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MUSL
The Little Company
Behind The Curtain

Charles Strutt
Executive Director

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"Hero In Education..."

California Lottery[®]



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and for recognizing other heroes in education
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PRODUCTIONS



ON THE COVER:
MUSL executive director,
Chuck Strutt

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PUBLIC GAMING INTERNATIONAL

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Public Gaming International (ISSN-1042-1912) August 2003, Volume 28, No. 8. Published monthly by the Public Gaming Research Institute, Inc., 4020 Lake Washington Blvd. NE, Ste. 100, Kirkland, WA 98033. (425) 803-2900. ANNUAL SUBSCRIPTION RATES: United States: \$145. Canada & Mexico: \$160(U.S.). All other countries: \$225(U.S.). POSTMASTER: Send address changes to Public Gaming International, 4020 Lake Washington Blvd. NE, Ste. 100, Kirkland, WA 98033. SUBSCRIPTION REQUESTS: Sent to same address. NOTE: Public Gaming International is distributed by airmail and other expedited delivery to readers around the world. ©2003 All rights reserved. Public Gaming Research Institute.

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Proceed(s) to Greatness

"All wealth is the product of labor." When the great English philosopher John Locke uttered these words in the 1600s, it is safe to say he didn't have a particular industry, especially the lottery industry, in mind. But if he did, he wouldn't have been wrong.

As I compare those of us working for lotteries to those who work for private corporations, there is no doubt, person for person, we work as hard if not harder than our counterparts. So, if we are working so hard, what kind of rewards are we getting in return? Are we paid more? No. Do they throw parades in our honor? No. Do we get to go up on stage during an internationally televised program and thank all of those who have made what we do possible? No. We get something even greater. We get the opportunity to make the lives of those around us better than they were in the past. We make a difference.

It is very easy to lose sight of the positive effects we have on society. The very nature of what we do is and always has been somewhat controversial. There are those who argue that our efforts only hurt the people who can least afford it. That nothing good comes from the gaming industry, including lotteries. Of course there are indisputable facts that counter their arguments such as, if only the poor played, only the poor would win, and what fiscally responsible company would focus its best marketing efforts on people who can't afford to buy their products? This does not make good business sense. But as I was once told, there is no such thing as a wrong opinion and no matter what the facts may be, some people will never see the good we do.

Actually, they will see the good we do – they just might not acknowledge what they are seeing. For example, in my home state of Colorado, the lottery has returned more than \$1.3 billion to help make the state a more beautiful place to live. Proceeds in Colorado go to help build parks, recreation facilities, open space and preserve wildlife. No matter what neighborhood you visit from Denver to Dinosaur, the benefits of lottery money are seen in parks, playgrounds and open space around the state. When I watch my son Danny play baseball or my daughter Jill play basketball at a lottery

funded facility, I'm proud of the fact that my hard work and the work of those around me has made these moments possible.

Colorado, of course, isn't the only state benefiting from lottery dollars. Every state or province that has a lottery is making a difference. In New York, more than \$1.8 billion was returned to education programs. Their Leaders of Tomorrow program offers students a chance to receive a college scholarship, which in turn helps to ensure a successful future.

If you have ever visited the beautiful state of Arizona and used mass transit to get you where you needed to go, you have the lottery to thank. A large portion of their proceeds helps mobilize the Grand Canyon state.

These are just several examples of the good we do. Not everyone goes to work every day knowing they will be making a difference in the lives of those around them. Sure, it would be nice to make more money, be acknowledged more often or even have a parade thrown in our honor, but when all is said and done, our legacy will live on in those projects we helped to create.

Mark Zamarripa

TABASCO[®]

BRAND

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A Famous Name Is Now a Game.

TABASCO[®] Brand pepper sauces have been hot sellers for over 130 years - with nearly 100% awareness among consumers. The broad popularity of this unique cultural entity includes lottery players, but extends beyond traditional lottery demographics. This famous name appears on a myriad of high-quality merchandise products and is a successful slot machine as well. Now, the established TABASCO[®] Brand is available as an MDI license for your next instant lottery game.



Recipe for a Game with Sizzle.

We recommend the TABASCO HOT CASH[®] game theme. Other lotteries have already proven that players have a taste for this game. You can introduce TABASCO HOT CASH[®] any time of year - there's no seasonality. MDI will provide you with licensed rights to the distinctive bottles and logos - plus, McIlhenny Company has trademarked the name, TABASCO HOT CASH[®], for use on your instant lottery tickets.

They Will Come Back for Seconds.

Extend the value of your players' tickets by giving them the opportunity to win popular TABASCO[®] Brand merchandise through second chance bonus drawings. MDI can help by putting together unique and exciting TABASCO[®] Prize Packs for you. So don't be surprised when players come back for more.

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MDI

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Visit our web site at
www.mdientertainment.com

Offer a Game That Players Will Savor!

Scientific Games Signs with the Major Leagues

Scientific Games signed a licensing agreement with the Major League Alumni Marketing, Inc. (MLAM) that will allow lottery organizations to offer their players unique, baseball-themed lottery games and promotions featuring many of Major League Baseball's greatest legends. The agreement makes Scientific Games the exclusive representative to negotiate on behalf of individual state lotteries license agreements authorizing the use of the names, images, signatures and likenesses of former Major League Baseball players who are members of the Major League Baseball Players Alumni Association.

Some of the promotional opportunities coming from this partnership include: one-of-a-kind autographed memorabilia available only through the lottery game; memorabilia focused on legendary players of the game; access to over 2,800 former Major League players, many of whom are in the Major League Baseball Hall of Fame; participation in a Fantasy Baseball Camp; an up-close and personal "Spring Training" experience; and season tickets.

INTRALOT Awarded ISO 9000:2000.

Intralot has been awarded ISO (International Organization for Standardization) 9000:2000 certification, which is the latest standard of the ISO 9000 family. The ISO certification provides a tested framework that guarantees a systematic approach in the process management, as well as assurance of conforming to the customers' expectations.

The ISO 9000:2000 certification assures the highest quality standards of Intralot's products, systems and services provided to its international clients, since it follows the ISO 9001:1994. The new standard focuses on: Managements responsibility, concerning customer and legal requirements as well as internal communication of the organization; Resource management, concerning organization information, infrastructure and work environment; Product and/or service realization, concerning identification of customer requirements and communication with the customer; Measurement, analysis and improvement, concerning system performance, customer satisfaction and analysis of data for improvement.

Editec Active in India, Ivory Coast

WinTV, the drawing Department of Editec SA, recently supplied Dhan Dhana Dhan Infotainment, a new lottery operator in India. WinTV delivered two Lotto machines (Diamant and Cristal) as well as two number game Automated Topaze 3 machines. All together, WinTV has already supplied seven machines to two lottery operators in India.

The National Lottery of Ivory Coast (LONACI) successfully launched the computerization of its horse racing game through a complete Editec multi-mode betting system. Five hundred Editec TPM 3000 terminals have already been dispatched and an additional 300 have just been ordered and scheduled to be delivered in July. That should make the LONACI the third largest computerized lottery after South Africa and Morocco.

OGT Extended by Virginia

Oberthur Gaming signed a one-year contract extension for instant ticket printing with the Virginia Lottery. The Virginia Lottery has also recently signed a warehousing and distribution contract with OGT.

EssNet Signs in Australia, Sri Lanka and the Czech Republic

Tattersall's confirmed that contract negotiations with EssNet over the supply of a new lottery system and terminals have been completed. The agreements were signed between CEO's Duncan Fischer for Tattersall's and Hans Vigmostad for EssNet in Melbourne. The companies will begin the implementation phase of the project immediately, with an expected switch over from the current system around the middle of next year. The new Tattersall's ELOS system will support over 900 retailers across four Australian States and Territories, as well as incorporating EssNet's e-channel and t-channel third party interfaces to allow connectivity to new sales channels such as the Internet, mobile phones and interactive television.

EssNet also signed a contract with On Line National Lottery (OLNL) based in Colombo, Sri Lanka, for delivery of an on-line lottery system and retail terminals. For the first time in Sri Lanka, a rapid draw Keno game will be introduced, after which other on-line games similar to Joker and Lotto will follow. EssNet's agreement with OLNL includes delivery, installation and system integration of an ELOS lottery system, including central system hardware, software and 500 E5 terminals. The number of terminals may increase to 3,000 within a couple of years.

Lastly, EssNet finalized the negotiations and signed a contract with SAZKA for the delivery and installation of a betting system for Internet and mobile phones.

GTECH Signs in Wisconsin, Sweden and New Zealand

GTECH signed a two-year contract extension to provide online lottery products and services to AB Svenska Spel. In addition, GTECH signed its previously-awarded Enterprise Series Video lottery central system contract with Svenska Spel. Under the contract extension, GTECH will continue providing Svenska Spel with an online lottery central system and services including software maintenance and development through June 30, 2005.

GTECH also inked a five-year extension with the New Zealand Lotteries Commission, commencing July 1, 2003, through June 30, 2008. GTECH will provide the NZLC with a non-exclusive software license to operate the Lottery's central system, and to provide central system and terminal maintenance, game development, and software support.

Finally, The Wisconsin Lottery selected GTECH to negotiate a new five-year contract to supply a new online and instant-ticket lottery system, and related telecommunications network.

Pollard Inks Deals with Virginia, ILC

Pollard Banknote will continue to supply instant tickets and related services to the Virginia Lottery under the terms of a one-year contract extension that began in May. The company has supplied the Virginia Lottery since 1996.

The Company will also continue to produce Celebration, an annual pouched game overseen by Canada's Interprovincial Lottery Corporation (ILC). A new three-year contract includes an option for a one-year renewal at the ILC's discretion. ■

Australia

Lotterywest turned in record sales and record returns in FY2002/03. Sales of lottery games totaled \$490.8 million while Lotterywest distributed \$145 million in funding to the Western Australian community. Western Australia reportedly had the lowest per capita expenditure on gambling of any state but recorded the country's highest per capita sales for Lotto. The state's public hospitals and health services received \$75 million in funding, sporting associations received \$9.4 million in funding provided through the Department of Sport and Recreation, and lotteries funding to the Arts, provided through ArtsWA also totaled \$9.4 million. Finally, Lotterywest's direct grant funding for not-for-profit and community groups totaled \$51.2 million. A total of 1,509 grants were made in the year, ranging from a \$4,000 grant to the Darkan Music and Drama Group for sound equipment to a \$4.7 million grant to St John Ambulance to replace a fleet of 96 ambulances.

Cambodia

Win Win Gaming, Inc., in partnership with its affiliate Golden Win Win Cambodia, Inc., announced the launch of its first lottery game in the Kingdom of Cambodia, the "Pay Day" Instant Scratch Ticket lottery game. Tickets have been introduced at the price of US\$1 per ticket with individual prizes ranging from US\$1 to up to US\$2,000. The initial launch of the "Pay Day" game took place on May 15, 2003 in the capital city of Phnom Penh and sales operations are now expanding into other provinces. The Company's sales and marketing strategies include a complete media campaign including TV, radio and newspapers and the development of an extensive sales distribution network through restaurants, nightclubs, shops and marketplaces.

New Zealand

The New Zealand National Lottery has launched a new Instant Kiwi logo after months of development and consultation with customers throughout the country. The Lottery wanted a more modern look, and a logo that reflects the Instant Kiwi brand personality: irrepressible, light hearted, fun, live in the moment, effervescent, and optimistic. Instant Kiwi's new designs, completed by Imagination Design, were rated tops by nearly 300 advertising and design professionals against Sky TV, the Target 10% campaign, and the Volkswagen Beetle Cabriolet launch, among others.

Hong Kong

The Hong Kong legislature passed a Bill legalizing soccer gambling by a 30-24 vote. It's anticipated that more than HK\$30 billion per year will be wagered on the legal market, with more than HK\$1 billion going to the government. The license will go to the Hong Kong Jockey Club, which controls horse-racing and Mark Six lotteries.

UK

Camelot has a new ad strategy, and it appears to be paying off. The Lottery replaced Billy Connolly ads, which really only pushed the main Lotto game, with ads featuring the good causes that benefit from lottery funding. The new ads also promote the Lottery's entire game portfolio. As a result,

Thunderball is up 20% this year, and sales of Lotto and HotPicks have increased by more than £4 million. Also, according to Conquest Tracking, the number of regular Lotto players who feel better about playing the National Lottery has increased by more than 50%.

The Lottery also unveiled plans for 10,000 buildings receiving money from Lottery cash to display a cross-fingered plaque on their walls, ensuring that the public knows where profits are being spent.

Greece

Greece's OPAP reported revenue growth of 25.6% to 1,176.3 million euros in the first half year-on-year. Sales in the second quarter grew 15.2% to 540 million euros. This success can be attributed to the sports-betting game Stichima and two new games, Super 3 and Extra 5, launched in November.

Scotland

News of a proposed revamp of the UK National Lottery has caused some leaders in Scotland to call for a lottery of its own. The UK revamp would allow customers to choose which charities would receive funds from their purchase, and many Scottish charities are afraid that they will lose millions of pounds because of the change.

Netherlands

A Dutch court has sided with De Lotto and ordered the operators of 21 international internet gambling sites to ban Dutch visitors. The companies risk fines of 10,000 euros per day for non-compliance, up to a maximum of 200,000 euros.

North Korea

North Korea began selling lottery tickets on the Internet on Sunday, July 6. To boost sales the Lottery took out an ad stating that there are many lotteries that fail to award 50% of the prizes, and that many governments often deduct 40% of the winnings for taxes. The North Korean game, on the other hand, will award half the accumulated sales money to the person who correctly guesses all eight winning numbers.

