop promotions.

KS: Greater visibility at the store level is a goal for us in 2003. We are planning on spending more time in retailer locations doing in-store promotions and educating players to increase sales and, therefore, profitability for all of us. We will also continue to look for ways to keep our products exciting and in demand through enhancements and other innovations.

PGI: *How have ITVMs and other ticket dispensing devices affected your Lottery's relationship with retailers?*

AZ: ITVMs are a very valuable commodity in Arizona. We currently have enough dispensers to cover approximately 85% of the Lottery's chain food stores. Since they are in high demand, we continually stress the importance of keeping the machines full and report directly to headquarters when we have a store

that continually shows high out-of-stock levels. We ask our sales representatives to track out-of-stock conditions monthly and provide that information to the Lottery's key accounts. We also provide our chain accounts with periodic business reviews that specifically look at per store average sales comparisons. When a store's ITVM performance falls below chain average it usually means that the store is not maintaining sufficient stock levels. Chain retailers then have the option to move the ITVM to another store or encourage the existing retailers to maintain adequate stock levels in their dispenser. Chain retailers are appreciative of the information we provide and as a result are very cooperative where ITVMs are concerned. During the last two years out-of-stock levels have shown significant declines. In addition, ITVMs are less labor intensive and provide higher product security.

KY: All ticket dispensing units whether on counter, in-counter, or ITVMs are supplied by the lottery free of charge to the retailers. The retailers are pleased and appreciate the fact that we try to accommodate their individual store needs. We have established sales goals for ITVMs and monitor them quarterly with the retailers. Sales improvement plans are developed if machines fall below quota.

MD: We currently have an ITVM network of approximately 700 units of various bin counts. These units have allowed for expansion into our large corporate accounts which previously did not sell lottery products. Retailers like the accounting and built-in security features of these units.

WV: Our main use is in major grocery stores. They make the relationship.

VA: Positively. ITVMs have allowed us to sell product in trade styles that are not always conducive to clerk and customer interaction.

CO: Positively. Retailers love the accountability and control these machines provide. The greater majority of Scratch Ticket Vending Machines in Colorado have been placed in grocery stores. We offer 8 game units and wish we had opted for 16 or even 12 game units a few years back as we typically have 14–16 Scratch games in the marketplace at any one time. We have doubled up on machines in over twenty grocery stores to help maximize our total facings. However, our next contract which begins in October 2004, will allow us to increase our STVM capacity to anywhere from 12-24 games in these stores, predicated on volume. We are also researching a smaller, on-counter Scratch ticket vending device for customer service counters.

PGI: *How has the Internet affected your Lottery's relationship with retailers?*

KY: Our retailers are aware of the fact that there is increased gambling conducted on the Internet. We have an Internet site which provides additional information to our players and retailers about our games. The retailers like the ability to go to the Website to get information. We have run promotions on the Internet through the Website which includes in-store

coupons, which sends additional players to our retailer sites.

MD: Our website has important retailer information as well as monthly reports on retailers around the state. Additionally, our VIP club has promoted retailers in local neighborhoods.

VA: First of all, we currently provide some financial information via the Internet for our retailers. We are working to provide even more accounting information in response to their requests for help in streamlining the accounting process. Secondly, players can use our website to locate the closest lottery retailer in their area. Finally, retailers can use the Virginia Lottery website to find additional information about activities and promotions.

CO: We have been able to work with our retailers to get many of our players to go to our website to obtain the winning numbers. This is the most visited page on our website and continues to grow each month. We also continue to add to the list of retailers that we transmit weekly sales and billing information to over the Internet.

OH: Having a Web site gives the Lottery the opportunity to reach more people and offer promotions that send people back to retailer locations to purchase Lottery games, and hopefully translate into increased retailer sales.

KS: Our web site has opened up a new medium of communication for us that is accessible to both retailers and players which has been a positive relationship builder.

PGI: *Have improvements with online terminals positively affected your relationship with retailers?*

AZ: The most significant improvements have been the addition of satellite services to 250 remote retailers and the inclusion of GTECH Validation Terminals (GVT) in lower volume retailers. With the inclusion of these two additional services, we now have three classifications of retailers. They are as follows: retailers equipped with ISYS terminals; retailers with ISYS terminals through the satellite network; and GVT retailers.

In a recent survey, 96% of ISYS retailers reported that they were satisfied with the functionality of the terminals and almost half said that they were very satisfied.

ISYS retailers connected to the satellite network reported that the system was very reliable. And 98% indicated that they were either "very satisfied" or "satisfied" with the satellite service received.

Seventy-one percent of the surveyed GVT retailers reported being satisfied and 24% reported being "very satisfied" with the equipment.

KY: We currently have GTECH's ISYS terminals which have several improvements over the Tiffany terminals which we had previously. The terminals require less service and have offered us the opportunity to run on-line promotions directly through them. This makes it easier for the retailer to manage promotions at the store level. We also have been able to add devices to the terminals including a Display which shows the customer whether they are a winner and what amount

when the retailer scans an on-line ticket. Several large retailer now have self service verification equipment, which allow players to scan their tickets to see if they are a winner or not, without retailer intervention. The retailers really appreciate this feature, particularly when on-line jackpots rise.

MD: Monitor Display - Our keno retailers are able to see important game information via the keno monitors. Big winners can be displayed for all to see and the selling locations are always mentioned.

ONT: We are about to launch a new terminal with a customer display screen which will provide important information to our retailer's customers. This new terminal will be much faster, and allow for increased efficiencies for our retailers. These efficiencies are achieved largely by the use of a PC based terminal, thermal paper, and a much longer time between service calls.

TX: As a result of our new lottery operator contract, all retailers received new terminals in 2002. All retailers were pleased to receive new terminals. Prior to most retailers receiving GTECH's ISYS terminals, most retailers had GTECH's Tiffany terminal. Some of the terminal enhancements include: customer display screens; message display units attached to the terminal; and, in general, a more user friendly piece of equipment.

WV: There have been no improvements, just change. Change is difficult for the first six months. This is a given.

VA: Yes. We converted to new online terminals last year. It decreased transaction time, equipment downtime, and made selling and redeeming tickets easier for our retailers.

CO: The Colorado Lottery is currently in the eighth year of a 10-year On-line contract. But, the new online terminals we will begin providing to our retailers in late 2004 will be modular, offer a touchscreen terminal, feature thermal based printing and a host of other technological improvements.

OH: Yes, improvements with online terminals have positively affected our relationship with retailers. Significant improvements include refining the Altura touch screens; cutting down on the number of steps (and number of screens) needed to complete transactions, and customized reports.

KS: We are just finalizing a major communications conversion with our online system from a land-line to a totally wireless communication system. Our hope is that our retailers will see more "up" time and opportunities to sell tickets, and now that the entire system is under one company, quicker response time in the event of any problems. We are always working with our retailers to optimize the use and placement of equipment to both inform and sell tickets.

