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GAMING

I N T E R N A T I O N A L

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To: Lottery, Video Gaming & Racino Executives
Interested in Growth, Expansion & Added Success

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Morning Report

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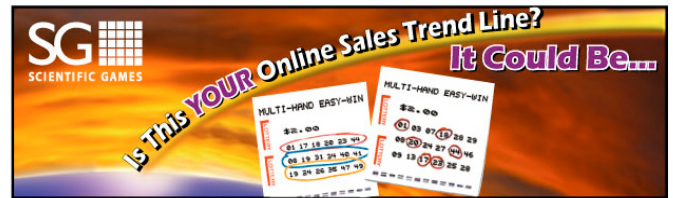
PA COMPANIES IN LOTTERY'S GOLDEN OPPORTUNITIES PROGRAM. Tom's Convenience Stores, part of the Shipley Energy Group, and Memorial Hospital, two companies based in the York area, have pledged to purchase Lottery instant tickets for employees in support of the Lottery's Golden Opportunities Employee Rewards Program. Governor Edward G. Rendell introduced the Golden Opportunities Program last year, challenging businesses across Pennsylvania to purchase Lottery instant tickets in bulk, on an ongoing basis and as often as possible, to reward employees for jobs well done.

KY ROLLS OUT TIC TAC CASH. A new Kentucky Lottery online game that plays just like standard Tic Tac Toe with a twist - and offers players prizes up to \$25,000 - is now on sale across the Commonwealth! The playslip for Tic Tac Cash shows a grid that looks like a Tic Tac Toe grid. Within each of the squares where you'd typically put an X or an O, there are five numbers. This holds true for all squares except the center square, which is a free square. Every evening, one of the five numbers contained in each square is selected by the lottery for a total of 8 winning numbers. Players then try to match as many of their numbers as possible to the winning numbers, and then draw as many horizontal, vertical or diagonal lines as they can by connecting three winning numbers or two winning numbers and the free square (just like lines in Tic Tac Toe). Prizes are awarded according to the number of lines they can draw, starting with \$2 for one line, and up to \$25,000 if they match all 8 possible numbers.

FANTASY 5 TO LAUNCH SOON. Michigan Lottery players will have a chance at a daily jackpot of at least \$100,000 with the \$1 game Fantasy 5, a new daily game that debuts on September 12. With Fantasy 5, players select five numbers from a field of 39. A match of all five numbers wins the jackpot, which will

start at \$100,000. If there is no winner, the jackpot grows by \$5,000 per day until it is won. Average jackpots are expected to be \$155,000. In addition to the jackpot, players who match four numbers are guaranteed \$100; three numbers guarantee \$10; and two numbers guarantee \$1. Fantasy 5 is replacing Rolldown, which has been in play since early 2000.

SCEL LAUNCHES 100TH INSTANT. The South Carolina Education Lottery (SCEL) launches its 100th instant game,



Carolina SUPER CASH. Carolina SUPER CASH is a \$2 dollar ticket with cash prizes up to \$25,000! SCEL has printed more than 850 million tickets since January 7, 2002.

ISRAEL UPGRADES SUBSCRIPTIONS. The membership club of Mifal Hapais, Israel National Lottery, is upgrading its subscription program. Barcoded magnetic membership cards will entitle 460,000 subscribers holding 550,000 membership cards to immediate discounts in over 60 entertainment, cultural, leisure and food establishments, etc. Furthermore, every month, subscribers will be entitled to a discount at Mifal Hapais' points of sale on a different lottery product.



This picture has been doctored. Neither NASA nor its astronauts endorse Public Gaming International or the Morning Report

BIG SALES WEEK FOR UK. The last week of August was the UK National Lottery's highest sales week for scratch tickets since 1998. More than £15 million tickets were sold.

"BALLS!" GOES MOBILE. The UK's Ladbrokes has teamed with mobile phone network 3 to offer what may be the first mobile video betting service. The game being offered is "Balls!" – one of the most popular games on Ladbrokes Internet site. "Balls!" allows a number of different bets to be placed on the six randomly drawn balls.

VIDEO GAMING/RACINOS

BATAVIA DOWNS PLAN GETS THE GO-AHEAD. Western New York's Regional OTB board approved a plan to put 400 VLTs in Batavia Downs. Construction is scheduled for September through January.

ME GAMBLING BOARD SWORN IN. Maine Governor John Baldacci recently swore in the five members of Maine's newly established Gambling Control Board. Members of the board have been operating on an interim basis up to this point. The Board will oversee the slots being implemented at Bangor Raceway. Board members include: Chairman George McHale, Peter Danton, Jean Deighan, W. Lawrence Hall and Michael Peters.