Malta

Malta's National Lottery game sailed into the sunset on June 29, 2003, as the game was discontinued. The Lottery, which began in 1948, at one point sold close to 450,000 tickets per draw. The game eventually fell victim to cannibalization as the Super Five weekly lottery was launched in 1990. It has been running at a loss for several years.

Philippines

The Philippine Amusement and Gaming Corp. launched a Hotline 966 project, modeled after the successful 911 system in the United States. PAGCOR's own EMTs man the telephone lines. The EMTs, are specially trained to provide assistance up to the level of advanced life support.

Israel

Sources are reporting that Israel's Prime Minister's office is supporting a proposal allowing Mifal Hapais to open five casinos in the country. The hope is that the venues will help stop illegal gambling and encourage tourism in remote areas of the country. ■

MUSL

The Little Company Behind the Curtain

For an organization that drives big dreams for half the country, MUSL is relatively anonymous. In 2004, when North Dakota joins its ranks, the organization will oversee games in 25 U.S. states plus the District of Columbia and the Virgin Islands – an overall population of 83,404,334 (this is not including California – pop. 36,116,033 – who is a MUSL member but does not currently sell any MUSL products).

MUSL got its start in 1987 when seven states got together to offer LOTTO AMERICA. The original members were the District of Columbia, Iowa, Kansas, Missouri, Oregon, Rhode Island, and West Virginia. Lotto America ran its course after only a few years, and was replaced on April 19, 1992 by POWERBALL™.

Public Gaming International recently enjoyed the pleasure of interviewing MUSL Executive Director Chuck Strutt in an attempt to reveal what the little company behind the curtain is doing for its member lotteries, and what it has in store for the big dreamers of tomorrow.

Public Gaming International (PGI): *What information do you have on Powerball player profiles?*

Chuck Strutt (CS): Powerball is the first game that really expanded the lottery player base. The Powerball jackpots have attracted the attention of virtually every American and have made lottery games a national pastime. Just about everyone has participated in a lottery game and Powerball played a role in introducing the lottery to nearly every income level. Moralists are quick to suggest that lotteries prey upon the poor, but the facts are clear enough for those who seek the truth. A good independent source is www.gallup.com. Go to that site and do a search on "lottery" and you will find that those who play the lottery have slightly higher income and higher education than the average American. Nearly everyone has played the lottery in the past year, thanks in large part, to the big multi-state jackpots.

PGI: *How much does the Powerball game contribute to the total revenues of participating lotteries?*

CS: The new Powerball game is designed to sell about \$2 billion per year or about 17% of the total lottery sales of our members; excluding video lottery. Overall, MUSL products contribute 18.2% of lottery sales for our members; again excluding video lottery sales. Powerball members vary from small states to larger states and MUSL products add from 4% to nearly 60% of the total sales in each state.

PGI: *What impact does Powerball have on other games that the participating lotteries are running?*

CS: We've done a lot of research in this area; not only for Powerball, but for the effect of other multi-state games as well. As you might expect, there is a lot of variation, but the magic number for any multi-state game seems to be a cannibalization



rate of 30%. We've even talked to other non-MUSL states that have done extensive research and they have come up with the same number. It seems to be a universal constant.

That does not mean that every state will see a 30% cannibalization rate, but if there is a different number, there is usually a reason for the difference. States that experience more cannibalization have usually made changes to their game to reduce guaranteed jackpots or to change draw days. States that see less cannibalization have made changes to make the local game more attractive.

This 30% cannibalization number seems to apply whether the multi-state game is run on the same day as the local game or another day. In fact, we have found that running all lotto games on Wednesday and Saturday brings in the most players for all games. We have trained players to buy their tickets on Wednesday and Saturdays and players just have more time to get to a retailer on Saturdays – still the biggest day for lottery sales.

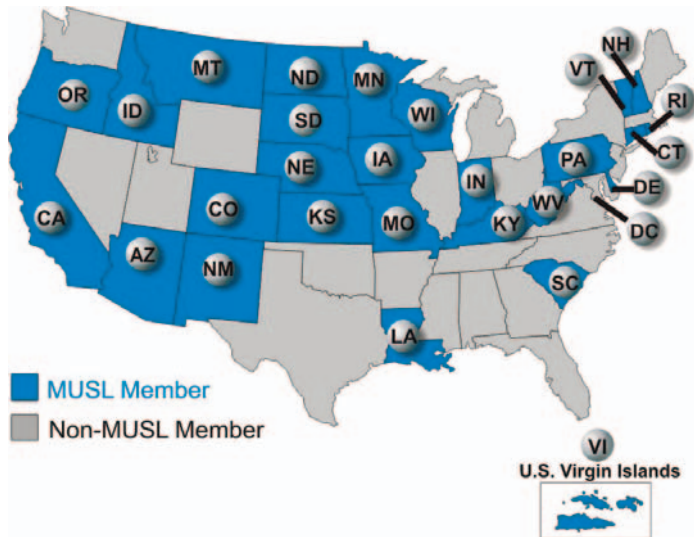
Another impact we are still seeing is that players will come in to play a big Powerball jackpot and they will buy other local lottery tickets while they are in the store. Many of the players attracted to the big jackpots are not frequent lottery players and they just decide that, as long as they are there, they will try all of the games – especially those with a drawing that night!

PGI: *What is it about the Powerball design that seems to have captured the attention of lottery players?*

CS: The Powerball design has proven very popular and has been copied all over the world. After the first few years with the game, we hosted visitors from around the globe at our offices to talk about the design. The design has been copied in Australia; where they call it Powerball, and in Hong Kong; where it was called Gold Ball, and in the UK; where they have a smaller game called Thunderball; and, of course, even in the U.S. where many states are now running a dual-drum game.

The state lotteries have been running Powerball for a long time. What looks like simply just another big jackpot lotto game is actually a well-planned game with tweaks and features that make it attractive to players for the long term. By using different sets of numbers in each drum, the dual-drum design allows a lottery to create a high odds jackpot game and still have low overall odds. Over time, the member lotteries have added options and features to the game – like Power Play and the Match 5 Bonus Prize – to keep the game fresh.

We (and when I say "we" I mean the directors of the member lotteries) tried to design a big jackpot game that would have long-term appeal to the players. At the outset, that seems like an impossible task. Players want high jackpots, because that is what draws them to the game, but they also have to win something fairly frequently so they will not get frustrated with the game. The Powerball prize structure recognizes the problem and has a prize



structure to solve the problem. The game uses a barbell approach with both the odds and the prize percentage payouts. Powerball makes full use of our dual-drum design to create high odds for the jackpot while still creating attractive overall and low prize odds. A higher percentage of the prize dollars is put into the jackpot and into the lowest prize levels. Powerball's design guarantees high jackpots that first attract the players and then pays out lots of prizes at the low end to give more players a winning experience.

Even the value of the lower prizes are important. Powerball's prizes of \$3, \$4, and \$7 helps increase the churn.

PGI: *How does Power Play help the game?*

CS: Power Play is yet another attraction to the game. We draw a number before the regular Powerball drawing. It can be a 2, 3, 4, or 5 but there are more 5's than the other numbers. Players who spend an extra \$1 will multiply their winnings, except the jackpot, by the number that we draw.

This has been most successful in the new states that joined the game after the option was in place. In those states, Power Play brings in an extra 30% in sales. The option has been much slower to catch on in the older states, though one state did manage to raise their Power Play sales rate to 10%. The lotteries have just agreed to run a promotion to try to increase Power Play sales. MUSL has picked up hundreds of private suites for the next Super Bowl game and players who make a special Power Play purchase can also play to win admission to the suites in Texas.

One of the real secrets of Powerball is that Power Play allows the game to bring in more dollars without increasing the coverage of the game. A player spends an extra dollar on the game and the chance of getting hit has not gone up. Think about how important that is for a big jackpot game. The curse of increasing your sales in a big jackpot game is usually that you increase your coverage and so get hit. With Power Play, the lottery gets an extra dollar but the coverage of the game—the ability of the game to continue to climb to a higher jackpot level—is not affected. That means that the lotteries can bring in more money and still roll up to attractive jackpots.

PGI: *What is the Match 5 Bonus Prize, and why do you feel it is*

MUSL Operations

MUSL is governed by a Board of Directors. The Board is comprised of the directors of the member lotteries. Working committees actually do more of the detailed work of the Board of Directors so that the Board is free to make general decisions based on the recommendations of the working committees. Each of the working committees has an appointed MUSL staff member to assist the committee.

The Security and Integrity Committee is responsible for developing and monitoring the minimum system security standards required for each member. To ensure there is no weak link in the chain, the committee works with MUSL staff to develop computer system standards and audit procedures so that each member lottery can be assured that everyone is complying with the same strict standards. This makes MUSL games the most secure games in the world. This committee also develops a code of ethics for Board Members and MUSL employees.

The Finance and Audit Committee monitors the prize reserve accounts required by the Board, and develops and monitors the Association's investments. Because no single lottery can guarantee payment of the larger jackpots, MUSL has prize reserves to protect the lotteries and the players. Finance and Audit also supervises annual financial and compliance audits by independent auditing firms and the committee reviews and selects financial and investment managers.

The Development Committee develops new games, promotions, and extensions to current games. The committee conducts preliminary research on new products and offers the new products to the members for consideration.

The Communications Committee is responsible for MUSL's public relations plan, as well as its crisis response plan. The committee works with MUSL staff to provide media training for member lotteries. The committee is also charged with making use of current technology to improve communications between members.

The Executive Committee, with input and direction from the four committees, works in conjunction with MUSL's Executive Director and staff, to maximize revenue for member lotteries. Between Board meetings the Executive Committee can quickly assemble to react to any unique situations that may develop. ■

important to Powerball?

CS: Press coverage is extremely important to the success of a jackpot run. That was one of the reasons for the Match 5 Bonus Prize. Like it or not, a big jackpot is the easiest way to grab national attention for your brand and the press really only cares about a new record jackpot. You can't let the whim of the odds steal away your opportunities to advertise a new record. The other reason for the Match 5 Bonus Prize was to find a way to allow record jackpots to be created on a more reasonable and responsible basis.

The Match 5 Bonus Prize is an occasional prize that will be created whenever the jackpot goes beyond a record level. Instead of

allowing the jackpot to jump way above the current record jackpot, the Powerball rules limit the jackpot growth, above the last jackpot, to jumps of only \$25 million a draw. The extra money, that is not put into the jackpot prize pool, rolls down to the Match 5 Prize.

The Match 5 Bonus Prize concept gives Powerball a double press advantage. First, it allows us to market more record jackpots. For example, instead of having to live with a jump from \$325 million to \$450 million, we can have the chance to report—and get press for—new record jackpots of \$350 million; \$375 million; and \$400 million. There are three opportunities between the other two “records” that we could have lost without the Match 5 Bonus Prize rule.

The second press advantage of the Match 5 Bonus Prize is that it will create both national and local news stories when it happens. It has the potential, depending on when the jackpot is hit, of awarding \$1 million in cash to around 100 winners. When that happens, it will be big news – and it answers the common complaint that lotteries should spread these giant jackpots around instead of just making one person a winner.

We did have some concerns that all of these extra options and features might be too complicated for players to understand, but the lotteries have found that the retailers usually find a way to explain it. Some of the best ideas have come from retailers who just explain to players that they can “super size” their Powerball ticket with Power Play. And, of course, when the local press reports that Joe won \$100,000 and Mary won \$500,000 because she bought the Power Play option, the concept is quickly understood.

When we approach a record jackpot level, we start to get emails from players about the Match 5 Bonus Prize, so the core players are aware of it. When it hits, of course, everyone will be aware of it.

PGI: *Not all of MUSL's games are as well known as Powerball. How important are these games to the organization's product offerings?*

CS: MUSL currently administers five games, including the instant game TV Game Show, with more in development. Most of these games are niche games or, like the TV Game Show, are an extension of the Powerball brand that is used to keep the brand in the public eye. The Game Show is on TV 30 minutes every week and it also gives instant-only players a chance to participate in the Powerball brand. We hope to soon be able to take the show national to further extend the brand.

The other MUSL games fill a need for the lotteries that run them, but they don't reach the sales of a big jackpot game. We have not yet found another type of game – a non-jackpot

Powerball Annual Sales

FY88	\$32,306,485	(6 months of 7/40 sales)
FY89	\$125,169,063	(change to 6/54 mid-year)
FY90	\$344,283,496	(WI, MT, ID join)
FY91	\$404,294,476	(ME, MN, IN, SD, KY, DE join)
FY92	\$415,191,361	(Powerball starts in 4th Qtr.)
FY93	\$603,236,816	
FY94	\$829,448,179	(AZ joins)
FY95	\$1,065,204,410	(NE, LA, GA join)
FY96	\$1,209,293,425	(CT, NH, join)
FY97	\$895,529,550	(NM joins, GA departs)
FY98	\$1,094,289,793	(Matrix change Nov. 2, 1997)
FY99	\$1,485,126,504	
FY00	\$1,035,085,483	
FY01	\$1,075,269,482	
FY02	\$1,459,073,478	(CO, PA join)
FY03	\$1,865,381,718	Estimated (SC, USVI join)

game – that can reach those sales levels and it may be that only a big jackpot game can bring in those kinds of dollars. We don't want to admit defeat yet. You have to believe that the game is out there and we just haven't found it yet.