PGI: *Please list three things that have improved your Lottery's relationship with its retailers.*

AZ: Constant communication with retailers regarding business conditions specific to their stores has been a very valuable tool. Retailers need to be constantly updated on

their performance, which relates directly to commission earnings. This includes the Lottery's relationship with the Arizona Food and Marketing Alliance (AFMA). AFMA represents the interests of both chain and independent grocery and convenience retailers in Arizona. In addition, we are very dedicated to making sure that lottery equipment, including data lines, are promptly installed and tested so that a new store can adequately perform lottery transactions as soon as they open. This is possible because we have an IT department that clearly understands sales issues and the importance of positive retailer relations.

KY: We have made a concerted effort to listen to the voice of our retailer network and keep them involved in the development of new game activity and KLC process.

Improved lottery signage and point of sale materials are being provided in a timely manner and helps retailers support our products at the store level

Assistance with retail billing and the development of a new Accounts Receivable project which will be launched in the spring of 2003.

MD: State Wide Retailer Meetings - Periodically, we hold meetings around the state to inform our retailers about new games and other important lottery information.

Members of various retailers associations regularly attend the monthly commission meetings.

Our Communication Division conducts promotional parties at retailer locations to stimulate lottery sales as well as an educational vehicle for new players.

ONT: New store design. We have just re-designed all of our merchandising, and these designs have been validated through consumer and retailer testing. We are piloting vertically integrating our sales force by Channel-A field sales models which align our sales force by channel and key account. We introduced detailed sales reviews at store level and a dedicated binder that allows retailers to keep information as a permanent record.

TX: In calendar 2002, with an aggressive instant ticket game plan, we increased instant sales by over 15 percent. Retailers liked the additional sales and commissions. We conducted a Town Hall meeting in every sales district; this gave retailers a chance to meet face to face with lottery officials. Finally, we conducted several sales incentive contests that enabled retailers to win free packs of tickets or promotional items.

WV: An improved relationship with our agents has come with the strength of our sales staff in the marketplace. Efforts with our retailer changed dramatically when IGT-OES (formerly AWI) took over Lottery services two 1/2 years ago. Sometimes "change is good".

VA: We offer quarterly retailer incentives that have increased sales and retailer compensation.

We conduct quarterly retailer forums and we have created a Retailer Advisory Council. Both have improved communication with our retailers and have resulted in more effective operations.

We recently converted to validation of Scratcher tickets using the online terminals. This made the validation process simpler and easier for our retailers.

CO: Several years ago the Colorado Lottery formed a Retailer Advisory Panel consisting of Lottery retailers representing a cross-section of the state and its trade styles. This unique group meets quarterly with Lottery officials and offers recommendations and advice on a wide array of Lottery proposals, projects and initiatives.

With the concurrence of the Retailer Advisory Panel, the Colorado Lottery is planning a series of Retailer Expos in five cities throughout Colorado this Spring 2003. The booths, speakers and exhibits the Lottery is planning promise to be fun, interesting and informative.

Finally, about three years ago, Sales and Marketing Director Dan Noreen and Director Mark Zamarripa endeavored to increase the outreach, enhance the service levels and improve the communications of the Colorado Lottery to its chain stores. Colorado is a "chain driven" state with 75-80 percent of gross Lottery revenues derived from various chains consisting of four or more outlets. A Corporate Accounts section was created comprised of three Corporate Account Specialists, each of which call on about twenty retail chains. They are supervised by a Retail Development Manager who is also responsible for investigating new technologies, new business recruitment and pursuing ways and means to make the Lottery's rules, policies and procedures more retailer friendly while still protecting the Colorado Lottery's mission statement "to maximize revenues for proceeds recipients in a way that demonstrates the integrity that is appropriate for a state agency."

OH: Increased promotional activities on an individual, regional, chain and statewide level. Secondly, the use of Altura promotional capabilities – (for both A & B) promotions help increase player interest, loyalty and sales. Finally, on-going communications – refinement in Web site, retailer newsletter, on-going use of advisory groups.

KS: We have made it a priority outcome for field staff to spend time doing Wheel Spin promotions at retail locations. As of January 12, 2003, we had three second-chance mail-in opportunities for our players. The retailers like to be able to promote a second chance to their players. We have offered special retailer incentives before as well.

We have been utilizing terminal, monitor and ticket messages more as a way to communicate with all of our retailers in a more timely and effective manner. We also produce an award-winning retailer newsletter.

We are printing winner signs for our retailers to post in their stores to let everyone know about winners of $1,000 or more at their location. We can also print a sign for a retailer with the amount of prizes that they have paid out based on validations at their store for a specific time period. All retailers receive our Kansas Winners newsletter to give to their players free of charge.■

Lottery Security in the
New Millenium

I t goes without saying that security is one of the chief concerns at any lottery. Lottery staff and facilities, product integrity, retail theft and more all fall under the protective umbrella of Lottery security staff. Ensuring lottery security is not an easy task, and every year poses a new challenge. To help get a feel for how current security concerns are being addressed, Public Gaming International (PGI) recently interviewed some of the top lottery security professionals in North America: Bill Hickerson, from the Kentucky Lottery; Bill Cox, from the Louisiana Lottery; Dennis Shaw, from the Virginia Lottery; and Randee Kerns, formerly with the Washington State Lottery.

(PGI): *What do you see as the top three security concerns at your Lottery, and for North American Lotteries in general?*

Bill Hickerson (Hickerson): Systems' security; Corporate physical and employee security; and Theft at retail locations.

Bill Cox (Cox): Helping our retailer partners with security related issues (ticket theft, employee embezzlement, etc.); "selling" the need for security to non-security people in the organization/industry; and keeping security investigators motivated and adequately compensated.

In my opinion, the top security concern for NASPL Lotteries is a lack of understanding of the security function and/or apathy toward security by some people responsible for lottery upper management. I am fortunate to work for an Executive Director who understands the need for and purpose of the security function. It is truly disheartening to hear a lottery professional say publicly, "all we have is our security and integrity" knowing full well what that professional's track record is as it relates to security. In a way, all NASPL Lotteries are "in this thing together" (and even more so those who have banded together in groups such as MUSL). A breach of security that compromises a game at any NASPL Lottery gives us all a black eye. In our case, a breach at a MUSL Lottery involving a MUSL game could be devastating.

Dennis Shaw (Shaw): The integrity of the folks who work within the Lottery, including the employees of on site vendors (this requires a thorough Background Investigation and a routine update of all employees); securing the business information system; providing a safe and secure workplace.

Randee Kerns (Kerns): Product security, employee safety, facility security.

PGI: *Which of these concerns utilizes the most personnel and resources?*

Hickerson: Theft at retail locations

Cox: Helping our retailer partners with security related issues.

Shaw: Doing the proper Background Investigations with routine follow-up will take the most resources in terms of personnel.