SASKATCHEWAN VLT REVENUE MAY FALL? The VP of the Hotels Association of Saskatchewan expressed concern that VLT revenues could fall in the region due to a province-wide smoking ban set to come into effect in January. He cited estimates that machine revenue could drop as much as \$30 million.

COMPANY ANNOUNCEMENTS

ADESSO LAUNCHES WAP FOR WESTLOTTO. The new mobile lottery claims to be capable of performing more complex functions and transactions than any other WAP portal in Europe. It is the first application to allow players to place bets and send tickets directly. WestLotto participants can now receive their receipts directly on their phones. They can use WAP technology to place bets but can also enter via SMS. WestLotto's Internet service provider Adesso AG pointed out that in the first twelve months since its online launch around 100,000 new players made use of the Internet service run by Germany's biggest state-controlled lottery operator and placed their bets with www.westlotto.de. Turnover in the new system's first year of operations was around 20 million euro.

BRANDENBURG CHOOSES WINCOR NIXDORF. Land Brandenburg Lotto GmbH (LBL) has decided in favor of lottery terminals from Wincor Nixdorf and intends to replace the old terminals at its outlets with Xion /Mtop systems from Wincor Nixdorf by April 2006. The terminals are currently scheduled to be linked with the data center via a virtual private network. The order comprises both delivery of the terminals and the customization of the terminal software.

ESSNET ORDERS FROM MULTIQ. MultiQ AB received an additional order for interactive video terminal monitors from the gaming systems developer EssNet Interactive AB.

IGT TO BUILD NEW VEGAS FACILITY. IGT announced that nine buildings the company currently occupies in Las Vegas will be consolidated into a single new facility. The new 600,000-square-foot building will be located on the northwest corner of Buffalo and Sunset in Las Vegas. The IGT "campus" will consist of 300,000 square feet of manufacturing and warehouse space, 230,000 square feet for offices, and 70,000 square feet of accessory space. Multiple IGT departments will be housed there including Manufacturing, Engineering, Sales, Casino Services, IGT Systems and Barcrest USA. Construction is scheduled to begin in November and be completed by October 2006.

MDI SNARES ROCKY & BULLWINKLE. MDI announced that Rocky & Bullwinkle are now available to lotteries for the first time on instant scratch game tickets. Under the terms of a new exclusive licensing agreement between MDI and Bullwinkle Studios (a joint venture between Classic Media and Jay Ward Productions, Inc.), lotteries worldwide will be able to launch instant games featuring Rocky and Bullwinkle and other cast members from the popular network series. Trademarks, names and likenesses include Rocky The Flying Squirrel, Bullwinkle the Moose, Fearless Leader, Boris Badenov, Natasha Fatale, Dudley Do-Right, Nell, Horse, Snidely Whiplash, Little Fairy from Fractured Fairy Tales, Sherman (the Boy) and Mr. Peabody (the Dog).

ME CHOOSES GTECH. GTECH was named the successful vendor by the Maine State Liquor and Lottery Commission for the lease of new ITVMs. The three-year contract includes two one-year extension options and follows a competitive procurement. Under the terms of the contract with the Maine Lottery, GTECH will replace all existing 12-game machines with 150 16-game Expandable Dispensing System Quad Burster™ (EDS-Q) machines. GTECH will also provide ongoing services such as machine maintenance, call center services, and consumables.

MORE GROWTH FORE TICKER COMMUNICATIONS WIRELESS SERVICE. The Massachusetts Lottery is rolling out the wireless service from Ticker Communications, Inc. to 200 retail locations. Ticker's service enables the Mass Lottery to send customized messages to all of its signs from one remote location via a secure, personalized website. Ticker currently provides its wireless service to over 12,000 lottery retail locations including 1,000 ITVM locations in Pennsylvania. Locations may be grouped by geography, business class or chain to allow for marketing-specific messaging. Ticker offers both customized jackpot-only units as well as the scrolling message LEDs. Ticker just recently added Anheuser-Busch to its list of non-lottery clients.

NM TO TEST SCI-GAMES CENTRAL MONITOR SYSTEM. Scientific Games Corporation announced that the New Mexico Gaming Control Board has chosen it to conduct a pilot project for a gaming central monitor system replacement by installing its new AEGIS® Video system. The pilot begins in early October and will migrate up to 20% of New Mexico's gaming machines to the new system. This system will communicate to the existing gaming machines utilizing the existing proprietary protocol and to new gaming machines using the industry standard SAS protocol.