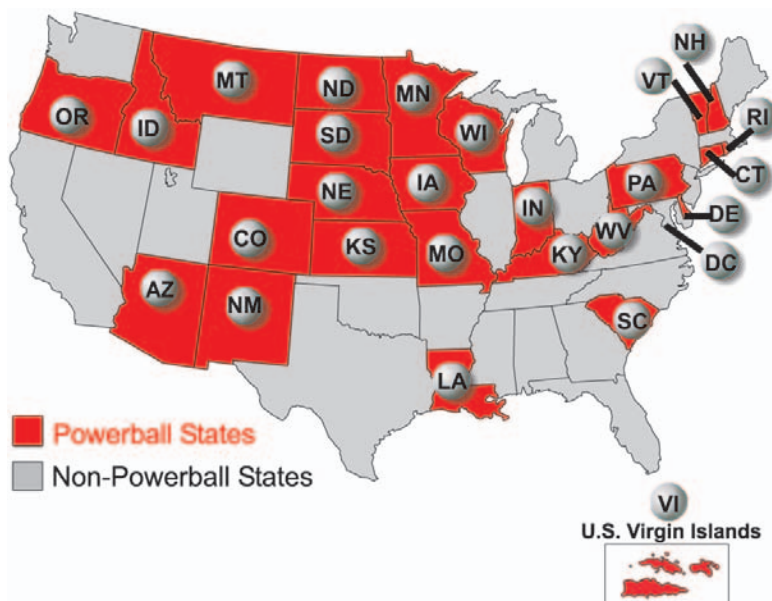
One of the great things of having state lotteries work together like this is that they can take a little risk once in a while and try a game that looks interesting. A single lottery can be forced to act only after lots of research and then must opt for the safest route. We are proud of every game that looked good on paper and tested well in research, but just didn't have the staying power for long-term success. We learn things from those games.

PGI: *The Powerball Game Show is going to be nationally distributed?*

CS: We are working on it and hope to be able to make some announcements soon. We want everyone to be able to participate in the Powerball brand. Even if they cannot buy a ticket, we hope to allow everyone to try for a Powerball-branded prize. We will have more to say about this next year.

PGI: *You seem to be focusing a lot of attention on branding.*

CS: We have always done that, but we are



going to push even harder. The lotteries have also approved of working to earn extra revenues from our brands. We are now in negotiations to license two of our brands in ways that we hope will bring in dollars to reduce the costs for the lotteries and that will also further expand the brands and help keep them a part of the American experience.

PGI: *MUSL has ventured into online and instant gaming. What game style do you see being next for the organization (Keno, Internet, VLT, etc.)?*

CS: Some of our members have asked for multi-state Keno options and we are starting on those. Some of the MUSL lotteries have been working on multi-state progressive video lottery games; others on multi-state jackpot bingo; and we have a couple of truly crazy ideas that could change the way we all look at lotteries. The Development Committee will kick the new ideas around and will fine-tune them to perfection if it can be done.

PGI: *Do you see any reason to offer even more games in the future?*

CS: Absolutely. Lotteries are facing increased competition for that discretionary dollar with much of it gaming related. Lotteries are being called upon to shore up state budgets by bringing in more dollars and one way to do that is to find new markets. We are working on games, like bingo, that can bring a whole new group of players over to the lottery side. In developing a niche game, we need to look at exactly what it is about certain gaming-related activities that people enjoy and then see if we can find a way to use what we have or to develop new technology to bring that experience to them with a lottery game.

PGI: *What do you see for the future of lotteries in general?*

CS: The lottery industry tends to lag a little behind the rest of society—probably due to its government roots—so it is easier to predict the future for lotteries. People don't want cookie-cutter products that are the same for everyone. People expect to be able to custom build their computers and their automobiles. Trends tend to continue and expand to all aspects of life. People will expect to be able to design the features they want in their lottery games. In fact, the Power Play option is already offering players the chance to customize the Powerball game. A player can start by playing the core game, but can then decide to multiply their low-tier winners instead of chasing after the jackpot with that extra dollar. These players are effectively designing their own Powerball game, though on a very basic level. That "build-your-own-game" attitude will only increase as we see the next generations become lottery players. Further down the road, with the use of the Internet, we will even see players



Powerball Instant Millionaire Host Todd Newton

designing games for themselves and then, working through the lottery, offering them to the public for a piece of the action.

PGI: *I know that MUSL has considered allowing Mexico to join. Have other countries expressed any interest in joining the organization, and would MUSL consider allowing other countries to join? And, what new factors would have to be considered should Powerball cross international boundaries?*

CS: We don't talk about the interest that other states or nations might have expressed. That is for those lotteries to announce. A few of the Powerball lotteries will need to clarify that they have the authority to partner with other nations. International games bring up a number of new issues. The MUSL lotteries that have been working on the international project have solved the problems of different currencies and different attitudes and expectations toward big jackpots.

PGI: *What changes do you see taking place for MUSL?*

CS: The financial situations for nearly all state governments have forced us to find ways to provide more service to our member lotteries. MUSL is expanding the number and scope of its services to its members at no charge; thereby allowing them to cut the costs of getting these services somewhere else. For one small example, MUSL operates web sites for a dozen lotteries at no cost to the lottery. That allows the lottery to stop paying for an Internet provider or hosting service. We are bringing new services and new technology to our members that they are not currently able to implement for themselves due to state budget cuts. MUSL has long made more

Powerball Grand Prize Winners By Lottery (thru 7/22/03)

AZ	CO	CT	DC	DE	GA	ID	IN	IA	KS	KY	LA	MN
6	0	3	10	5	2	3	28	3	8	14	8	15
MO	MT	NE	NH	NM	OR	PA	RI	SC	SD	USVI	WI	WV
22	3	7	6	2	2	2	5	1	1	0	10	5



The MUSL Staff

money from non-game revenue than it spends; returning the excess to the state lotteries but, in recent years that has become more difficult. We have a mandate to increase our non-game revenues so that we can continue to offer more to the states.

MUSL used to be a small staff that ran some drawings and performed basic game administration. We now have a staff with very high skills in marketing, game design and projections, computer system security, and finance. The lotteries are calling on these skills more every day and we will need to meet the demands.

PGI: *Do you have the next version of Powerball in development?*

CS: We believe that the current game can play for some time, with additional tweaks, but the MUSL Development Committee is sitting on a game design that is pretty exciting. Patents are pending on some of the features and when the time is right for a change, the group will be ready. It will be immediately recognized as the Powerball game by players, but it is also quite a different game that will take us into the future.

PGI: *You've been the MUSL director for 15 years now. What keeps the job interesting for you?*

CS: You have to keep learning to make it worth breathing, and working with a changing group of lottery CEO's is constantly exposing you to new ideas and different ways of doing things. I can't imagine how dull my life would be if I hadn't been lucky enough to spend it working with these directors who are trying to put big projects together. It is the people that make this job challenging and interesting. ■

MUSL Staff

Chuck Strutt – Executive Director

Manages the daily operations of MUSL and has primary responsibility for implementing the decisions of the MUSL Board of Directors.

Bret Toyne – Assistant Executive Director/Chief Financial Officer

Manages the Association's budget and is responsible for all fiscal operations, investments and portfolio administration. Also provides statistical analysis, projections and game modeling for the Association.

Michelle Olsen – Administrative Receptionist

Manages the office and assists all staff.

Wayne Dolezal – Director of Business and Legal Affairs

Coordinates legal and business activities of the organization.

Doug Orr – Marketing & Production Coordinator

Works with member lotteries, as well as national companies, on developing and implementing marketing programs to generate awareness and sales for MUSL products.

Ed Stefan – Chief Information Officer

Responsible for all facets of information technology and security at the MUSL office. He additionally serves as an information security consultant for the member lotteries and helps evaluate the technical infrastructure and security of third-party lottery service organizations.

Eddie Tipton – Senior Information Security Consultant

Responsible for evaluating and providing direction on the security infrastructures within current and future member operations. He additionally provides application design and support services for MUSL-sponsored projects.

Sean Lair – Systems Engineer

Responsible for designing, implementing and supporting MUSL's network infrastructure.

Gene A. Schaller – Senior Accountant

Responsible for accounting and investment functions of the Association.

Shannon Underwood – Accountant

Responsible for general accounting and payroll functions.

Sue Dooley and Noelle Krueger – Drawing Managers

Responsible for testing and maintenance of the drawing equipment. Other duties include daily contact with the production studio, satellite uplink facilities, broadcast stations, and auditors at each of the member lottery sites.

Joe Mahoney – Game Show Coordinator

Responsible for all aspects of Powerball Instant Millionaire. Duties include game production, and lottery and affiliate recruitment. Responsible for Multi-State Lottery Association press releases and serves as initial media contact for Powerball-related information.

Mary Ensign – Game Show Contestant Coordinator

Oversees all Game Show contestant relations. As the liaison between the hotel, travel agencies and ground transportation companies she is responsible for organizing all travel arrangements for the contestants. ■

Building the Net

Now more than ever, states are asking lotteries to shoulder more of the financial burden for their jurisdictions. Legislators are continuing to ask for higher net revenues, meaning lotteries need to either increase revenues or decrease costs (or, preferably, achieve both). PGI recently asked lotteries how they were planning to acquiesce to these requests.

DC

Increasing Revenue: The DC Lottery plans to increase its higher price point Instant "scratch" games, increase its total number of Instant "scratch" games, decrease \$1 games and increase \$2 and \$5 games, add more mid-tier prizes, add more licensed games, and increase promotions and agent sales incentive.

In addition, the Lottery is planning on adding a new on-line game to its existing product line, recruit more agents in unique locations (social settings and strategic locations throughout the District), increase the performance of existing agents, and attract tourists.

Decreasing Costs: In an effort to decrease costs, the Lottery is planning to use a computerized draw system, which it also believes will assist in increasing revenue.

Kansas

Increasing Revenue: The Kansas Lottery continues to develop marketing partners within the state to cross market Lottery products with. In the past the Lottery has had great success in marketing with the Midwest Ford Dealers on vehicle tickets. The Lottery intends to continue with this partnership, as well as develop others.

For example, in September, the Lottery will market "Cabela's Cash" with Cabela's, America's Foremost Outfitters. Prizes will include a \$10,000 shopping spree at the Cabela's store in Kansas City, Kansas. By cross marketing with businesses located in Kansas, the Lottery feels that the players will have a sense of ownership and feel better about supporting that particular game.

The Lottery also continues to increase the number of instant scratch games marketed, while decreasing the print runs. This keeps the games fresher in the market place, and has continued to generate increases in sales.

The Lottery will also be promoting the smaller on-line games including Pick 3, 2by2 (marketed with Nebraska) and Super Kansas Cash. These games do not have the following that Powerball does, but the Lottery has found that they are very susceptible to promotions, and that the residual effect of the promotions last up to two months, if done properly.

The Lottery is also planning to conduct a "player awareness" campaign on the Pick 3, 50-cent play. This is intended to draw a new player into the game that did not realize that the spare change in his/her pocket could produce up to \$250 in winnings.

Decreasing Costs: The Kansas Lottery has reduced staff by over 15 percent since fall of 2000.

The Lottery does not feel that any additional reduction in staff would be cost effective. Kansas will continue to benefit from its 100% wireless communications system, which it estimates will save approximately \$1.5 million in FY04.

The Lottery continues to plan the printing of instant tickets up

to 9 months ahead to enable it to print games "four across" or four games at once, which saves in printing. This also enables the Lottery to decrease the cost of shipping tickets by accepting the shipment of more games at a time, and enables it to ship tickets to the satellite office less often, while delivering more games with each delivery.

Over the last few years the Lottery has worked on the consolidation of services and will continue to realize the benefit of these actions throughout the next fiscal year.

Montana

Increasing Revenue: The Montana Lottery expects to see a slight increase in Scratch revenue in FY 04 generated from the addition of new Lotto retailers. This process began in the second quarter of FY03 and will be completed in the first quarter of FY04. The Lottery is also examining some new possibilities for online games to introduce in late FY04.

Decreasing Costs: As always, the Lottery will monitor its expenditures, and incur costs only when it makes sense and will positively affect the bottom line.

Ohio

Increasing Revenue: The Ohio Lottery is taking a hard look at its Super Lotto Plus game and may possibly replace it with another lotto game during the fiscal year. The Lottery will also continue offering added value to players through the use of individual, regional and statewide game promotions in an effort to increase sales. The Lottery has developed special programs for chains and for underperforming retailers as well to help increase sales at these locations and boost overall sales.

Decreasing Costs: The Ohio Lottery has negotiated a number of new contracts that went into effect July 1, 2003, which should help control costs in FY04. Among these new contracts is one with Interlott of Cincinnati, the Ohio Lottery's provider of ITVMs. The contract will base payment on meeting certain sales levels, instead of a straight lease agreement as done in past years. The Ohio Lottery will continue to look closely at other ways to manage operating costs in FY03.

Oregon

Increasing Revenue: The Oregon Lottery will introduce 43 new Scratch-it games in FY04, which is one game more than it introduced in FY03. The increase is from the introduction of a new Scratch-it game that is played in conjunction with a pre-programmed CD. The introduction of this new type of Scratch-it product will be supported with a significant amount of advertising and retailer support. The Lottery will expand its messaging, focusing on Scratch-its as gifts through TV, radio, and POS materials. Oregon

will also introduce a \$10 holiday game with a goal of gaining market support for higher priced point Scratch-it tickets.