Kerns: Product security, which includes theft at retail locations and of tickets in transit to retail locations.

PGI: *Lottery security was difficult enough before computer hackers, and certainly before 9/11. With all the new security concerns, how has your department divided responsibilities to ensure all areas of concern are being addressed, and have you added staff to deal with these new issues?*

Hickerson: No additional staff. Long before 9/11 information security was moved out of security into internal audit. Otherwise, our security has always been pretty extensive. September 11 had little impact on the way we operate. Periodically, we contact with outside vendors who perform such things as penetration tests, etc. in order to make sure our systems are well protected against hackers or other threats.

Cox: I disagree with the premise of this question. I don't see that there are any more security related problems for lotteries than there were before 9/11. The scale of the 9/11 events was surprising. That a terrorist action took place in the U.S. was not. Law enforcement and security professionals all knew it was just a matter of time. So no, we haven't added staff. However, we have stepped up our liaison efforts with law enforcement.

Considering the volume of mail with which lotteries deal, the anthrax scare was a more important issue. There is really not a lot we can do about terrorists crashing a plane into our lottery building, but we can and did take precautions against an anthrax (or other threat) attack by mail. We, like most other lotteries, have always had access control procedures and systems in place to prevent unauthorized entry into our facilities. Unfortunately for them, it would be much

easier to bomb our local court house than the lottery office.

Shaw: Security is a never-ending task. Being proactive and establishing policy and guidelines with senior management is the initial step. Using common sense and understanding the needs of the public, government, politics, and employees, and balancing these needs will give the type of secure environment suitable to your particular situation. Also, flexibility is the key to adjust to every day real life situations, and yet not reduce security. In our situation we have responsibility for computer security, investigations, criminal and civil, background investigations, drawings and the physical protection of all our assets.

We have not added staff, we believe we have adapted and planned to be prepared for most situations. However, we cannot afford to be complacent.

Kerns: Since 9/11 Information Services/Technology has taken much of the responsibility for computer system security. Other functions have been divided with a primary person designated and an alternate for each area. No staff was added. Everyone has multiple responsibilities.

PGI: *I've heard it said that there is no such thing as too many security checks for lottery products or operations. Do you believe the current levels of security in your lottery are adequate? Do you believe the lottery industry as a whole needs to devote more resources to security?*

Hickerson: I cannot speak for other lotteries. However, I feel that we that we are in good shape. We can always use more resources, but for now we are managing very well with what we have. I do feel that if more resources were justified, we'd get them. Our senior executive management is very pro-security.

Cox: I tend to agree that there can't be too many checks, however, we run into problems with cost and practicality. We are in the business of selling lottery products to make a profit for our good causes. Money spent (actual dollars and time) on security processes is money that comes off the bottom line. It is my personal and professional opinion that the Louisiana Lottery Corporation's (LLC's) security program is adequate for our needs (I sincerely hope you don't think I would answer otherwise!). We are constantly looking for new and better ways to accomplish our mission. I have always believed that if you are not moving ahead, you are falling behind.

I'm not sure that more resources need to be allocated to lottery security as a whole. It appears to me that better utilization and understanding of the function may be more useful. I've noted that the anonymous organizers of lottery conferences continue to schedule "altered tickets" as (generally) the only security topic at a conference. I know of no U.S. lottery that currently has a problem worth talking about relative to altered tickets. Bar coding with check VIRN's has all but eliminated this as a problem, but for some reason, there are non-security folks out there that must still think they are a problem.

Shaw: Philosophically one can never have enough securi-

ty. The focus has to be common sense: look at your threat level, and assess your particular situation. Not all of us are going to be targeted by Al-Qaeda or terrorists. Survey your particular situation, location, visibility, neighbors, business needs, and access points with the idea of reducing the percentage of harm, using a reasonable approach.

Kerns: Since I am not currently with a lottery, I can't answer this one, but for the whole - absolutely yes!

PGI: *Does your department use the services of outside entities for testing and verifying the security of lottery products?*

Hickerson: We are very fortunate to have a forensic document examiner on staff to test our tickets. He tests samples from all games whether they are new or reorders. He also provides additional expertise whenever requested.

Cox: Yes, as needed. Affiliated Forensics Laboratories (Bill Flynn) Phoenix, AZ. We use ALF to conduct all manner of tests on paper products. Most of these tests concern the quality of the product being tested. For the few criminal or potential criminal cases that we have worked, we use the Louisiana State Police Crime Lab or the U.S. Postal Inspection Service Lab.

We occasionally test instant games for security (compromise) reasons. However, there is no substitute for good game design. We do our homework up front to prevent security flaws.

Shaw: The Virginia Lottery Quality Assurance/Quality Control (QA/QC) staff uses the Virginia Consolidated State Laboratory to complement its testing criteria in those areas where the Lottery does not have the apparatus to perform needed tests. The Lottery and the laboratory choose random packs of scratch tickets for appropriate tests. The same tests are used for any bid process, investigations, or any issue deemed necessary for testing.

Kerns: For the past few years, the Washington State Patrol Crime Lab and Affiliated Forensic Laboratories were used for testing all scratch tickets under contracts, and the Washington State Patrol Crime Lab was used for criminal evidence analysis.

PGI: *Do you feel the use of these resources enhances the security of the Lottery and its products?*

Hickerson: Without a doubt. Our examiner's knowledge and insight has identified problems before they became problems for our players and retailers. His presence also is very cost effective as opposed to utilizing an outside vendor.

Cox: Yes.

Shaw: Yes. The Virginia Lottery in using these resources is able to advise the Marketing and Sales Departments of issues that could affect the sale of a scratch game. Testing of these products provides documentation that is used in the decision process should a particular game evolve into a questioned product as sales commence.

Kerns: Yes.

PGI: *Does your department network, or share information with other lottery security departments?*

Hickerson: We are in frequent contact with other lotteries to share information and advice. My contacts have assisted me in background investigations, proposed legislative changes to lottery statutes and in identifying fraudulent schemes and perpetrators. Everyone who I have ever contacted has bent over backwards to be helpful.

Cox: Yes. The simple answer is that if you play in the game, you need to know the rules and who the players are. Networking helps us not have to reinvent the wheel on issues we have in common. As an example, if I can get a copy of a background investigation on a subject of interest to me from another lottery that is already complete, it puts me way ahead.

Shaw: Yes. The Lottery Security Directors through NASPL meet annually. Through this affiliation concerns, problems and ideas are shared on a case-by-case basis as the situation warrants.

Kerns: It did. By e-mail and phone to ask questions and exchange information as well as attending conferences.

