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To: Lottery, Video Gaming & Racino Executives
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Public Gaming Research Institute Inc.'s
International

Morning Report

Your weekly supplement to
**Public GAMING International
Magazine**

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COMPANY ANNOUNCEMENTS

SCIENTIFIC GAMES ACQUIRES HONSEL. Scientific Games Corporation announced that effective December 31, 2004, it completed the acquisition of all the outstanding shares of Printpool Honsel GmbH, the German company that is the instant ticket supplier to all of the sixteen lotteries in Germany. A portion of the purchase price is subject to satisfaction of certain performance benchmarks and the purchase price is not deemed to be material. Further details regarding the purchase price and other terms of the transaction were not disclosed. Jan and Klaus Honsel, the principal shareholders and co-managing directors of the company, will continue to manage the company going

forward pursuant to a multi-year employment agreement. The new company will be called Scientific Games - Honsel.



GLI TO HOLD 4TH ANNUAL USERS

CONFERENCE/REGULATOR ROUNDTABLE. GLI will hold its 4th Annual Users Conference/Regulator Roundtable later in January. The two-day seminar takes place January 19 and 20 at the Orleans Hotel and Casino in Las Vegas. GLI expects more than 80 regulators from 50 jurisdictions across North America and the Caribbean to attend. GLI presents the roundtable free of charge as a service to regulators to update them on the latest developments in gaming technology. Topics to be discussed include integration of technical compliance with quality assurance and the testing process; quality system process; adoption of technical standards; and field inspections, including verification tools and manual. A session dedicated to technology will cover protocols currently under development, electronic pull-tab games, mechanical-based RNG games, testing of kiosks and the concept of server-based gaming. GLI will also present its position on wireless technology.

IGT ACQUIRES HI-TECH, FORMS IGT-CANADA.

IGT announced the acquisition of substantially all of the assets of its Canadian distributor, Hi-Tech Gaming, and the formation of IGT-Canada, Inc., a new subsidiary that will support sales and service for customers throughout Canada. Most of Hi-Tech's 43-person workforce joined IGT-Canada effective January 1, 2005, subject to all appropriate regulatory notifications and approvals. **Duane Frahm**, director of VLT product sales for IGT, has been named managing director of IGT-Canada and will move to Toronto to work out of the IGT-Canada office there. Other former Hi-Tech offices, which will become IGT-Canada offices, are located in Moncton, Montreal and Winnipeg. Hi-Tech principals Owen MacNeil and Bill Hennessey have agreed to serve as consultants to IGT-Canada. The Canadian gaming and video lottery market has over 80,000 machines in operation in provinces throughout the country.



OLGC EXTENDS OGT. Oberthur Gaming announced its contract extension with the Ontario Lottery and Gaming

Corporation ("OLGC") for the printing of its instant lottery tickets. Under the terms of this agreement, OGT will continue providing the OLGC with lottery products and related services until November 30, 2006.



PEOPLE

Jane Aslett, manager of the Isle of Wight Lottery, was the recipient of a Winston Churchill Travelling Fellowship 2004 and is spending the New Year in Hawaii and ten weeks in New Zealand. Aslett will be learning how New Zealand's rural businesses diversify to ensure their survival.

Shlomit Nir-Toor has been nominated as the new Vice-chairman of the Israel Sports Betting Board (ISBB). This is the first time that a woman has held such a high position within the organization. She temporarily fulfills the position of Chairman of the Board until the official nomination of a new Chairman. The former Chairman **Yom-Tov Samia** finished his turn in office end of November 2004. Mrs Nir-Toor is a well-known Olympic swimmer. She participated at the Olympic Games in Mexico-City in 1968 (ranked 17 in 100 M breast stroke) and in Munich in 1972. She is one of the initiators of a special project to improve sports activities of women, which was approved last week by ISBB.

Meg Tivéus, until recently President of Svenska Spel, has been recruited to Boss Media as a consultant and will be nominated to the Board of Directors of Boss Media at the Annual General Meeting on May 9, 2005.