There will be also be 12 new breakopen games introduced in FY04 including one more game that features a top prize that is distributed throughout the game similar to Mr. Bill, launched in May 2003.

The Oregon Lottery will continue to focus on jackpot and winner advertising for Powerball and Megabucks - the Lottery's two key games. The Lottery will retain the current jackpot boards, with print and Internet advertising at jackpot alert levels, and will balance the need for media support of the jackpots against the increasing visibility of jackpots through signage being installed at retailers.

Building on the success of the Keno Multiplier feature, the Lottery plans to introduce 4-minute Keno in the spring of 2004. Other lottery jurisdictions that have shifted from 5-minute to 4-minute Keno have seen varying levels of sales increases. Oregon anticipates a 5 percent increase in sales from this game change, which will benefit Oregon and retailers through increased profits.

A new traditional game, is being introduced in September - Monday Night Scoreboard. The game will be based on the outcome of professional football games. The winners of Scoreboard will be determined by whether the numbers on the tickets match the last digit of the quarter scores of the football games played on Monday nights. This game was patterned after popular sports pools, is easy to play and easy for the retailer to sell. The game is sold by quick pick only.

Finally, there are many activities planned for Video Lottery over

FY04. The Lottery will determine whether or not to purchase 2801 WMS 3601 terminals. If purchased, they will be installed throughout FY04. Based on a successful field test of the new Spielo terminal, the Lottery may procure and install 2,000 Spielo terminals. Other VLT changes include new software and marquee glass being installed on the VLC 8828 terminal, new software being installed on the IGT terminals, and efforts being focused toward continual game development on all VLTs with the exception of the WMS 300. The Lottery will post selling messages for Video Lottery games within age-controlled areas of those retailers who sell Video Lottery and create sales tools to address retailers as new games and terminals are introduced. Phase II of the player research study will provide more information about video lottery players.

Decreasing Costs: The Oregon Lottery budget has been reduced by eliminating or cutting back on staff and out-of-state and in-state travel. Employee wages (exempt and non-exempt) have been frozen in keeping with what is occurring in other state agencies. The Lottery has also reduced office expenses, telecommunications costs and outside consulting contracts. The Employee Degree Program has been eliminated, but staff training in lottery-related areas remains intact. A community relations program has been eliminated and replaced with one that has more stringent eligibility requirements.

Texas

Increasing Revenue: The Texas Lottery Commission expects its

Lottery Bottom Lines: Increasing Revenues and Decreasing Costs

A little less than one year ago at NASPL 2002, Intralot Inc. (dba Intralot USA), debuted its products and services which were being offered to lotteries in the North American market. Established as a full-service U.S. lottery company, Intralot put together a management team comprised of key personnel who have served the industry as entrepreneurs, consultants, former lottery directors, and owners and co-owners of their own companies.

For more than 12 years, Intralot has identified itself as a highly competent and skilful supplier that offers lotteries specific advantages based on the company's strategic objectives and qualifications.

As a provider of integrated lottery and gaming systems and services, Intralot provides lotteries with a cost-effective solution to their ever increasing need to increase performance and productivity. Without the need to outsource specific services to third parties, Intralot is able to effectively control its operating costs in a manner that allows them to offer lotteries extremely attractive and competitive prices. In conducting its operations in this manner, Intralot maintains a cost center for each of its projects, and is thereby assured that its prices will always be competitive and in-line with its profitability objectives.

While trying to decrease costs, the main industry issue is what to do to increase revenues. There seems to be an increasing demand among players to have games which offer excitement, interactivity, skill and high prizes.

As a new player in the North American market, Intralot brings a cadre of fresh, new ideas to the lottery and gaming platform, offering next generation technology and gaming alternatives to those lotteries which are pressured to maintain increasing revenue streams for the next several years. Drawing from the library of games, and their highly-successful years of operation in the international marketplace, Intralot offers new-wave gaming alternatives such as fixed-odds betting games, internet wagering, VLTs and multiple numbers and lotto types of games, all of which have been immensely successful games implemented by Intralot's international customers.

In searching for a supplier who is experienced in all facets of lottery games and gaming, lotteries can look to Intralot as the company to provide them with any and all types of games and services, a highly-creditable reputation and financial standing, and a single source of knowledge, expertise and solutions.

The company's product offerings are highly-diversified and are made up of the latest generation of technological features and innovations. Intralot has successfully met the challenges and opportunities, as well as the complexity of cultural differences, which exist in the international marketplace.

Intralot has the solution for those lotteries which are anxious to meet the challenges and competition they will face over the next several years, and who would like to feel confident and secure in their overall strategy and game planning objectives. Because of the extensive resources available to Intralot, we are positioned to grow the revenues of a Lottery in the short and long term by providing superior systems and services at lower costs while standing behind our commitments and promises. ■

third consecutive year of increased revenue in FY '04. A minimum growth of 4 percent is projected for Instant games because of the continued strength of that category and the introduction of new games in "suites" that offer three to four different price points on one introduction date.

Compared to FY03, the Lottery expects higher jackpots and a possible 15 percent increase in revenue for its flagship game, Lotto Texas, due to the recent matrix change from 6/54 to 5/44 + 1/44. Promotional efforts and a new winner's awareness advertising campaign are expected to drive ticket sales and increase revenue for the on-line games overall.

The Texas Lottery Commission is also exploring the possibility of entering into a multi-jurisdiction lottery game, which could generate more than \$100 million in additional revenue in the next biennium.

Decreasing Costs: In FY '04 the Texas Lottery Commission will pursue the widespread use of document imaging to facilitate more efficient work flow and archiving, and to reduce administrative operating costs. The Lottery will also implement an e-strategy initiative designed to cut costs by allowing users to complete business transactions online.

Virginia

Increasing Revenue: The Virginia Lottery enjoyed a very successful FY03 without the benefit of a Mega Millions jackpot of \$200 million or more. The growth came from careful management of the scratch product as well as strategic promotion of the online games. The Lottery intends to continue to grow the scratch category in FY04 and is currently researching new online game ideas. These sales increases combined with projected cost savings mean that the Virginia Lottery intends to grow revenues once again in FY04.

Decreasing Costs: The Virginia Lottery finished FY03 (June 30) with a record low for administrative spending as a percent of total sales – just 6.1 percent. Some of the measures the Lottery took to help break that record in FY03 included: consolidating contracts for field service on all lottery equipment in retailer locations with one service provider, to benefit from economies of scale; utilizing new online terminals to validate scratch ticket prizes, thereby eliminating one piece of equipment in more than 75 percent of retailers (this same measure also increased the speed of scratch ticket validation and prize payment); reduced sponsorship and presence at special events, including NASCAR; discontinued live radio broadcasts of Lottery drawings; and partnered with the Maryland Lottery for shared advertising of Mega Millions jackpots in the Washington, D.C. market.

For FY 04, Virginia Lottery's plans includes eliminating local player information lines with winning number information, consolidating this information onto one phone line. This line is still available – players must pay any long-distance charges if they are outside the local calling area. Winning numbers are available on the Lottery's website – www.valottery.com – as well as in newspapers and on radio and TV statewide. The Lottery will further reduce costs through business analysis and technology investments, while reducing the cost of scratch tickets with renewed vendor contracts. Finally, the Lottery is coordinating the launch of the "Price Is Right" scratch game with the Maryland Lottery, which will reduce costs of advertising in the D.C. area. ■

Lotteries Experience Record Year

FY03 saw record sales and net gain for many lotteries. Some of the success stories are reported below.

The **Georgia** Lottery sold a record \$2.604 billion in FY03, gaining more than 6 percent over FY02. The increase in sales also meant an increase to the state, from FY02's \$726 million up to \$750 million in FY03. The increase in money to the HOPE scholarship fund has more than made up for this year's increase in state college tuition. The Georgia lottery has set sales records in nine out of the ten years it has existed.

The **Oregon** Lottery sold a record \$853.5 million (an increase of \$36.5 million) and sent a record \$387.1 million to public education, economic development, state parks and salmon enhancement in FY03. Included in the transfer was \$45.2 million in administrative savings and contingency reserve funds. The rise in profit can be attributed to a second straight year of record net sales for video poker and traditional lottery games. Powerball and Sports Action posted their highest sales ever, Keno had its second best year, and Instants and Megabucks saw their highest sales in years.

The **Hoosier** Lottery experienced a record year for Instant sales in FY03. Instant sales jumped approximately 9.5 percent, rising from \$352.5 million to \$386.1 million. Total revenues also rose nearly \$40 million in FY03, reaching \$665.58 million, then second-highest sales total in Hoosier Lottery history.

The **Virginia** Lottery shattered several records in fiscal year 2003, which ended June 30. Virginia's total sales were up 2.5 percent (\$27.7 million) over FY02, finishing at almost \$1.14 billion. This record-breaking figure for FY03 gave Virginia its third consecutive year of more than one billion dollars in total sales. Operating expenses as a percentage of sales was at the lowest rate ever: 6.1 percent. By statute, the Lottery is allowed to spend up to 10 percent of its gross revenues on operations.

On Monday, July 14, 2003, the **South Carolina** Lottery transferred \$18.5 million to the State Treasury for deposit into the Education Lottery Account. SCEL has transferred more than \$220 million to the ELA from operations of FY03 – \$43 million over the Board of Economic Advisory estimate for the year. The BEA has estimated the Lottery will transfer \$173 million in FY04.

The **Arizona** Lottery sold a record \$322.3 million in FY03, beating FY02 by \$27.5 million. It's estimated that the state will receive at least \$94.5 million. Much of the FY03 success can be attributed to the record Powerball jackpot at Christmas, and an all-time high in instant sales – \$159.2 million.

In May, the **New Mexico** Lottery's annual contribution to the Lottery Success Scholarship program exceeded \$30 million for the first time (last year saw a record profit of \$29.6 million). The Lottery is also projecting a sixth straight record year for overall sales.

The **Missouri** Lottery has two billion reasons to celebrate after its monthly transfer of \$13.8 million on Friday, June 20. The June transfer, based on sales in May, pushed total Lottery proceeds to the state, including education, to \$2,009,280,676. In addition to surpassing the \$2 billion mark, this transfer also ends the Lottery's FY03 with record annual proceeds of \$193,940,550. This is a 21 percent increase over the FY02 total of \$160 million, the previous annual record. ■

All About Online

The last year saw several changes to the online game offerings of many lotteries. The following details new games, changes to existing games and niche games for several lotteries.

DC

New Games: DC Keno recently launched in the jurisdiction. Every four minutes, 20 numbers from 1 to 80 are randomly selected. The prize payout is 63 percent. The revenue projections for DC Keno's first five months is \$4,354,275, and sales have exceeded expectations.

Niche Games: DC's niche game is Hot Five. Players are equally likely to be male or female between the ages of 25 to 45. The player base is made up of all racial segments and tends to mirror the jurisdictions demography very closely.

Louisiana

Changes to Existing Games: On May 12, The Louisiana Lottery expanded drawings for its niche online numbers game, Cash Quest, from twice weekly to five-days-a-week, Tuesday through Saturday. One month after the change average weekly sales for the game increased 64 percent over prior average weekly sales for FY03.

In addition to making the drawing changes, the Lottery, after seeing market research indicating the game would be more popular if people better understood how to play it, launched a statewide mass media campaign for the game featuring Phyllis Diller and Jimmie "J.J." Walker.

The Lottery also launched a massive marketing effort, utilizing outdoor, print, radio, transit and television advertising as well as POS materials and promotional premiums.

Cash Quest is played by choosing one set of four numbers, 1 through 50. The Lottery's computer then chooses six more sets of four numbers for the player. All of the sets correspond to one of three prize tiers: \$50,000, \$3,000 and \$500. Should the winning set of four numbers match any of the player's sets, he or she wins that prize. Cash prizes are also given for matching two or three numbers in any set, and players can win more than once on a \$1 ticket, excluding the \$50,000 cash prize.

Massachusetts

Changes to Existing Games: On March 1, 2003, the Massachusetts Lottery shortened the period between Keno games from five to four minutes.

Keno is the Lottery's second most popular game, and FY02's sales (\$640 million) accounted for 15 percent of Lottery revenues. Shaving a minute off the wait period between games should add an additional 13,000 Keno draws per year, translating into \$28 million in additional revenue to the state.

The Lottery saw a 12 percent boost in Keno sales during the first month after the change, boosting the weekly average from \$12.9 million up to \$14.5 million.

Michigan

New Games: On January 19, 2003, the Michigan Lottery replaced Michigan Millions with a new game called WINFALL. WINFALL is a lot like the old player favorite - Michigan Lotto. Like Michigan Lotto,

to play WINFALL, players select six numbers from a field of 49. Also like Lotto, the match five prize in WINFALL is \$2,500 and the match four prize is \$100, and both of these prizes are guaranteed amounts.

But, WINFALL offers even more. There is a \$5 cash prize for matching just three numbers, and when the jackpot reaches \$5 million it stops growing - and that is when the game gets really exciting!

WINFALL jackpots start at \$2 million, and when the announced jackpot reaches \$5 million and no one matches all six winning numbers for that drawing, players will see a WINFALL. All of the prize money, including the cash accumulated in the jackpot, is paid out to the match five, match four and match three winners in that drawing and each of those lower-level prizes increases by approximately 10 times! Instead of one winner taking home millions, WINFALL creates thousands of big-money winners all over the state.

The next drawing will then start with a new \$2 million jackpot.