PGI: *Computer hackers pose a formidable concern, because their methods are constantly changing. What standard policies or practices are utilized and what resources do you employ (that you can discuss) to try and keep your Lottery a step ahead of hackers?*

Cox: Speaking only for my lottery, hackers have not been a problem. We have systems and procedures in place to prevent hacking. One of the most important safeguards we utilize is that none of our gaming, accounting, or business systems can be dialed out of or into. We have a separate email/internet system that stands alone. I need to point out that information security is the providence of our MIS Department at the LLC.

Shaw: Firewall logs are reviewed to identify suspicious activity. Router and firewall configurations are subject to reviews both within the Lottery and with the Auditor of Public Accounts. The reviews insure that the configurations are sufficient to meet the Lottery's interests.

Vulnerability assessments are conducted to insure any weakness in network defenses are identified and closed. Network performance is closely monitored by our Network Center. Audit logs of mainframe activity are subject to daily review by Lottery Security, Internal Audit and by the information owners (e.g. financial activity is also reviewed by the Finance Department).

Strong policies are in effect that govern employee use of agency resources, network, Internet, and e-mail. Policies are supported via employee training and enforced via disciplinary action for qualifying offenses. Outsource review insures that those vendors storing information deemed sensitive by the Lottery also have security controls in place to protect the data from unauthorized use or modification.

Kerns: Increased use of additional firewalls, more sophisticated passwords and constantly updating virus protection software. Also, a required virus scan on all incoming data.

PGI: *Have the events surrounding 9/11/01 changed your department's approach to the physical security of Lottery sites, and what measures (that you can talk about) have been taken to increase security?*

Hickerson: We have been using cameras, card access and armed uniformed security for several years. We do not use metal detectors and they are not being considered.

Cox: We were in the process of moving to a new building during that time and in fact moved in on 7/1/02. We had designed our security system prior to 9/11. The events of that day did not cause us to make any changes.

Shaw: Yes. First we believe we had good physical security for our sites before 9/11. Since then we increased employee awareness of making everyone a part of ensuring they continue to contribute to insure the workplace is safe and secure. All the equipment you mentioned in your question (surveillance cameras, employee card access and metal detectors) is utilized as well as wearing employee ID.

Kerns: Yes, additional surveillance cameras were used, there

was more use of programmable access cards for employees and more frequent visual examinations of facilities were made to check for abandoned items or issues with the facility, as well as making the employees more aware of their surroundings.

PGI: *Are there any measures not yet in place that you would like to see implemented?*

Hickerson: I would like to see our camera recording system upgraded to digital.

Cox: No.

Shaw: We are hoping to implement an improved employee access system and move the customer service desk at Headquarters to the ground floor lobby area.

Kerns: Additional surveillance in lobbies of all remote offices with dial up access to view them.

PGI: *I'm sure you've all heard of the incident in Taiwan, where someone decoded the bar-code algorithm on scratch tickets, allowing certain individuals to be able to pick winning tickets without having to scratch them. What was your initial reaction upon hearing of this incident?*

Hickerson: My initial reaction was that I'm glad we don't buy our instant tickets from the same distributor. Beyond that we have checked and found that our algorithms are different and not vulnerable to the Taiwan incident.

Cox: Someone in Taiwan has a big problem, I wonder if we do too.

Shaw: First let's get the facts! We contacted our vendor who created our algorithm to determine if we were facing a similar problem. We have been assured that we are not in the same situation. Methodologies that serve to enhance security are used in our algorithm.

Kerns: Since the code required to crack tickets used in the U.S. is under the latex and does require scratching, and I understand that was not the case for the Taiwan tickets, I was not too concerned on that issue. Still, it increases awareness that all areas of scratch ticket construction and printing must be closely scrutinized.

PGI: *What actions have you taken or contemplate taking (that you can talk about) to ensure the integrity of lottery products in response to the Taiwan incident?*

Cox: We reviewed our situation and are confident that our product is secure.

Shaw: The Virginia Lottery Security Committee conducted a top to bottom review of how we handled all aspects of the Instant game: data tests, and loads to production, tape storage, and program controls. While we concluded that the overall controls were sufficient at that time to prevent such an incident, we instituted additional proactive measures to even further reduce the likelihood of such an incident occurring. Most importantly, we placed all program code controls

for Instant Game validation activity strictly in the hands of the Security Committee, which monitors the usage and conducts audits after software upgrades. We believe that our current controls are sufficient to ensure integrity of Lottery products for those elements within our control.

Kerns: Ensure the full codes remain under the latex with only the game, pack and ticket number with check digit included in the exposed bar code.

PGI: *What security risks do you see looming on the horizon, and what do you think the Lottery industry needs to do to be prepared to deal with these concerns?*

Hickerson: For us I see the possibility for expanded gaming which would present a new array of security issues. The lottery industry needs to keep up with new developments in security technology in order to stay a step ahead of those who would present threats.

Cox: I wish I had a crystal ball. Based on my 10 years in this industry, I think the actual incidents we will see the most will be new players involved in, or new twists on, old scams. A good example is the reoccurring Latino lottery pigeon drop scam. A year or so ago some people were acting like it was a brand new thing. It's been around at least as long as I have been in the industry.

I think this sort of thing goes back to my earlier comments about a lack of understanding concerning the security function. Lottery security is also impacted by a lack of continuity in some lotteries between those who move on and the new guys. Of course, that's another good reason to network. You may be able to call someone who has experienced the problem and has a ready make solution.

I read in the Morning Report that the crooks from B.C. were finally indicted. It's been a long time coming, but the facts of the scam should be old news to most lottery professionals.

Shaw: We are moving quickly to an electronic platform for our products; ensuring a secure interface with the customer, validating transactions, and staying ahead of the rogue genius who has nothing but time in order to enter the system for nefarious purpose.

Kerns: Increased need for lotteries to have self sufficient auxiliary power at their headquarters and data processing centers to counter terrorist attacks on the power grids or power generating facilities to ensure safety of employees, security of products, validations, data and the facilities themselves. Also, there will be increased attempts to compromise on-line lottery tickets by creating fraudulent winners, especially with the increase in the high jackpot multi state games sales and the use of radio relays for sales data within the on-line networks. Finally, we may see increased attempts to compromise scratch tickets to locate winners before they are scratched and increased concerns over employee safety at work sites. ■

Lotería Nacional
para la Asistencia Pública.

Estimado (a) colega:

Es muy grato saber que pronto nos volveremos a reunir en Cancún para celebrar el Congreso Anual de ILAC 2003, este Congreso que sirve para reunir año con año a las Loterías de América y El Caribe. El tema central del Congreso este año será **"Más Juegos, Mejores Ganancias y Mayores Beneficios"** en copatrocinio con la Lotería Nacional para la Asistencia Pública de México.

Pronto recibirán mayor información y detalles al respecto y por ahora les rogamos tengan a bien señalar las siguientes fechas en su agenda: del 27 al 30 de abril del 2003 en el fabuloso Hilton Cancún Beach & Golf Resort.