VIDEO GAMING/RACINOS

CALDER CLOSES OUT '04/'05 TROPICAL MEET.

Calder Race Course concluded its 33rd Tropical meet on Sunday, Jan 2. Each year, the Tropical meet signals the beginning of the winter racing season in south Florida while offering 55 days of quality Thoroughbred horse racing. **Average daily on-track attendance** for the 2004/05 Tropical at Calder meet was 4,408, representing an 8.5-percent decrease from the previous year's average of 4,816. **Average attendance on "dark" days** - when the track offered full card simulcasting - was 836, down 10.7 percent from last year's average of 936. An average of 8.3 runners started each race, down from an average of 8.6 in the prior Tropical at Calder meet. **Total wagering**, including all sources and all days, was \$333,082,801, compared to \$322,331,529 in 2003/04. Though on-track and total combined handle were down slightly for the meet, full card simulcasting handle on live racing days was up 10.5 percent, thus resulting in the overall increase.

SINGAPORE SEEKS INVESTOR PROPOSALS. While the decision has not been made to allow its existence, the Singapore government has formally asked potential investors to submit proposals for a leisure and casino resort. Potential investors have until February to submit their proposals, which should outline the size of their proposed investments, the feasibility of the project and whether or not they want to include a gaming complex that will have to observe government restrictions meant to prevent local people from becoming gambling addicts.

INTERNET/WIRELESS

NIGERIAN MOBILE LOTTERY. Fortune Games Limited is scheduled to launch a mobile phone lottery in the first week of January 2005. GSM subscribers can play the lottery, which uses a 6:49 matrix and draws on Saturdays at 10pm. For now, the game will be limited to the four GSM networks in operation in the country: MTN, Econet, V/Mobile and Global Comm.



LOTTERY NEWS

LINGLE TO HEAD SD. South Dakota Secretary of Revenue & Regulation Gary Viken announced that **Norman Lingle** of Pierre has been chosen to head the South Dakota Lottery. Since 1989, Lingle has served as the manager of the Community Development Block Grant program for the Governor's Office of Economic Development, where he has worked with communities from across the state on more than 100 development projects. Lingle fills the director position vacated by Clint Harris, who left the South Dakota Lottery this past fall to take the helm of the Minnesota State Lottery. Lingle begins his duties at the Lottery on January 18, 2005.

SUBSCRIPTION TO WIN IN VIRGINIA. It is no secret that some lottery players enjoy the convenience of being able to play their favorite online games without ever leaving home. On December 24, 2004, a Virginia subscription player matched the first five numbers in that night's Mega Millions drawing and won \$175,000. The Virginia Lottery has offered subscriptions for jackpot games since January 1992. Any Virginia resident can purchase a subscription for 26, 52 or 104 drawings. Those players have had some notable successes. In September 1993, a Virginia Lottery subscriber won \$9.4 million in Virginia's lotto game, and in December 1997, another subscriber won an \$8.5 million jackpot.



SCS designs and implements everything a State Lottery needs to offer its Players a comprehensive, flexible and state-of-the-art subscription services program.



RED SOX PARTNER WITH MASSACHUSETTS STATE LOTTERY.

The Boston Red Sox and the Massachusetts State Lottery announced a partnership through which the Lottery will serve as presenting sponsor of the World Series Trophy Tour. The announcement was made by Red Sox President/CEO Larry Lucchino and State Treasurer and Lottery Chairman Timothy P. Cahill. After witnessing the remarkable reaction members of Red Sox Nation have had to the Trophy, Lucchino last month pledged to take the Trophy to each of the 351 cities and towns across Massachusetts that requests a visit. The Lottery will spend \$225,000 of its \$10 million advertising budget to sponsor the tour.

RECORD BREAKING INSTANT SALES FOR NJ. The New Jersey Lottery ended the year with another record. Aided by its popular holiday-themed games, the lottery today announced a record breaking sales week for instant tickets with \$23.8 million worth of scratch-offs sold from December 22-29. The previous mark for one week sales was \$23.5 million for the week of December 17-24, 2003. In fiscal year 2004, the lottery achieved a record \$2.1 billion in total sales, which included \$973 million in instant game sales. The contributions to support state education and institutions from the record-breaking week were \$6.5 million.