The Lottery is also planning to introduce Quick Draw Keno in nearly 3,000 bars, taverns and other adult establishments in October. The 5-minute game will be played from 6am to 1:45am, with the winning numbers being broadcast via closed circuit television to all establishments offering the game. The new Keno game, along with break-open tickets, which are being launched in taverns in August, is expected to generate \$50 million per year for the state.

Missouri

New Games: In May of 2002, Missouri launched its new Club Keno game ahead of schedule. The five minute game is played between 5:00am and 12:50am every day. The game generated more than \$508,000 in sales in its first week, and \$1.25 million in its first two weeks.

Once the game gained momentum it operated at approximately \$750,000 per week, but by Spring 2003 had rolled up to more than \$875,000 in state revenue per week.

Montana

The Montana Lottery is examining some possibilities for a new online game for introduction late in FY '04. At this point the specifics have not been hammered out.

Nebraska

New Games: In June of 2002, the Nebraska Lottery and the Kansas Lottery introduced 2by2 as the replacement game for Rolldown. The game is operated by the Multi-State Lottery Association.

With the best overall odds of any Nebraska Lottery Lotto game, 2by2 offers eight ways to win and a top prize of \$20,000. Overall odds of winning a prize are 1:3.59. Players pick two red numbers between 1 and 26, and two white numbers between 1 and 26, and can win prizes of \$20,000, \$100, \$3 or a free quick pick play for matching 4, 3, 2, or 1 number, respectively. Drawings are held Monday, Wednesday and Saturday nights.

Players seem to have responded well to the game. By June 30, 2003, Nebraska 2by2 winners included: 26 jackpot winners, 3,320 winners of \$100, 96,272 winners of \$3, and 890,329 free quick

pick play winners.

In addition to its initial marketing push, Nebraska 2by2 was supported with statewide radio and television, relationship marketing efforts and two chain account sales promotions. During its first year, Nebraska 2by2 maintained at least a 50 percent sales increase over Rolldown. Total 2by2 sales for the fiscal year, which ended June 30, were just under \$2.5 million.

Although tracking studies show that 2by2 is not as widely recognized as Powerball or Nebraska Pick 5, the game is proving itself among loyal players.

Ohio

The Ohio Lottery has not made any recent changes to its online games, but the Lottery is looking to make changes to Super Lotto Plus sometime with the next year.

Oregon

New Games: The Oregon Lottery is planning to launch a new game, Monday Night Scoreboard, on September 3, 2003. Monday Night Scoreboard, scheduled to run during the regular football season, is a game where players win by matching the numbers on the ticket to the last digit of the scores in each quarter of Monday night pro football games. Overall odds are 1 in 6.64 with a 70 percent prize payout. The Lottery anticipates \$1 million in sales for the first season.

Players receive 16 sets of numbers (4 sets per quarter) for \$2. All tickets are quick picks. Players win \$5 for matching one quarter, \$50 for any 2 quarters, \$500 for any 3 quarters and \$50,000 for all 4 quarters, on a \$2 wager.

Changes to Existing Games: Changes to Oregon online games include the implementation of the Powerball changes with other MUSL states. These changes included improvements to the multiplier feature (eliminating the 1X multiplier) and the addition of the new Match 5 Bonus.

With the positive changes to the Powerball Power Play feature, the Lottery focused its energy on promoting the feature because it believed that it could increase participation. Prior to the changes to Powerball, Power Play represented only 8 percent of Powerball sales in Oregon. In measuring sales with the two large jackpot levels, after launch, Powerball Power Play sales have increased to over 20 percent of Powerball sales. The Lottery had hoped to increase from 8 percent to 15 percent in Power Play sales. In FY03, the Oregon Lottery reached new record sales with Powerball.

Other changes to online games include a multiplier feature being added to the Lottery's 5-minute Keno game. Players can add the Keno Multiplier feature for an extra \$1 for every \$1 played. By adding Keno Multiplier, players can win up to 10 times their Keno prize (maximum \$1 million).

During its first few months of launch, Keno Multiplier has outperformed expectations. Since its April 7, 2003 launch, overall Keno sales have increased 15.4 percent over last year. This is substantially higher than the 5 percent sales increase expected. Keno Multiplier currently accounts for over 17 percent of Keno sales. Keno finished its third highest sales year in its 12-year history and produced the highest annual sales in six years. Keno sales in FY03 were \$4.9 million (4.49 percent) higher than FY02.



The Lottery is planning to change 5-minute Keno to 4-minute Keno in February 2004. In addition to 4-minute Keno, the Lottery will be expanding the selling time for all on-line games to begin at 5 AM (currently 6 AM). It is anticipated that these change will help increase annual Keno sales by 5 percent (approximately \$5 million).

Niche Games: The Oregon Lottery has two niche games - Sports Action and Win for Life. Sports Action players are mostly higher income, younger male, sports enthusiasts. This player typically purchases tickets on Sunday morning from convenience stores. Win for Life players are typically younger (21 - 34) and evenly split male/female. They play this game because of the top prize (win for life).

South Carolina

Changes to Existing Games: In July, 2003, the SCEL added a mid-day drawing for its Pick 3 and Pick 4 games. Drawings for the games now take place at 1:00 and 6:59 p.m. every day except Sunday.

In May the Lottery added a second weekly drawing for its Carolina 5 game. Drawings for the game now occur every Tuesday and Friday night at 11 p.m.

New Games: In January, 2003, the South Carolina Education Lottery launched its newest on-line game, Pick 4, giving players a chance to win up to \$5,000 dollars nightly.

Like Pick 3, with Pick 4 the player can bet 50 cents or \$1 per play. The player may also select his or her numbers days before the draw and play the numbers up to seven times. Or, players may mark "quick pick" for a random selection of numbers.

There are four different ways a player can play four-digit numbers: straight - match winning numbers in exact order drawn; box - match winning numbers drawn in any order (the number of boxes - 4, 6, 12 or 24 - is determined by the number of different digits in the selection); straight/box - combines a 50 cents straight play and a 50 cents box play for a four-digit number on a single play (the straight/box may only be played for \$1); and combo play - equal to 4, 6, 12 or 24 straight plays for 50 cents each or \$1 each (players win \$2,500 or \$5,000 if they match the winning number drawn in any order). The 24 combo play could cost up to \$24 dollars. If no play type is specified, it will default to a straight play.

Texas

New Games: Legislation was passed that will allow the Texas Lottery Commission to participate in a multi-jurisdiction lottery game. Texas Lottery Commission staff may make a recommendation to the Commission in August regarding entering into a multi-jurisdiction lottery game and, if so, which one. Among the games the Texas Lottery Commission is considering joining are Mega Millions and Powerball.

Changes to Existing Games: In May of 2003, the Lottery changed the Lotto Texas matrix from 6/54 to 5/44 + 1/44. In the first full fiscal year (FY '04), additional revenue to the state is estimated at more than \$50 million. The matrix has not been in place long enough to evaluate the overall performance.

In July 2002, the Lottery changed its Cash Five matrix from 5/39 to 5/37, introduced a match 2-of-5 prize tier and increased the number of drawings to six nights a week, Monday - Saturday. Projections were for an increase in incremental sales of 10 percent. Sales have more than matched up with expectations. When com-

paring the first 45 weeks of the current fiscal year to the same time period last fiscal year, Cash Five sales are up over 19 percent.

In April 2002, the Lottery added a daily (Monday - Saturday) Day drawing to its Pick 3 game, in addition to the Night drawing. Projections were for an increase in incremental sales of 6 percent. Sales have more than matched up with expectations. When comparing the first 45 weeks of the current fiscal year to the same time period last fiscal year, Pick 3 sales are up over 11 percent.

The Lottery is still determining what it will call the Instant Win feature when it is introduced in Texas. Some states refer to this as EXTRA and it has also been referred to as Double Take. This feature is an add-on (spiel) game that combines any on-line numbers game with an Instant Win feature. Incremental sales projections for the Instant Win feature on each proposed game are: Lotto Texas - \$40 million; Cash Five - \$10 million; Pick 3 - \$17 million; Texas Two Step - \$5 million; Sunday Drawings on Pick 3 - \$24 million; Sunday Drawings on Cash Five - \$6 million.

Niche Games: The Texas Lottery offers a niche game - Texas Two Step. It is typically played by males 55 years or older who are high school graduates. Players typically fall into two household income brackets - less than \$25,000 and \$35,000 to \$49,000.

Virginia

The Virginia Lottery hasn't made any online game changes since launching Mega Millions in 2002, but the Lottery is currently researching numerous new online game concepts. Some of these concepts include changes to existing games.

Washington

New Games: The Washington Lottery launched Mega Millions on September 4, 2002. It's a multi-state game with a 5/52, 1/52 matrix.

The Lottery, based on the per capita sales of other Mega Millions jurisdictions, forecast that sales would be roughly \$117,000,000 per year. Unfortunately the jackpots did not perform the way that they were forecast to perform - sales did not follow. The Lottery lowered sales projections in January 2003 to \$100,000,000. Sales still did not follow so projections were reduced to \$48,000,000. For a nine month period the Lottery generated \$ 45,875,414 in sales. The Lottery has conservatively projected \$79 Million for the full fiscal year 2004, and is hoping that the statistics begin to work in the favor of high jackpots (like when jackpots this summer topped \$200 million).

Changes to Existing Games: The Lottery plans to launch a change to its core game, Lotto. In April 2002 the Lottery changed the game to "Lotto Plus" - a 5/43, 1/23 matrix that offered nine prize levels, lower odds for the top prize, and higher odds for the lower tier prizes. The Lottery also introduced a bonus ball - the gold ball, which consumers, also reacted negatively towards. Consumers did not respond well, and sales dropped precipitously. The Lottery received countless phone calls, letters, faxes, and emails asking for the old game back.

In October, Lotto will be back with a 6/49 matrix - the old game that consumers knew and loved. This will include eliminating the bonus ball (Gold Ball) from the game. Players and retailers have all indicated their excitement about the game. The Lottery looks for-

IGT - Expecting More from Online

For the last few years, IGT OnLine Entertainment Systems has been professing that we should expect more from online games. PGI recently had an opportunity to sit down with the company's Head Game Designer, Dr. Arthur Robb to talk about the company's new design group, and what they are envisioning for online games.

PGI: *Tell us about your game design group.*

Arthur Robb (AR): When we started forming our new game design group one of the overriding concerns was analytics. We think that one of the reasons there haven't been a lot of breakthroughs is that you need better tools to make more interesting games. So, in focusing on the analytics, we hired a crew of PhD's. All of our game designers have PhDs, either in mathematics or statistics.

What's interesting about this is that PhD's have nerd-like reputations. As a matter of fact the opposite is true. We've found some very interesting people who are both gifted analytically and very creative, puzzle oriented and game oriented.

For example, one of our game designers is a tournament Scrabble player. Another is a statistician - but that's kind of a second career. She started out in life as a dancer. We also have musicians. So, we really have the best of both worlds with the analytics and with creativity.

PGI: *Tell us about the relationship and synergy between your game design group and your parent company IGT.*

AR: We're very fortunate in that IGT is the recognized leader in casino gaming and casino gaming content. What's wonderful is that we've had a chance to interact with the IGT game designers in Reno, and we've had a chance to talk with them and learn from them.

They're experts not only in casino gaming machines, but they know people, they know games, they know what creates excitement, what is fun, what makes people tick and what makes games tick. That's really a great position for us to be in. Since IGT-OES was acquired by IGT we've been trying to take advantage of this opportunity and it's really helped out our games quite a bit.

PGI: *How do you view the market for on-line lottery game content?*

AR: What we've seen so far is that some lotteries don't know what to make of the idea of licensing online content because it is a new business model. But if we look back historically on the gaming industry, into the casino world, casinos were originally unsure as to the value of licensed content. Then it turned out to be a win-win on both sides. The players loved it and the casinos loved it.

In the Lottery industry, the same has been true on the instant side. On the instant side it's a win for both the players and the lotteries. Everybody loves it. We believe that with the right games the same phenomenon is possible in the online world.



ONLINE ENTERTAINMENT SYSTEMS, INC.

ward to healthy sales while at the same time stabilizing and bolstering the game's profitability.

For Fiscal 2003, the Lottery projects the game will generate \$57 Million. This projection reflects a 50% drop in overall sales. This very conservative projection is based on the discontinuation of pre-set \$1 Million jackpot rolls. With the old game, if there were no winners in a Lotto game that offered a \$2 Million jackpot, the jackpot would roll to \$3 Million regardless of sales. The game change that will launch in October will start at \$1 Million – and the jackpot will grow based on sales. The Lottery anticipates that sales will drop as the typical high jackpot players migrate to Mega Millions.

The Lottery will achieve stable profitability, clear differentiation from Mega Millions, and the return of a game that was sorely missed by its core players.

Niche Games: The Lottery offers a couple of niche games – Lucky for Life and Quinto.

Lucky for Life offers the chance to win up to \$1,000 a week for life – along with 20 other chances to win on every ticket. Cost to play is \$2.00. In Fiscal Year 2001, the Lottery relaunched Lucky for Life with the intention of building sales and reaching out to the “younger” consumer – the elusive 21-35 crowd. The game responded very well to advertising – but unfortunately when the advertising stopped, so did the sales increase. The Lottery deduced that the players liked the advertising – and were eager to try the product – but once they played they didn't return. Sales continue to decline

without additional marketing support. Lucky for Life is an obvious choice for a future game change that has better long-term profitability and player appeal.