Raquel Orbegozo está a sus órdenes para cualquier comentario o aclaración sobre el tema en el teléfono/ fax **+(425) 821-8361** en Estados Unidos de América, así como RaquelPGR2@aol.com. Por otro lado, pueden obtener información adicional sobre el hotel, al vistar la página en Internet: www.hiltoncancun.com.

Nos dará mucho gusto contar con su presencia en Cancún durante el Congreso Anual de ILAC 2003.

Saludos cordiales,

Laura Rojas

Laura Valdés de Rojas
Directora General
Lotería Nacional para la Asistencia Pública

Make Plans to Participate in PGRI's 2003 Events!

ILAC Congress 2003
Co-hosted by the National Lottery of Mexico
April 27-30, 2003
Hilton Cancun Beach and Golf Resort in Cancun, Mexico

International Lottery Expo 2003
Co-hosted by the Florida Lottery
July 17-21, 2003
Sonesta Beach Resort in Key Biscayne, FL

For more information, please contact Public Gaming Research Institute at 425-803-2900, fax 425-803-6830, e-mail publicgam@aol.com, or visit us on the Web at www.publicgaming.org

Worldwide
Multi-jurisdictional Games

December's epic Powerball run once again showed the power of the multi-jurisdictional game. With that memory fresh in our mind, PGI thought it prudent to review the current multi-jurisdictional lotteries and their games.

North America

Multi-State Lottery Association (MUSL)

MUSL was formed by Iowa Lottery Commissioner Dr. Edward J. Stanek in 1987 and eventually took the multi-jurisdictional format to new heights. MUSL is the largest organization of its kind - determined by number of members (24 U.S. Lotteries plus the Virgin Islands), consumer population (90 million) and perhaps even by total sales due to the number of products that are involved.

Powerball: The original five-digit plus bonus ball game, drawing twice weekly.

Participating jurisdictions: Arizona, Colorado, Connecticut, Delaware, D.C., Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Missouri, Montana, Nebraska, Wisconsin, New Hampshire, New Mexico, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Virgin Islands, West Virginia

Powerball Instant Millionaire: A new type of scratch game that offers, among other great prizes, a trip to Las Vegas to be a contestant on MUSL's TV Game Show! Players selected to appear on TV receive the following: a trip for two to Las Vegas, Nevada; three nights' accommodations at The Venetian Resort Hotel Casino; $750 spending cash; and a guarantee to win at least $1,000 with a chance to win $1,000,000!

To be a contestant players buy a Powerball Instant Millionaire scratch ticket from a participating lottery. At-home players will also be drawn for each week's show. At-home players will win cash - from $100 to $10,000 - based on what their state's game show contestant wins on the show!

Participating Jurisdictions: Connecticut, D.C., Delaware, Iowa, Kansas, Kentucky, Louisiana, Minnesota, New Hampshire, New Mexico, Oregon, Pennsylvania, South Carolina, West Virginia,

Wildcard 2: With Wild Card players get 2 plays for $1. Each play consists of a 5:31 pick plus one of 16 different Wild Cards. The game draws twice per week. The overall odds of winning a prize in this game are 1 in 6.16.

Participating Jurisdictions: Idaho, Montana, and South Dakota

Hot Lotto: Players pick five numbered white balls from 1 to 39 and one numbered orange "hot ball" from 1-19. The game draws twice weekly, and overall odds of winning a prize are 1:16.

Participating Jurisdictions: Iowa, Minnesota, Montana, New Hampshire, South Dakota, and West Virginia

2by2: Players pick two numbers from the red balls marked 1-26 plus two numbers from the white balls marked 1-26. Drawings are held three times per week, and each costs $1. There are eight ways to win.

Participating Jurisdictions: Nebraska and Kansas

Mega Millions

Mega Millions, which was originally called The Big Game, was formed in 1996. The game, a powerball-styled pick-5 plus a bonus ball, held its first drawing on September 6, 1996 and was played in Georgia, Illinois, Maryland, Massachusetts, Michigan and Virginia.

Since that time the game has undergone some significant events, including offering the two-largest jackpots in U.S. history (the largest being $363 million), additional jurisdictions, and a name change (to Mega Millions). Currently, the game draws twice weekly.

Participating Jurisdictions: Georgia, Illinois, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Virginia, Washington

Interprovincial Lottery Corporation

The Interprovincial Lottery Corporation was established by the provincial lottery organizations in 1976 to operate joint lottery games across Canada. The game followed on the heels of Canada's Olympic Lottery Corporation, which was formed in 1974.

Today, the ILC oversees three games.

Lotto 6/49: Lotto 6/49 operates on a 6:49 matrix plus a bonus ball, with a guaranteed minimum $2 million jackpot. If a Lotto 6/49 ticket matches five numbers on one line plus the Bonus number, that ticket would be a winner in the 5/6+ category. The Bonus number does not apply to any other prize categories. The game costs $1 per play and draws two times per week.

Super 7: Lotto Super 7 operates on a 7:47 matrix (plus a bonus ball) and has a guaranteed minimum $2.5 million jackpot. If a Lotto Super 7 ticket matches six numbers on one line plus the Bonus number, or three numbers on one line plus the Bonus number, that ticket would be a winner in the 6/7+ or 3/7+ categories. The Bonus number does not apply to any other prize categories The price is $2 for three plays, and drawings are held once each week.

Celebration: is a special event lottery where a seven digit number is drawn for a $5 million dollar prize. That number is then decomposable, so that dropping one number in the draw

progression will earn players a lesser prize, from $10,000 down to $20. Also drawn are five seven-digit numbers representing $100,000 wins (these numbers are also decomposable in the same manner as the $5 million prize), and 100 seven-digit numbers representing $1,000 winners (these are not decomposable).

Participating Lotteries: Atlantic, British Columbia, Ontario, Quebec, Western Canada

Tri-State Megabucks

Megabucks operates on a 6:42 matrix plus a bonus ball drawn from 36 numbers. The bonus ball does not factor into the jackpot, it serves to enhance the non-jackpot prizes. Megabucks draws twice weekly.

Participating Lotteries: Maine, New Hampshire, Vermont

Lotto South

Lotto South was formed in September, 2001, and is a cooperative Lottery effort between the Kentucky, Virginia and Georgia lotteries. The game operates on a 6:49 matrix, draws twice weekly, costs $1 per play, and jackpots start at $2 million. Overall odds of winning a prize in LOTTO SOUTH are one in 54.

Participating Lotteries: Georgia, Kentucky, Virginia

Australia

Oz Lotto: Launching in 1994, Oz Lotto was Australia's first national Lotto game. The game operates on a 6:45 matrix and features five different prize tiers. Oz Lotto has been responsible for over 55 individual millionaires and over AUS$350 million in prizes has been won by players.