WV LOTTERY CELEBRATES 19 YEARS. The West Virginia Lottery plans to celebrate its 19th anniversary on Jan. 9 with sales approaching \$ 6.3 billion, according to Lottery Director John Musgrave. Musgrave said the Lottery has generated \$6.3 billion in sales and nearly \$2.5 billion in profits since the first ticket was sold in 1986, "*substantially more than the \$8 million a year in profits that was predicted in 1985.*"

4 THIS WAY WINNERS ARE ADDING UP. New Mexico Lottery officials announced that since "4 This Way!" was introduced in late September, the game has averaged more than three top prize winners a week. To date, 42 players from across the state have won the game's \$4,000 top prize by matching all four winning numbers in the order they were drawn.



CHINA LOTTERY SALES HIT NEW HIGH. Sales for the China Welfare Lottery hit a new high, exceeding CNY22.6 billion through December 31, 2004, sending CNY7.91 billion to China's public welfare fund. Sales increased 13% over 2003 and computerized lottery sales exceeded CNY21.8 billion.

CASE STUDIES

NY SALES AND MARKETING DATA COLLECTION, REPORTING AND APPLICATION (part 2)

Last week we discussed the importance of lotteries collecting accurate reliable sales data. This week we will

address the application of the data to the marketing and sales decision making process. As explained last week, all of the New York Lottery sales and marketing data is continually updated using every conceivable parameter so that informed business decisions can be made on necessary program adjustments at any point in time. For example, sales data can be used to determine how various factors like weather, high jackpots, new instant game launches, fluctuations in the retail business base and major promotions affect sales.

Cross analysis with pre-established sales goals (set by game, by retailer, by region, etc.) gives sales and marketing management the ability to make critical strategic changes in sales program direction in a moments notice. This avoids the organizational nightmare of realizing too late that revenue goals cannot be achieved within the time remaining in the fiscal year. Even more importantly, as Lottery Director Nancy Palumbo points out "with our efforts to constantly update and analyze data, we do not run the risk of ignoring the on-going organizational balance between growing sales and maximizing revenues. Too frequently, lotteries find themselves a slave to growing sales and forget the bottom line is revenue for the cause for which they were created."

Competition for sales by product is also useful— lottery professionals often question how specific instant games impact on-line game sales and vice versa. How does the launch of one instant game impact sales of other instant games? This is particularly critical in developing the Win For Life game franchise (Win For Life, Win \$2,000 a Week for Life, Set For Life), the extended play franchise (Bingo, \$100,000 Bingo, or Cashword, Make A Cashword, etc) and the numbers themed franchise (Lucky 7's, Bonus 7's, Ruby Red 7's, Power 7's, Royal 7's). This type of information is fundamental to balancing price point progression, price point mix, as well as strategically managing the launch schedule and overall instant product mix. Updated information is crucial to reordering hot sellers prior to sell out and keeping the sales momentum growing.

At the end of each week, the New York Lottery plays Monday morning quarterback (on Sundays) by evaluating the data for each game to determine its sales performance, updating several standard weekly reports and determining the game plan for the coming week. These reports compare data on a daily, weekly, yearly and year to date basis. This data is evaluated against the same timeframe from the previous week, previous ten weeks, previous year and over time – for example, the last 5 years. A separate report is generated to track weekly sales by product year-to-date versus previous year-to-date including percentage change. Regional sales reports track sales by product on a percentage, per capita and per terminal basis.

Just as important as collecting the data is sharing it with every level of the organization – vertically and laterally, from Operations and Finance to Marketing and Sales. On each Monday's sales call, representatives from every area of the organization gather to review these reports, share field input on sales trends and together determine the sales staff focus for the week ahead.

Share the knowledge and empower your entire organization.