Quinto is a match and win game played with symbols from a deck of cards. It is a 5/52 matrix – with a cashpot that starts at \$300,000 and grows by \$100,000 per draw until won. The original appeal of the game was the “all the cash all at once” premise which differentiated it (years ago) from Lotto's annuity premise. Once the cash option became a reality, Quinto lost its reason for being. The game still has core players – and with no support its sales remain fairly stable. Once the Lotto change occurs in October, the Lottery is concerned that the differentiation between Lotto and Quinto will be even less after launching the new Lotto.

The Lottery intends to watch Quinto closely and will consider a major game change sometime in fiscal year 2004 or 2005.

Washington has no immediate plans for a new niche game, but is watching “Winfall” in Michigan with interest. It may end up being a suitable replacement game for either Quinto or Lucky for Life.

Wisconsin

New Games: The Wisconsin Lottery launched a new game in February called Badger 5. The \$1 game, which operates on a 5:31 matrix, starts with a \$10,000 jackpot which grows a minimum of \$1,000 a day until it is won. The game features the best odds of any jackpot game the Lottery has ever offered – one in 170,000.

Badger 5 replaces the Lottery's City Picks game. ■

PGI: How can you take advantage of the licensing online games?

AR: There's third party licensed content – that's the branded properties you see in instants (Harley Davidson, or I Love Lucy) – but there are also proprietary play characteristics. That's a big move on the part of the Instant manufacturers. Even without the branded content there's still branded play motifs. The same is true in the gaming business. For example, part of the advantage that IGT has in its branded properties, but it's more than that. It's really how the games are constructed, the play mechanisms, and so on, and we believe we can follow this path and make new interesting play mechanisms.

PGI: More lotteries are beginning to look to Keno as an answer to requests for higher revenues. Tell us a little about your Keno Multiplier option, and how that can generate additional dollars for lotteries that offer the game.

AR: The Keno multiplier game is a way of enhancing one's wager. When you play Keno, you can, for an extra dollar, choose the multiplier option. Before the actual draw takes place, on the monitor, a virtual wheel is spun. It has different multiplier values on it – it could be two, it could be three, five ten, or sometimes it doesn't hit and you try again. If say, a three is drawn, that would mean for all players in the draw any Keno winnings are tripled.

It's really a great game. What it does is increase the suspense of the draw. If the multiplier hits, (and it doesn't hit all the time –), then-as a player, I have a greatly enhanced experience, my adrenaline is going – I'm in suspense. There's a feeling of a win.

It's great because Keno is a social game. They play it in restaurants, they play it in taverns. People don't play Keno alone. So, if I hit the multiplier, since it applies to everyone on the draw, all my friends hit the multiplier. When this game was designed, one of the key concepts they were trying to incorporate was this group win concept – when a multiplier number is hit everybody who played the Multiplier will have it applied to their Keno winnings.

The other aspect it's simple. A good game has to be simple, and the Keno Multiplier is simple.

Really, all the factors just came together and it has gone beyond all expectations in Maryland. Maryland is a great story for the Keno Multiplier with participation rates at 40%.

PGI: Does IGT- OES have any changes planned for Keno?

AR: Based on our success with Keno and Keno Multiplier we believe that there is a market for monitor games. By monitor game I mean a game that takes place in a social environment like a restaurant or a tavern, and people buy paper tickets and then everyone watches the results on a TV monitor. Right now Keno is by far the most successful monitor game. We don't believe that Keno should be the only monitor game. We think there's a great market opportunity. So, it's not exactly expanding Keno, but expanding that whole market niche. ■

Maximizing the Retail Relationship

Retail sales is the name of the game for Lotteries the world over. With that in mind, PGI recently surveyed North American lotteries to find out how they attempted to improve relations with retailers and maximize retail sales..

Arizona

The Arizona Lottery's business is primarily driven by chain convenience and chain grocery retailers. Lottery products currently are among the top five selling products in Arizona major convenience outlets; therefore, a high priority is placed on making sure that these outlets have an adequate supply of inventory to minimize out-of-stock conditions.

Since most of the state's convenience stores have in-counter displays, the Lottery makes sure the glass is replaced on a regular basis to insure that the tickets are visible and attractively displayed. In those outlets that do not use in-counter displays, the Lottery works closely with corporate and store level personnel to put together an on-counter display configuration that fits into the overall design of the store and offers continuity throughout the chain. The Lottery also conducts regular promotions in the higher-volume convenience stores. The promotion usually lasts for two hours and customers are given the opportunity to win Lottery prizes based on a Lottery purchase at the store.

Chain food stores represent approximately 25 percent of the Arizona Lottery's total business. ITVMs are critical to the sale of instant tickets; therefore, sales representatives do monthly tracking reports on out-of-stock conditions in each of their chain food outlets. By doing so, the Lottery has been able to sharply lower out-of-stock levels, which translates to higher sales and commissions to those stores with ITVMs. This information is included on all key account corporate calls. If a particular store does not comply, the Lottery asks the specific company to provide them with an alternative location within their chain in which to relocate the ITVM.

These outlets depend heavily on Lottery-provided sales data; therefore, the Lottery conducts quarterly business reviews which give them the ability to discuss Lottery sales and make strategic recommendations that integrate Lottery sales and marketing plans into the chain's marketing plan and growth curve. The Lottery also conducts regular short-term promotions in these outlets.

Since its inception, the Arizona Lottery has used Sales Representatives to deliver tickets. In January 2003, the Arizona Lottery made the transition to retail services that included automated tel-sel and delivery services to Lottery retailers.

This program is currently being managed by Scientific Games. The introduction of this program provided Lottery Sales

Reps with the time to implement retail programs designed to increase the awareness of Lottery products and thereby maximize sales. They have concentrated their efforts on reducing ITVM out-of-stocks, increasing the number of instant ticket dispensers, placing point-of-sale materials in highly visible areas of the store and making sure that the products being displayed at the retail level represent the proper mix of price points based on contribution to sales. In addition, they now have the time to implement programs in lower-volume stores to help them increase their sales.

Currently, the Lottery's website contains new game releases, game ending notifications, downloadable forms, remaining top prizes, winning numbers, and more, all of which are useful for retailers.

As part of its overall Web site design, the Lottery is considering a retailer-specific section that would include retailer links, retailer newsletter, special event and sponsorship promotional information, downloadable application forms, POS information, sales and billing information, and more.

Colorado

By working with retailers on both a one-on-one and chain basis, the Colorado Lottery's sales and corporate account reps negotiate marketing performance agreements on an annual basis. These agreements are used to customize a strategic plan for each account that incorporates placement of point-of-sale, the number of Scratch games carried and how they are merchandised, and the appropriate locations within each outlet from where tickets are sold. This enables the Colorado Lottery to focus on the strengths of each trade style in order to maximize sales.

The Lottery has an on-going marketing performance program which is evaluated on an annual basis. This program allows retailers to earn up to an additional one-half-percent bonus on total sales each quarter if they fulfill certain point-of-sale and merchandising requirements as specified by the Lottery.

The Colorado Lottery also uses the Internet to aid in retailer relations. The Lottery's web site can be used by retailers to access information they may need to interact with consumers on a daily basis (winning numbers, number of top prizes remaining in Scratch games, current and upcoming promotions etc.). In addition, the site can be used to survey retailers and gather input on new game concepts or research their opinions on a

variety of topics. The Lottery also has licensing application forms available on this site that prospective retailers can download.

DC

In order to maximize retail sales at various locations, the DC Lottery conducts business reviews quarterly and requires sales reps to conduct in-store promotions with all agent locations annually.

The Lottery has also implemented several agent incentive promotions, including: the Quick Ca\$h Road Trip, Monte Carlo and Harley Davidson instant promotions. Each of these promotions allows agents an opportunity to win cash, trips and prizes while increasing sales.

Iowa

The Iowa Lottery is providing additional bonuses to its retailers and emphasizing strategic point-of-sale materials to maximize sales.

In January 2002, the lottery updated its retailer compensation program. Iowa Lottery retailers that sell lotto games receive a 5.5 percent commission on ticket sales and can receive bonuses for sales increases. In addition, retailers can receive bonuses of up to \$10,000 for selling lotto tickets winning jackpots and other large prizes.

Lotto retailers also receive a bonus for all Powerball and Power Play sales when the estimated Powerball jackpot is \$100 million or more.

Retailers receive a 5 percent commission on pull-tab ticket sales and a 5.5 percent commission on the sale of instant-scratch tickets. In addition, retailers that participate in the lottery's Gold Star sales program can increase their instant-scratch commissions to 7 percent by meeting advertising requirements and selling at least 12 different games.

Retailer research over the past year also has led the lottery to place more emphasis on strategically-placed point-of-sale materials for games and promotions.

Kansas

The Kansas Lottery has the typical breakdown of business types that separates its retailers into 13 categories (grocery, convenience stores, drinking places, fraternal organizations, etc.). Each of its retailers has the availability to sell all products the Kansas Lottery offers. The Lottery does market differently to what it considers high traffic locations as opposed to "social environment" retailers.

In convenience, grocery, and general merchandise stores the Lottery markets instant games, jackpot driven games, and daily/bi-weekly games. The advertising is focused around the point of purchase area with general and game specific information. The multiple game strategy is stressed with retailers, and the Lottery recommends at least 16 games for most locations. The Lottery is also striving to convince retailers to increase the price point of the games they carry to maximize sales.

In social environment locations the Lottery directs marketing efforts towards its 4 minute KENO game. The Lottery suggests the retailer promotes all of the products the lottery offers, but success varies with this approach. The focus of recent recruitment efforts has been in the social environment businesses in an attempt to maximize sales in this area.

In all business types the Lottery will provide promotions in the

form of wheel spins, radio remotes, winner awareness "starburst" promotions, or other player education events. The Lottery suggests a promotion within the first 90 days for a new retailer. Sales representatives periodically review lottery sales with the retailer and compare their lottery sales to other similar locations statewide. This provides an opportunity to compliment or motivate the retailer and identify possible areas for improvement. Winner awareness is seen as a key factor in maximizing sales and is promoted through newsletters, the Internet and other location specific P.O.S. developed by the lottery.

The lottery acknowledges top retailers in the state with a "Director's Club," where locations in various business types are recognized.

The Kansas Lottery has found that "Ask for the Sale" promotions conducted at retail locations can help to increase sales. This year the Lottery incorporated a "mystery shopper" campaign titled "Perk a Clerk Promotion" in conjunction with an "ask for the sale" promotion to inspire retailers to sell harder.

Other retailer incentives include a promotion implemented in conjunction with the "Powerball Instant Game Show" allowing any retailer that sold a ticket drawn for each "on-air player" to receive a free pack of tickets for the game, and an instant ticket sales incentive enhancement emphasizing higher price point games. This incentive was conducted for a convenience store chain and showed promising results.

Oregon

The Oregon Lottery is constantly looking for new and innovative ways to merchandise and advertise products to maximize sales. For example, the Lottery is placing automated jackpot signs in its retail locations to create awareness for on-line jackpot driven games. The Lottery designed customized POP packages around new Scratch-its and on-line products to develop an awareness and promote sales.

In the past year, the Lottery has increased the number of Scratch-it tickets offered to 43 games. Oregon aggressively seeks out instant sales by contacting retailers weekly via store visits and phone calls. Lottery sales specialists assist retailers in managing instant product inventory by routinely checking and ordering Scratch-its.

The Lottery is in the process of upgrading ITVMs from 8 games to 16 games. This allows for a larger variety of Scratch-its in retail locations. In addition to the ITVMs, the Lottery is also upgrading retail locations to 16 game in-counter dispensers.

In the past year, the Lottery has designed and implemented an on-site training program for retailers. Through this program the Lottery is able to customize training to fit the retailers' needs in their environment, energize them about Lottery products, and show them techniques for maximizing sales.

The Oregon Lottery develops and implements two retailer incentives a year. These incentives are based around the launch of a new product or game enhancement. With each incentive, the Lottery designs a sales piece for the retailer that explains the product and offers tips on how to sell it. Through these incentives the Lottery develops retailer competitions and rewards those retailers who sell the most products with prizes.

Above all, the Lottery feels its biggest incentive to retailers is its compensation structure. Oregon currently has the highest commission rate in the United States. This structure is the

main driving force behind retailers selling harder and maximizing profits.

Future developments include the Lottery's implementation of a web site that will enable retailers to access their weekly sales figures. Another concept in development is web based training.

Ohio

The Ohio Lottery is in the process of implementing individualized "blanket agreements" with its chain store accounts. These agreements are in addition to the standards set forth in the "conditions" portion of the agent license, dealing with contractual obligations. These agreements solidify commitments on product mix, the level of price points carried, product plan-O-grams, point-of-sale commitments, promotional objectives, and provide further recognition of Lottery policies and regulations.

Last fall, the Lottery developed a performance initiative aimed at boosting sales of underperforming on-line game retailers. As a result, Lottery sales representatives are offering additional assistance in sales techniques, customer service, merchandise and special promotions to these retailers.

Also, a new contract with Interlott Technologies Inc. of Cincinnati, which provides ITVMs, went into effect July 1, 2003. The contract encourages a working partnership with Interlott, which will be paid a percentage of sales based on meeting certain sales objectives. The two organizations are working together to maximize sales through ITVM placement, a product plan-o-gram, agent training and enhanced reporting capabilities.

The Lottery increased the instant ticket sales commission from 5.5 percent to 10 percent from January 12 through March 15, 2003, to encourage instant game sales during a typically slow season. The commission increase was presented as a thank you to agents for assisting with an increased level of promotion during the course of the year. The Lottery also felt that the increased level of sales activity could be sustained in part after the completion of the promotional period.