Participating Lotteries: NSW Lotteries, Tattersalls, SA Lotteries, Golden Casket, Western Australia Lottery

Aussie Powerball: Aussie Powerball operates under the same style as the Powerball operated by MUSL. The game features a 5:45 and 1:45 matrix, and costs $1.10 for the first two plays (two plays are required). Each additional play costs 50c plus Agent's commission.

Participating Lotteries: NSW Lotteries, Tattersalls, SA Lotteries, Golden Casket, WestNSW Lotteries, Western Australia Lottery

Saturday Lotto: Saturday Lotto operates on a 6:44 matrix and draws each Saturday. The game's estimated first division prize is $2.5 million on offer every week. Player's can buy four chances for $1.60, and each additional draw costs $0.40. Several times per year the game offers Superdraws, which offer larger division one prize pools, typically upwards of $12 million.

Participating Lotteries: NSW Lotteries, Tattersalls, SA Lotteries, Golden Casket, WestNSW Lotteries, Western Australia Lottery

Europe

The German Lotto Bloc: The German Lotto Bloc was the first multi-jurisdiction lottery, created in 1973. The Bloc currently has sixteen member states with a total population of 81 million, and offers one game, 6/49 Lotto.

Participating Lotteries: S.-Toto, Stuggart; S-Lotterie (Bavaria); D. Klassenlotterie; Bremer Toto; Nwest Lotto, Kiel; Lotterie Treuhand; Niedersacher Fuss.; Verwaltung. Lotto; Westdeutsche Lot.; S.-Toto, Koblenz; Saarland Sporttoto; N. Lotto, Hamburg; Sachsen, Magdeburg; Sachsische, Leipzig; Lotto, Potsdam; L. Treuhand, Suhl

Viking Lotto: In 1993 five Nordic countries Denmark, Finland, Iceland, Norway and Sweden came together to launch Viking Lotto. Later, the group added Eesti Loto (Estonia) into the mix. The total population of the Viking Lotto Bloc is 25.1 million. The game operates on a 6:48 matrix, and sales reached close to US$2.4 billion in 2002.

Participating Lotteries: Dansk Tipstjeneste, Oy Veikkaus, Islensk Getspa, Norsk Tipping, AB Tipstjanst, AS Eesti Loto

Euromillions: Euromillions has yet to actualize, but Camelot (U.K.) has signed a letter of intent with the La Francaise de Jeux (France) and Loterias y Apuestas del Estado (Spain) to start up the multi-national game, "Euromillions" ("Euromillones" in Spain). The launch is scheduled for the first quarter of 2004. Lotteries from other countries are invited to join after the launch. The Lotto-styled game will have weekly draws, and a 2 euros price-tag. Twelve prize tiers will be funded with approximately 50% of the sales. Jackpots are expected to start around 15 million euros, and will rollover. ■

Hoosier Says Yes, Arizona Looking at Amber Alerts

The Hoosier Lottery became the fourth lottery to allow lottery terminals to broadcast information about child abductions through the Amber Alert system. Hoosier terminals will display the information, and retailers will be able to print and post the information in their stores.

The Arizona Lottery is also considering a proposal to allow Amber Alert messages to be distributed via its ticket terminals. The proposal would have the state's 2,600 lottery terminals printing abduction notices, which retailers could then post in stores..

Dakotas Examine Cooperative Possibilities

The powers that are trying to create the North Dakota Lottery are toying with the idea of creating a cooperative venture. They have discussed cooperating on administrative costs with the South Dakota Lottery.

Of course, this is all very speculative. North Dakota still must pass legislation, create rules, and the state must be approved to join MUSL before any real talks can begin, and that's just one end of the co-op.

While the South Dakota Lottery has expressed interest in the idea, they were quick to note that any cooperative venture would have to be profitable for both parties.

South Dakota stands to lose approximately $50,000 in revenue when North Dakota Powerball sales commence. The North Dakota Lottery is expecting to reap $1.7 to $2.6 million in revenue from the game.

Pennsylvania Sets Personal Sales Record

Pennsylvania Lottery ticket sales reached $74,375,811 during the week, December 24 –30, 2002, making it the second highest weekly sales in the Lottery's nearly 31-year history.

The Lottery experienced its third highest weekly sales in its history the week prior, December 17-23, 2002, when sales reached $73,305,717. The record weeks enabled the Pennsylvania Lottery, for the first time ever, to top $2 billion in sales in a calendar year!

The highest sales week in the Lottery's history occurred in April of 1989, when weekly sales totaled $116,474,341.50. A $115.5 million Super 7 jackpot set a record that month as the largest North American jackpot to that date.

Lottery officials credit the record-setting sales for the past two weeks primarily to the dramatic growth of the Powerball jackpot

Illinois Lottery Sales Reach New High

The Illinois Lottery set a new instant ticket sales record. Sales for December 10-16, 2002 were the highest in Lottery history coming in at $14.9 million. The second highest weekly instant sales — $14.6 million — were recorded the week of December 3-9, 2002.

Not since 1994 have instant ticket sales reached close to that level.

New Jersey Sets Sales Record

The New Jersey Lottery announced a record breaking sales week for its instant ticket products. For the week ending December 25, 2002, the Lottery reported instant ticket sales of $19.2 million, surpassing the previous record of $17.2 million set during the week ending December 18.

Quality Council Award Latest in a Long Line of Honors for Kentucky Lottery

The Kentucky Lottery recently received a Level 1 - Quality Interest Award from the Kentucky Quality Council (KQC), one of five companies recognized for quality efforts. KLC President & CEO Arch Gleason accepted the award on the Lottery's behalf. It's the latest honor in a line of awards received by the KLC and its staff.

Indiana Seeks Video Pull-Tabs

The Indiana gaming lobby is trying, once again, to introduce video pull-tab machines. Lawmakers will introduce legislation before January 13 to install 750 VPTM at each of four locations. If the legislation is successful Indiana will become the third state to utilize the machines. The Iowa Lottery will soon be piloting 40 VPTMs, and the machines are active at tribal casinos in Washington State. ■

SMART-PRODUCTS SHOWCASE

VMT Promoter:

The VMT Promoter by Schafer Systems Inc. is the perfect Point of Purchase Display for instant tickets. Your customers will be able to "view more tickets" because of the clearly lit and slanted facing. The right display, not only enhances your tickets, it makes them sell. The VMT Promoter accommodates 16 games with various sized tickets. It can be securely mounted to the top of your counter at the prime location for visibility yet takes very little footprint measuring 18"high x 18.5" wide x 21" deep.

Schafer Systems will have the VMT Promoter on display in the Circle of Learning #106 at Smart-Tech 2003. Stop by and let us demonstrate it for you. ■

Atlantic

Atlantic Lottery is making sponsorships a habit. The Lottery is returning as major sponsor of the 2003 East Coast Music Awards and Conference (ECMAs) being held in Halifax, N.S., from Feb. 13 to 16. ALC is also a proud sponsor of the 2003 Canada Winter Games, which will be held in the host cities of Bathurst and Campbellton, N.B., from Feb. 22 to March 8. Finally, the Lottery is the title sponsor of the 2003 Atlantic University Sport (AUS) Women's Basketball Championship, which will be held in St. John's, Nfld. & Lab., from Feb. 28 to March 2.

Arizona

The Arizona Lottery launched its second Harley-Davidson instant. The $3 tickets give lottery players the opportunity to win cash prizes of up to $15,000, and feature 5 instant win Harley-Davidson Sportster 1200 Custom motorcycles and 4,500 instant win Harley-Davidson merchandise prizes including a Harley-Davidson Travel Bag, wristwatch, blanket, leather cap and t-shirt.

Colorado

The Colorado Lottery turns 20 this year! Who would have known such heights would be reached-with record sales in fiscal year 2002-$407 million and $110 million in proceeds!

Several unique and dynamic promotions and media events have been planned to commemorate this successful history and will kick-off in January (the actual anniversary date is January 24, 1983) and continue throughout the entire year. A 20th anniversary scratch ticket is also expected to roll out in February or March and is part of a "Design Your Own Ticket" contest that was held last summer.

Illinois

In order to thank its players for helping set new sales records this year, the Illinois Lottery is offering the "Fun for All Cash Giveaway" second-chance promotion. Through February 7th, players can send in non-winning tickets to enter to win one of 20 $10,000 prizes. The drawing will be held on Valentine's Day, February 14. Instant ticket sales for December 2002 were the highest in Illinois Lottery history, coming in at $58 million. In addition, the Illinois Lottery recorded the highest weekly instant sales — $14.97 million - during the week ending December 9.

Indiana

The Hoosier Lottery is excited to announce a new scratch-off ticket featuring their own Indiana Pacers. The Indiana Pacers are very excited about the partnership and have assisted the lottery in putting together a "Hoosier Lottery Night with the Pacers" for the February 25th NBA game against the Washington Wizards. The MDI licensed scratch game features a top prize of $20,000 and a second chance promotion where players can win Pacer prize packages, autographed team basketballs and grand prize trips to NBA games.

Maryland

The Maryland Lottery has continued the "taxes paid" portion of their most recent promotion after positive player feedback. During the six-week promotion the lottery doubled the prizes of lucky Bonus Match 5 players who received a Doubler message on their ticket and also paid the estimated taxes on all top-tier $50,000 prizes. The Lottery paid the estimated taxes on 18 $50,000 prizes including two that were doubled to $100,000 and awarded over $350,000 in Doubler prizes.

While the Doubler concluded on October 27, the taxes paid portion of the promotion was extended indefinitely. Bonus Match 5 weekly sales during the promotion increased 95 percent into the $550,000 range up from a weekly average of $280,000 in the pre-promotion period. Residual weekly sales have proven the popularity of the taxes paid aspect of the promotion as weekly sales have remained in the $425,000 range. The lottery is currently conducting one of their semi-annual Keno Doubler promotions that will run until early February.

Michigan

To help introduce players to the Lottery's newest online game - WINFALL - the Lottery is giving players across the state a chance to cash in on WINFALL for free! Beginning February 2, 2003, coupons offering one free WINFALL "easy pick" wager with the purchase of a $1 WINFALL "easy pick" wager will be distributed in select home delivered newspapers throughout the state.

Missouri

The Missouri Lottery completed all three drawings in the "Big Sleigh Giveaway" holiday promotion on Jan. 10. Nearly 218,000 players who sent in $10 worth of non-winning holiday Scratchers tickets (or entered on-line) entered the first two drawings for a chance to win a grand-prize 2002 Ford Explorer, trip packages, furniture, shopping sprees, big-screen televisions, computers and cash.

In January, the Missouri Lottery was presented with the Year 2003 Distinguished Organization Award by the Dr. Martin Luther King Jr. State Celebration Commission of Missouri. The award was given in recognition of the Lottery's continuing efforts to exemplify Dr. Martin Luther King Jr.'s ideals and commitments.

During the holidays, nearly 1,800 Missouri Lottery Scratchers retailers agreed to use a unit to display all of the holiday 2002 Scratchers games. The unit was placed in prominent positions on their counters, and the retailers had a chance to win one of 50 prizes of up to $500 cash. In the past, use of the display unit resulted in an average increase in sales of 20 percent.

New Jersey

The New Jersey Lottery launched its third Jacks or Better licensed instant lottery game featuring logos and other imagery associated with MDI's patented poker game-style instant scratch game. The New Jersey game features seven million five hundred thousand (7,500,000) tickets. Each ticket costs $5 and gives lottery players the opportunity to win cash prizes of up to $150,000. The game features more than $12 million in cash prizes.

New Mexico

The New Mexico Lottery launched its first Betty Boop ticket in February featuring three different scenes, with 10 chances to win and a $10,000 top prize. The Lottery is the ninth to introduce the licensed game with radio ads and counter cards support. Pinball Wizard, a $5 scratcher game, launched with Betty Boop. Pinball

Wizard has 22 chances to win with a top prize of $60,000.

On February 6, Roadrunner Cash (New Mexico's first on-line game) will celebrate its fifth anniversary. The game started with two weekly drawings in 1998 with a fixed $15,000 top prize, then moved to four drawings, and currently has a rolling top prize and six weekly drawings.

Ohio

Super Lotto Plus players can get more value for their purchase by taking advantage of a new, second-chance drawing opportunity. From Jan. 19 through March 15, 2003, players can use the Ohio Lottery Web site to enter a special second-chance drawing for non-winning Super Lotto Plus tickets purchased during that time period. To enter, participants must access the Lottery's Web site and follow the entry instructions. Ten prizes will be awarded, including Ohio Lottery prize packages, H.H. Gregg gift certificates and a Carnival Cruise vacation package. The drawing is scheduled to take place on or around Wed., March 19, 2003. This is the Ohio Lottery's first Web site-based promotion.

The Ohio Lottery has boosted instant game commissions from 5.5% to 10 % for each lot of tickets retailers sell, in a post-holiday retailer incentive that began Jan. 12. The boost is the Lottery's way of thanking retailers for strong holiday game sales and for supporting various game promotions in 2002. The promotion ends March 15, 2003.

A new promotional ticket is available for special Lottery promotions and events. Every ticket is a winner. Players can win cash prizes of $2, $5, $10, $20 or $50, or be offered a free $2 instant ticket with a $2 instant ticket purchase.

Ontario

The Ontario Lottery and Gaming Corporation's 2000/2001 Annual Report has won the American Gaming Association's Gaming Voice award for excellence in the category of "Best Annual Report" (International). Also, for the second year in a row, the National Association of State and Provincial Lotteries has selected OLGC's Annual Report as a "Batchy Finalist".