Finally, the Ohio Lottery has a special section of its Web site devoted specifically to retailers. It includes a section with answers to common questions, contact information, and a letter from the Director that ties into the latest retailer newsletter.

Texas

The Texas Lottery's approach to maximizing sales at various types of locations begins with trying to have the optimum type of game mix. The Lottery has four different on-line games, each with unique characteristics that appeal to different players. Texas also carefully manages its instant tickets to assure that it has a variety of price points and play styles available at all times.

The Lottery provides attractive point-of-sale material for the retailers and supports many games with advertising. Retailers are encouraged to prominently display lottery products and to ask for the sale, and lottery sales staff visits retailers every other week to provide additional marketing and sales support. In addition to this, the Lottery frequently conducts sales incentive contests for retailers that enable them to win lottery promotional items or lottery tickets (the most effective of these are the incentives allowing retailers to win free tickets).

Washington

The Washington State Lottery has been seeing success with its player express units (PLEX). Over 850 units have been installed in supermarkets. These units have a weekly average of \$121 and give players an additional point of purchase right in the check out lane.

More success seems to be on its way, as the Lottery is also looking into doing some co-promotions with Pepsi which would promote products in locations it doesn't currently serve like Wal-Mart, Target, etc.

As successful as these programs may be, the biggest help in maximizing retail sales may come from the Lottery's newly established retailer advisory board. The Lottery receives input from the board, which is made up of corporate supermarket and convenience stores, as well as trade associations and independent retailers. The input is extremely valuable and helps the Lottery make better sales and marketing decision which help increase sales.

Soon, the Lottery will implement a suggested promotion, merchandizing, and security brochure which will be part of its retailer recruitment/information portfolio. It will also be launching a Retailer of the Quarter and a Retailer of the Year program this fiscal year. The award will include a plaque, a monetary award, recognition in the Lottery's retailer newsletter, and possible recognition in the daily newspaper in the retailer's area.

In addition to this, the Lottery will soon be going out to bid for a retailer extranet. The vision for this venture is that the Lottery's customers would be able to their account and sales information.

West Virginia

The West Virginia Lottery pays one of the highest base commissions to retailers in the nation - seven-percent on all products, plus a one-percent selling bonus and a one-percent cashing bonus.

In addition to a fiscal incentive, the Lottery strives to provide retailers with store-specific tools to aid in their maximization of profit in selling lottery products. These tools include customized instant ticket dispensing units that range from on-counter, in-counter or ITVMs for instants; a streamlined IGT Integra Terminal that uses minimal real estate for the online product; wall mounting of keno monitors; and, of course, POS materials that employ space efficient use of the real estate.

The Lottery also offers promotional incentives, periodically, that reward retailers for ordering or selling specific products. Also, they provide high-quality regional retailer rallies that emphasize entertainment, prizes and awards (The attendance has always exceeded the reservations).

In the past year, the Lottery's applications for retailer licenses exceeded its inventory of vendor-provided online terminals. Today, the Lottery has a waiting list for retailers who cannot receive an online terminal until another location drops out (The Lottery's inventory of online terminals is set by contractual agreement with IGT-OES). ■

New York Track Looks to Install VLTs

New York's Vernon Downs has received approval from the New York Lottery to install VLTs. The track has written a commitment letter detailing their intention to construct a 32,000-sq ft, freestanding building to house the machines. The track plans to install between 1,100 and 1,200 VLTs, which the company hopes to receive in late September or early October.

North Dakota Working on Rules

North Dakota has continued to work out the details involving their soon-to-be-launched lottery. Among the proposed rules, players would be allowed to use credit cards, debit cards or checks to buy tickets. Also, winners would be allowed to keep their name secret if they wish - only the amount of money won and the winner's home town would be considered public information.

Finally, winners who are behind on child support could see that money taken from their winnings. The Lottery is authorized to sell Powerball, Hot Lotto, and Wild Card 2.

Massachusetts Counterfeit

A website hosted in Nigeria recently counterfeited the Massachusetts Lottery website. The site, www.mass-lottery.org, was nearly identical to the real Lottery site, www.masslottery.com - going so far as to contain the state seal.

The counterfeit site used email and text messaging to inform players they'd won \$30,000, and request their personal information and a \$100 credit card payment for processing fees. While the site was hosted in Nigeria, the counterfeit domain was traced to a woman in New York - investigators are looking into allegations that she is the victim of stolen identity.

Fortunately, working in conjunction with the FBI, the Lottery was able to see that the site ceased operations.

GFOA Honors Missouri, Rhode Island and Washington

The Missouri Lottery's Accounting Program has received the Certificate of Achievement for Excellence in Financial Reporting for a third year from the Government Finance Officers Association (GFOA) of the United States and Canada. GFOA, which has offices in Chicago and Washington, D.C., is a non-profit professional association that serves more than 14,000 government finance professionals.

The Rhode Island Lottery was awarded the Certificate of Achievement for Excellence in Financial Reporting for the sixth consecutive year. The Lottery remains the first and only Rhode Island State Agency to receive this award, which is issued by the Government Finance Officers Association (GFOA).

Finally, thirteen is a lucky number in the Evergreen State as the Washington Lottery celebrates a thirteenth year of financial reporting excellence. In 1990, Washington was the first lottery to receive a Certificate of Achievement for Excellence in Financial Reporting from the GFOA. As of June 27, the Washington Lottery has been GFOA-certified for each of the past 13 fiscal years (1990 to 2002). In July, the Lottery also received its fifth-consecutive Award for Outstanding Achievement in Popular Annual Financial Reporting. The Lottery has received the Popular Annual Financial Report (PAFR) award each year since fiscal year 1998, the first year Washington submitted the popular report for consideration.

KLC Honored for Responsible Gaming

The Kentucky Lottery Corporation has been recognized with national and state awards for its efforts in promoting responsible gaming. The National Council on Problem Gambling and the Kentucky Council on Problem Gambling have separately honored the KLC with their Industry Awards for 2003 for exceptional contributions to the recognition, prevention and treatment of problem gambling.

The awards were given to the KLC at the National Council on Problem Gambling Conference held in Louisville. In particular, both the NCPG and the KYCPG noted the Kentucky Lottery's efforts in initiating and organizing the state's first ever Responsible Gaming Education Week in August of 2002. Additionally, both organizations recognized the KLC for producing and airing two series of public service announcements, one promoting responsible play and another discouraging youth gambling. The NCPG and the KYCPG also noted the Lottery's pervasive Play Responsibly messages and promotion of the 1-800-GAMBLER helpline number over the past seven years as contributions worthy of these awards.

ALC Wins HR Award

The Atlantic Lottery Corporation (ALC) claimed top honors at the recent Atlantic Canada Human Resources Awards. The awards recognize leadership, innovation and distinction in human resource management. ALC took home the award in the Strategic Partnership category, which recognizes the successful link between organizational strategy and human resources.

Pennsylvania Adds a Number

The Pennsylvania Lottery has added a toll-free number enabling players to obtain mid-day draw results for The Daily Number and BIG 4 via telephone. The toll-free number, 1-877-282-4639, comes in response to requests from players and retailers. The line will only give information pertaining to the most recent mid-day draw. ■



Guy Lines

The Sum is Greater than Its Parts *by Guy Simonis*

Somehow in his long career, your friendly columnist was never far away from tinkering with or commenting on the structure of multi-jurisdictional lotteries. It began in 1972/73 with the formation of the four-province Western Canada Lottery and continued on to last April's opening discussion for a Southern Africa cooperative lottery setup.

One only has to review many of the speeches on the topic of cooperative lotteries to see how the views have changed over three decades.

To begin with; a disclaimer. This column is about structures, not people. It is about cumbersome organizations, not success or failure of professional people. As a matter of fact there might be an axiom here, the more complex and convoluted the administrative setup, the more that ingenious lottery managers have succeeded in making it work successfully.

The 1974 Western Canada Lottery was one of the first designs for a cooperative structure. There was only one "multi-state" lottery at that time. Based in the four Western-most German "laender" (states) it ended in 1974 and was replaced by a Germany-wide lotto bloc that was far less centrally structured.

There is of course only one reason why a multi-jurisdictional lottery would ever be considered at all. A combined market is a larger market, yielding higher total sales that bring higher jackpots than each participating member can raise on its own.

As soon as the possibility of a multi-state cooperative lottery is mentioned, potential members' managements get jittery. "I will lose independence. The big guys will eat me alive!" But that is not a problem. Making a multi-jurisdictional lottery work - administratively that is - is a task that a graduating high school student could do after his homework. The calculations for the provision of prizes can be done on the back of an envelope. What IS the problem is the structure to be created to enable the cooperative lottery to function. This is where many unnecessary problems have arisen

If the sole objective is to cooperate to get a big jackpot why not enter into a simple and uncomplicated agreement to cooperate on certain functions and add no additional staff or offices. Of the existing multi-state lotteries some have instead built a superstructure that soon took on a life of its own and became somewhat of a stumbling block to the independence sought by all.

Reidar Nordy Jr. President of the World Lottery Association and the Managing Director of Norsk Tipping explains: "When we started the Viking Lotto, a creature of the Nordic lottery companies, it was agreed that my company in Norway would do the draw on TV and Denmark would calculate the prizes. In the beginning there was some talk about a permanent cooperative Viking Lotto head office at some future date but everything went just fine without it and we left well enough alone"

Twenty years before, this simplicity was not so clearly envisaged. In the early 70's the Western Canada Lottery designed a much more complex arrangement. It created a superstructure that owned the online gaming system, administered the prize distribution and advertised across the jurisdiction, but never saw a retailer in action. The marketing and service to the retailers was conducted by the member lotteries and independent of the central structure. A bit of an ongoing snake pit but strong enough to continue until today.

The Atlantic provinces of Canada, anxious to avoid the marketing hassles of the West, created a single cooperative structure that would do everything! Instead of five lottery structures, four provinces and one central body, trying to run one lottery there would only be a single direction. Even though the years have brought stresses and strains with threats of: "I'm taking my ball and going home", the Atlantic Lottery Corporation is still going strong, now under the creative leadership of Michelle Carinci who watched it all develop from the early days, albeit from far-off British Columbia.

The interprovincial lottery (ILC) designed to get all ten Canadian provinces together in one lotto bloc, was next. My former colleagues are ultra professional and continue to make this enterprise work very successfully, but even the staunchest supporter must admit that from a structural perspective it was and still is a Rube Goldberg contraption.

To combine ten provinces required two provincial lotteries, Ontario and Quebec to agree with two multi jurisdictional lotteries Atlantic and the West.

The two multi-province jurisdictions each brought four representatives to the discussions. That was a group of eight people. The Ontario and Quebec governments facing this multitude of voices from only two participants evened the number of speakers by each bringing their own four participants. When it was all sorted out there were ten provinces with four votes but

16 people to deliver them. It got more complex later when British Columbia became a full member and the five presidents of the lottery corporations were added to the Board. Today at a full plenary session of the ILC, there are 21 to deliver five votes.

As one of the two original lottery directors who founded this corporation, your author can only point back to the beginning, when a simple agreement between Ontario and the West would have avoided the central structure that now exists.

MUSL, one of the U.S. multi-jurisdictional lotteries, has overtones of the complexity of the Interprovincial Lottery Corporation, but with two-dozen or so member organizations and four cooperative games, a superstructure may well be necessary.

Those organizations that have opted for a "head office" structure have shown a strong tendency to prove the principle enunciated by Northrop Frye that holds that work expands to fill the time available.

At a recent conference in Southern Africa on the topic of multi-jurisdictional lotteries, I urged that if the objective for cooperating is a bigger jackpot and nothing else, then all that needs to be done is to enter into a simple agreement between

participants. Agree on the matrix, who will conduct the draw and establish what the contribution per bet to the jackpot fund will be. On a rotating basis the participants should calculate the prize fund allocation - a task that needs no more than a few hours. Secondary prizes can either be the same in each jurisdiction or differ. Even the name can vary where different languages are in use. Retail prices with different currencies may also vary. Advertising will be a local responsibility as will be the most important task of all, accounting for and the retention of profit for beneficial causes. No extra layers of bureaucracy need to be created. That is how Australia, Germany and the Nordic countries' Viking lottery operate.

Just recently we have learned that the lotto organizations of France, United Kingdom and Spain are apparently well advanced in combining to form a superstructure to administer a multi-national lotto game. The first issue is, should the head office of this tri-national giant should be in Paris, London or Madrid? Apparently it's Brussels! ■

Please respond to Guy Simonis at gsimonis@telus.net.

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2003 International Lottery



EXPO



Who's Who

- 1) DC Lottery Marketing Director Kevin Johnson.
- 2) Iowa Lottery Commissioner, Dr. Ed Stanek.
- 3) South Dakota Lottery Executive Director Cint Harris.
- 4) DC Director Jeanette Michael
- 5) Oberthur VP US Sales Dennis Miller.
- 6) Glenn Gratta , director, Benchmarc Lottery Merchandising.
- 7) PGI's Duane Burke, with Michael Jones, SD's Clint Harris, CO's Mark Zamarripa, IA's Ed Stanek, and Sunshine's Bonnie Fussell.
- 8) Colorado Lottery Director Mark Zamarripa accepts an award.
- 9) Derek George, Michael St. Catherine and Silas Wilson from the St. Lucia National Lotteries Authority.
- 10) OGT's Sean Athey and Dennis Miller.
- 11) Sunshine Electronic Display Corp. VP Bonnie Fussel talks with representatives from the St. Lucia National Lotteries Authority.
- 12) Booth for ILAC co-host Florida Lottery.
- 13) DC Lottery's Kevin Johnson and Jeanette Michael.
- 14) SCEL Senior Server Administrator John Kay.
- 15) DC Lottery Director Trade Development William Parson.
- 16) Glenn Gratta from Benchmarc.
- 17) SCEL Executive Director Ernie Passailaigue with Lottery Executive Division Rep. Laura Collins.



PGRI

would like to thank everyone who helped make EXPO 2003 a big success.



People

Ontario Attorney General **Norman Sterling** announced the resignation of **Ron Barbaro** as Chair and CEO of the OLGC. Barbaro was appointed Chair of the Ontario Casino Corporation and Ontario Lottery Corporation in 1998, and oversaw the merger of the two organizations in April 2000. He was appointed Chair and CEO of the OLGC in April 2000 and oversaw the successful expansion of Ontario's gaming industry gaming. **Stanley Sadinsky** has been appointed the new Chair of the organization. Sadinsky, considered an expert in gaming law, has practiced law in Kingston, Ontario since 1971. Sadinsky has also served as Chair of the Ontario Racing Commission for the past nine years. Barbaro stayed on as Chair and CEO of the OLGC until the end of July, providing a period of transition for the new Chair. The Board of Directors has appointed current Chief Operating Officer **Brian Wood** as acting CEO effective August 1, 2003, until a competitive process is completed and a permanent replacement found.

The Colorado Lottery announced the appointment of **Tom Kitts** to the position of Deputy Director effective immediately. Kitts, who worked for the Lottery in the marketing department from 1985 to 1991, moved to Gaming when the agency was created in 1991. He had been the director of gaming since 1999, overseeing the regulation of Colorado's 43 casinos.

The Marketing Communications Manager for the Colorado Lottery, **Lisa Murray**, has been elected to lead the Problem Gambling Coalition of Colorado (PGCC) during its 2003-2004 season. The five-member board of the Colorado agency voted unanimously to select Murray to head their team during the next 12 months.

Jeffrey "Jay" Young is the newest member of the D.C. Lottery and Charitable Games Control Board staff. As the Chief Operating Officer, Young says his primary mission at the D.C. Lottery is to help the Executive Director and the senior managers increase sales and the transfer to the District of Columbia's General Fund.

Young started on June 9, and his first impression of the Lottery is that it is a great organization, which generates large amounts of money for the District of Columbia. However, the Lottery has a lot of anecdotal information in various areas that must be shared with the entire staff to promote growth.

To make that happen, he is preparing a strategic planning session for D.C. Lottery management. He believes the process of forming a new strategic plan will get the senior managers working together and provide them with insight into finding different solutions to address their challenges.

Prior to joining the Lottery, Young served as Chief Operating Officer for Proteus, Inc., a District of

Columbia based software and wireless application development firm. He was responsible for strategic planning, business development, financial management, client management, human resources, and legal support. Young has also served as President of the Washington D.C. Technology Council, Inc., is a member of the bar in the District of Columbia and the Commonwealth of Virginia, holds an AB in Economics from Princeton University; a JD from the University of California Los Angeles School of Law, and an MS in International Management from the University of Maryland University College with a concentration in International Finance and Marketing.

The DC Lottery has made a special addition to its agent service and sales team, **Tom Laughlin**. Laughlin, (pronounced LOCK-lin) the D.C. Lottery's new Sales Manager, is responsible for overall supervision of the Trade Development specialists who service DC agents. He will also work with Trade Development Director Billy Parson to help develop overall sales strategies. Laughlin spent nearly 30 years with the Xerox Corporation in the Washington metro area. As an award-winning manager, he increased revenues by developing innovative solutions to meet the business needs of his customers. He calls himself a "hands-on" manager who will spend most of his time "in the field" with the Trade Specialists.

The North Dakota Lottery Advisory Commission has been selected. The members include: Fessenden Senator **Jerry Klein**, Mandan Representative **Rae-Ann Kelsch**, Grand Forks Representative **Lois Delmore**, former Minot state senator **Darlene Watne**, and former State Representative **Laurel Thoreson** of West Fargo. The members were selected by Attorney General **Wayne Stenehjem** and state Senate Republican majority leader **Bob Stenehjem**.

Miguel Carballeda has been appointed the new chairman of the Spanish lottery organization ONCE. One of Carballeda's first tasks will be to get the government to review an agreement signed in 1999 concerning ONCE's participation in games on the Internet and digital TV.

Mr. Dimitri Karagounis has joined Intralot and has been appointed CEO of Intralot de Peru. Before joining Intralot, Mr. Karagounis held the CEO position of Atento Peru, a subsidiary of the world leading telecommunications Telefonica Group. He has worked for multinational companies like Societe Generale de Surveillance, Bureau Veritas and Socotec and has successfully managed and developed subsidiaries acting as Chairman/CEO or Regional Director in Europe, USA and the Caribbean, Latin America, Asia and Africa. ■

California

The California Lottery held an Xtra Reward, a special featured promotion for the SuperLotto Plus game, from June 22 - August 2, 2003. Two eight-digit numbers were drawn every Wednesday and Saturday giving players two chances to win \$75,000 for every single draw. Players received one Xtra Reward number for five plays; two Xtra Reward numbers for six to nine plays; and three Xtra Reward numbers for nine or ten plays.

Delaware

Over the past several years, the Delaware Lottery has become a primary sponsor of the Delaware State Fair, which is held for one week each July. This sponsorship is seen as an excellent opportunity to increase awareness of the Delaware Lottery.

As part of the sponsorship, the Delaware Lottery operates a booth during the week-long period where drawing games (LOTTO, POWERBALL, PLAY 3 and PLAY 4) and Instant Games tickets are sold, and free gifts and flyers regarding the Lottery are distributed to visitors. In addition, the Delaware Lottery is the title sponsor of the sold-out concert featuring Country music legend, Travis Tritt, at this year's fair.

In an effort to better leverage the Travis Tritt sponsorship, the Lottery conducted a "Here's the Quarter" contest with a local radio station one week prior to the State Fair. Three times a day for five days, the radio station aired a sound effect of a quarter scratching an Instant Game ticket. The third caller to call in after the sound effect aired won two tickets to the Travis Tritt concert, courtesy of the Delaware Lottery. Five winners were awarded a pair of Travis Tritt tickets and all non-winners received \$5 worth of Instant Game tickets during the contest period.

Louisiana

The Louisiana Lottery has implemented a new policy increasing the bonus paid to any Louisiana retailer who sells a winning ticket for a Powerball jackpot. The lucky retailer will receive a sum equal to 1 percent of the Lottery's share of the contribution to the jackpot. Louisiana's share is typically around 7 percent, so for a \$250 million jackpot (having a cash value of \$141 million), Louisiana's share would be about \$9.8 million, and 1 percent of that would be \$98,000.

On June 23, the Lottery introduced Venetian Nights in Vegas, a new \$2 scratch-off that showcases The Venetian on the front of the ticket. Venetian Nights in Vegas features three casino-style play areas, giving ticket purchasers 10 different chances to win up to \$10,000 or an entry in the drawing for Powerball Instant Millionaire (the ticket doubles as a postcard). Venetian Nights in Vegas will eventually replace the current

Powerball Instant Millionaire scratch-off ticket as the means for entering game show drawings. Sales of Powerball Instant Millionaire will cease in August, and players will have 90 days to claim prizes from the game, including submitting game show drawing entries.

Massachusetts

Massachusetts Lottery players spent \$10.3 million during the first six days of the Lottery's Harley Davidson promotion. The rush made the ticket the fastest selling \$5 product in the Lottery's 30-year history.

Michigan

The Michigan Lottery's WINFALL "Days of Thunder" promotion will run from August 4 - 30. The Lottery will be awarding four 2003 Ford Thunderbird convertibles during the promotion. Each \$3 single WINFALL ticket automatically generates an entry form for one of four drawings.

In June, Brian Lutze of Bay City became the Michigan Lottery's newest multi-millionaire during a Detroit Tigers vs. Arizona Diamondbacks baseball game at Comerica Park. On June 28, Lutze, 30, was one of five finalists who participated in the on-field drawing for a \$2,000,000 grand-prize.

The following are the new instants for August: the \$10 "\$1,000,000 Player" with a \$1,000,000 top prize; the \$1 "X Marks the Spot" with a \$4,000 top prize; the \$2 "Doggone Lucky" with a \$25,000 top prize; the \$5 "Big Bear Bucks" with a \$200,000 top prize; and the \$1 "Ace in the Hole" bonus game with a \$1,000 top prize.

Missouri

The Missouri Lottery launched three new Scratchers games and a promotion called "Dog Gone Lucky." The instant games are: Lucky the Dog; Hot Diggity Dog; and Summer of Luck. Each game includes perforated game pieces that can be instant winners, or can be attached to a promotional game board to win prizes that include 2003 Chevy Trailblazers, Hawaii trip packages, cruise vacation packages, big-screen TVs, Gateway® computers, \$1,000 in cash, \$50 in Scratchers tickets and T-shirts.

Pennsylvania

Pennsylvania Governor Edward G. Rendell issued a "Golden Opportunities Challenge," inviting each of the state's approximately 440,000 companies to purchase Lottery tickets in bulk and use the tickets as rewards for employees. So far, nine companies have accepted the challenge, including Hershey Foods Corp. and the Wawa Convenience Store Chain. The Challenge is seen as one way to help the Lottery reach its goal of increasing Lottery sales by 22 percent during the next two years.

Rhode Island

The Rhode Island Lottery continues its long-standing partnership with the Pawtucket Red Sox organization.

The Lottery recently held a raffle, awarding ticket packages for a Pawtucket Red Sox game to one hundred lucky Lottery Retailers.

This year will mark the tenth annual "Hat Night" at McCoy Stadium in Pawtucket. More than 4,000 Pawtucket Red Sox baseball caps, with the Rhode Island Lottery logo on the side, will be passed out prior to the game. Several local youth organizations will be invited to attend "Hat Night" and will receive the official "Hat Night" baseball cap, passes to the pre-game barbecue and tickets to the game, courtesy of the Rhode Island Lottery.

The Lottery is running a Keno Ticket Bonanza Promotion during pre-selected two-hour periods each day. For each \$5 Keno wager placed on a single playslip, the player will receive a free four-spot quick-pick ticket good for the next Keno drawing.

Vermont

Vermont's first week of Powerball sales nearly tripled projections. The state had estimated \$250,000 for the first week, but, thanks in part to a \$250 million prize, sales reached \$654,000.

West Virginia

In order to thank players for another record setting sales year, the West Virginia Lottery is holding five weekly "Thanks A Million" drawings beginning July 30 in which prizes totaling \$1 million will be awarded to players. To participate, players must send in non-winning tickets from any online game purchased between July 1 - July 22. Using \$1 million from the Lottery's unclaimed prize fund, the Lottery plans to award five \$100,000 prizes; 30 \$10,000 prizes; 20 \$5,000 prizes; and 40 \$2,500 prizes.

South Carolina

The South Carolina Lottery is adding value to non-winning tickets, and simultaneously helping to cut down on litter in the state. The Lottery has implemented a Clean Sweep second chance drawing, which gives players a shot at winning one of 100 \$50 prizes each month for sending in five non-winning tickets. The first drawing will be held July 30th and the last Wednesday of each month following that.

The SCEL also added another draw to its Pick 3 and Pick 4 games. The Lottery added a second draw to Carolina 5 on May 13, and ticket sales immediately rose 38 percent.

Texas

The Texas Lottery launched a new instant game, called Fast Tracks, offering a top cash prize of \$25,000, and a second-chance drawing that gives players a shot at winning one of five four-day, three-night trip for two to legendary speedways in Daytona, Las Vegas, Atlanta,

Talladega or Texas. The game features NASCAR® drivers Dale Earnhardt, Jr., Bill Elliott, Jeff Burton, Mark Martin, Ricky Rudd, Greg Biffle and Matt Kenseth. It is the first time the Lottery has offered a trip as a prize. Players can enter by mailing in two non-winning tickets in an envelope no larger than a #10 envelope to Fast Tracks Second Chance Drawings, 4287 Belt Line Road, PMB 370, Addison, Texas 75001. The second-chance drawings will be open to the public, and the results will be posted on the Texas Lottery's Web site approximately one week after each drawing.

Virginia

It's another record-setting year for the Virginia Lottery. Executive Director Penelope W. Kyle announced that total sales for fiscal year 2003 came to \$1.135 billion, the highest in the Virginia Lottery's history. This marks the third consecutive year that the Virginia Lottery has recorded total sales over the \$1 billion mark.

The biggest winner? Virginia's public schools. Virginia Lottery profits came to \$375.2 million for fiscal year 2003 - another record. All Virginia Lottery profits go to public education (K-12) in the Commonwealth of Virginia.

Kyle says the record profit was spurred by popular scratch games like Harley-Davidson® and Win For Life, as well as the \$183 million Mega Millions jackpot in June. Along with the record highs, there was one all-time low: the lowest rate of operating expenses in the Virginia Lottery's history. By streamlining operations and cutting costs wherever possible, employees were able to keep the cost of running the Virginia Lottery to a frugal 6.1 percent, even though the Lottery is allowed by law as much as 10 percent.

"It's a great dividend for the Commonwealth of Virginia," said Kyle. ■

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