Rhode Island

The Rhode Island Lottery recently instituted "Fabulous Fridays" a promotion to increase sales in the Daily Numbers Instant Match Game. For every winning Instant Match ticket sold and redeemed at the same retailer location on a Friday, the retailer will receive the same prize as the player. The top prize in Instant Match is $500. The promotion will run for one month and can be varied in format week to week to reward both the Retailer and the player.

Now in its third year, the Daily Numbers Day promotions continue to roll across the State. Every Friday, for a two-hour period, Lottery personnel visit a Retailer location promoting the Daily Numbers Game. Giveaways include free plays on the Numbers and Instant Match along with t-shirts, hats, as well as prizes donated by the Retailer. This promotion has proven to be very successful, not only from a public relations point of view, but as a way to educate people on how to play the Numbers.

South Dakota

During the month of December, players buying five Dakota Cash tickets receive a free Powerball ticket with the Power Play option. Sales were up 55 percent compared to drawings with similar jackpot amounts.

During the month of January, prizes of $100 or more on four select instant games are being doubled.

Texas

The Texas Lottery Commission's instant game sales averaged $45 million a week during the 2002 holiday season, climbing to a total of $275 million from November 24 - January 4. This represents a 19 percent increase over instant games sales during the same six-week period in 2001.

Toni Smith, Director of Marketing, attributed this boost in sales to the success of four holiday games, including Holiday Million, the Texas Lottery's first-ever $20 scratch-off ticket.

As of January 4, the Lottery sold $54 million worth of Holiday Million tickets. During the first week of January, Holiday Million accounted for about 15 percent of instant ticket sales. The other holiday scratch-off games were extremely popular, as well. As of January 4, the new $10 game, Home for the Holidays, was 85 percent sold, while the $5 game, Treasures Under the Tree, was 94 percent sold and the $1 game, Winner Wonderland, was 95 percent sold.

Virginia

To enhance two of its daily games, the Virginia Lottery has introduced a player promotion with a BONUS BALL feature. In February and March, the Lottery will conduct an extra drawing following Pick 3 and Pick 4. If the special orange bonus ball is drawn, all Pick 3 and Pick 4 prizes will increase by 20%. A Pick 3 Exact Order prize will be $600 instead of $500, and a Pick 4 Exact Order prize would be $6,000 instead of $5,000. ∎

Lottery People

Wisconsin Lottery Director **William Conway** resign January 6, allowing Governor-elect **Jim Doyle** to appoint a director of his own choosing.

The Texas Lottery Commission is pleased to announce the addition of two new staff members. Senior Editor **Karen Blizzard** will work to bring a consistent voice and style to the Commission's communications. Ms. Blizzard has an extensive background in publishing and communications. **Sylvia Womble-Saenz**, Winners Information Specialist, will process and publicize the large jackpot winners in Texas. A 16-year communications professional, Ms. Womble-Saenz most recently was Director of Corporate Communications for Southern Union Company.

Mike Mueller recently joined the South Dakota Lottery as the Director of Advertising and Public Relations. Mueller most recently served as Deputy Press Secretary for South Dakota Governor Bill Janklow. ∎

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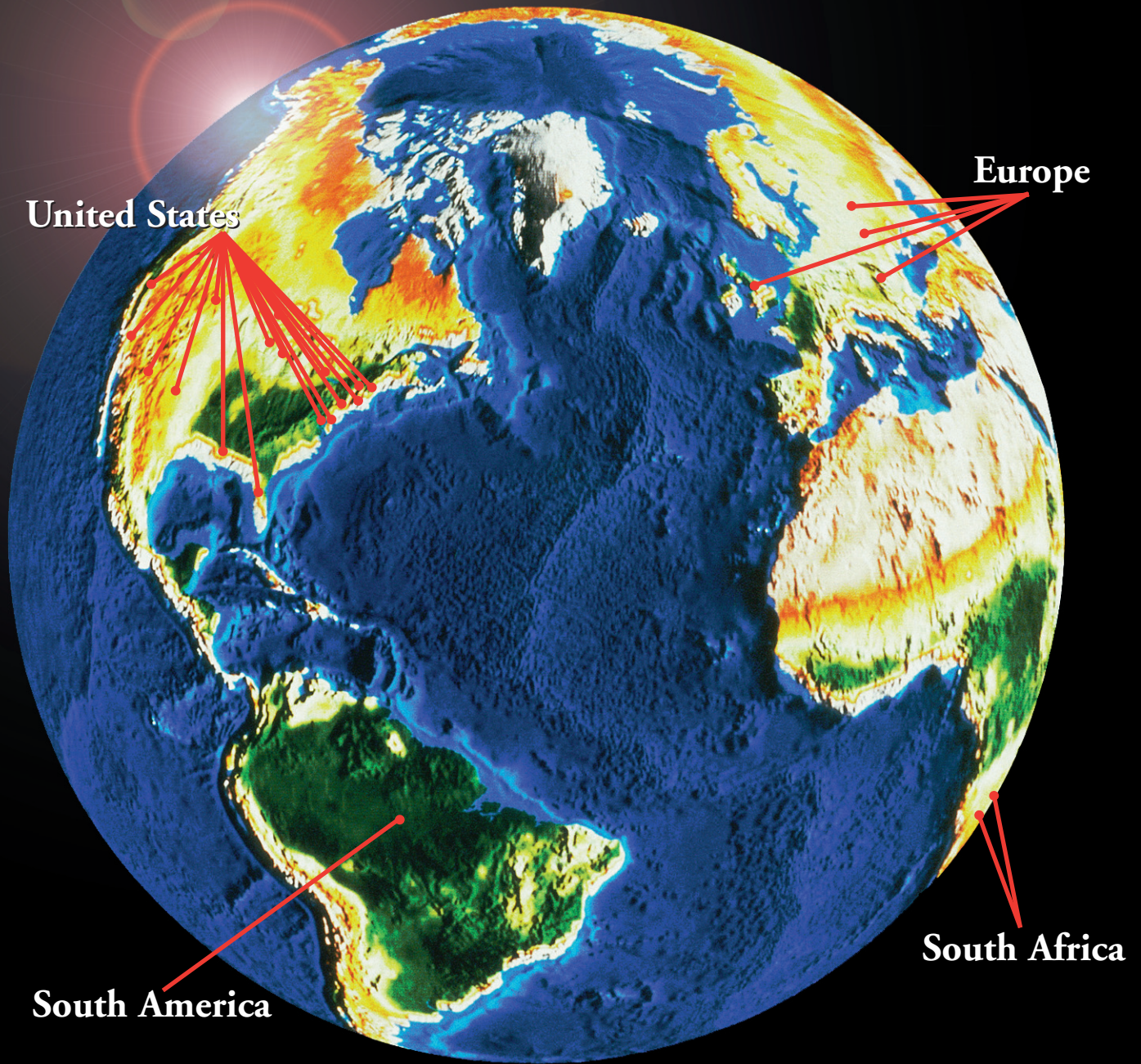
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