OGT, INGENIO GRING TETRIS® TO NJ. Oberthur Gaming Technologies with exclusive rights to Tetris® in the lottery industry, has collaborated with Loto-Québec's subsidiary INGENIO to bring to market the first lottery version of this world famous electronic game. Tetris® is a landmark product for the lottery industry, in that it maintains the challenge, entertainment and brand value of the original game, but still provides a predetermined outcome. Players purchase a Tetris® ticket at a lottery retailer, scratch it off to reveal an access code, then go to the lottery's website, and follow the Tetris logos to play, using their access code as the "key" to the game.

SMARTPLAY FURTHERS PRESENCE IN MIDDLE EAST. This month, Smartplay has delivered equipment to Kuwait and has contracted with lotteries in Uzbekistan and Israel. New client, Kuwait Football Association has taken delivery of a Precision Prize Wheel. Long time client, Mifal Hapayis of Israel has ordered another Saturn lotto machine. SPORTLOTTO, Ltd. of Uzbekistan has contracted for a Revolution "3" single digit machine; delivery is planned next month.

TX CHOOSES SCI-GAMES, POLLARD. The Texas Lottery has announced that Scientific Games is the successful proposer for its primary instant lottery ticket manufacturing and services, a contract estimated at \$30 million over the initial term. The initial term of the contract is three years with five one-year options to renew. The agreement is subject to the negotiation of a final contract. The Lottery also announced that Pollard Banknote Ltd. will be the backup supplier, printing a minimum of one game per year and providing backup in the event the primary supplier cannot perform.

UTHINGO OFFERS SEPTEMBER PROMO. Throughout the month of September, Uthingo's LOTTO Jackpot will be guaranteed at R10 million every Saturday until October 2. Jackpots that aren't won will roll over. There's also a second chance game attached to the promotion. Each week through september, 20 players who entered the promotion with their non-winning LOTTO tickets worth R10 or more, will win furniture vouchers valued at R10 000. This means, over the next five weeks, 100 players will share prizes worth R1 million.

PEOPLE

The head of the FBI's field office in Pittsburgh became the sixth member of the state panel that will oversee slot-machine gambling in Pennsylvania. **Kenneth T. McCabe**, 50, was appointed to the Gaming Control Board by Sen. Robert C. Jubelirer. McCabe plans to retire from the FBI in September and will serve full-time on the seven-member gaming board.

CASE STUDIES

FOCUS ON NEW YORK – CASE STUDY – INSTANT GAMES INVENTORY MANAGEMENT

The New York Lottery places tremendous emphasis on maintaining an inventory management plan to ensure that its retailer network has access to an ever-changing mix of proven "staple" games and new product offerings. The Lottery's current plan calls for making 36 to 40 different games available to retailers at all times. New York supports

its aggressive inventory management strategy with a set of basic guidelines, which are summarized below.

- Launch two games every three weeks
- Continuously reorder staple games. (These games generate almost one-third of New York's total Instant game business).
- Monitor each instant game's weekly sales performance compared to inventory on-hand to allow for the re-ordering of additional product if sales warrant after three to four weeks on the market to prevent premature sell out.
- Routinely evaluate initial order quantities for each price point, taking into consideration such factors as salability, seasonality, promotional tie-ins, etc.
- Regularly assess the number of games on sale and in development to ensure sufficient levels of each price point, keeping in mind the higher profit margin on the lower priced games. (The \$10 games pay out a substantially higher payout than the other games).
- Forecast the number of weeks of inventory on hand for every product to ensure the timely delivery of reorders and to prevent retailer stock-outs of popular games - the key contributor to lost instant game sales opportunities.
- Monitor games with high top prizes to guarantee a top prize is always available. Once the last top prize in a game has been claimed, the game is taken off sale and placed in trade-up status for field staff to pick up from the shops. The trade-up program is also used for seasonal games or poor selling product to maximize Lottery real estate.
- Track instant games facings across the state on a weekly basis utilizing low-tier prize validation levels. This data is also used for creating a suggested order by store to maximize popular and new game facings and to minimize stock-outs.
- Continually prospect retailers for voluntary inclusion into the auto-ship program. This program allows participating retailers to receive a five-day head start on sales of new games by receiving their initial order on Wednesday prior to the official Monday launch. The number of books received for each game can be controlled by the field staff at retail through the use of our Sales Automation computer technology.
- Maintain the Lottery's flexible retailer ordering process to allow retailers to order instant game tickets on the terminal when convenient to their schedule. Retailers can also call-in their orders or rely upon a bi-weekly telemarketing sale call. All orders placed before 4:00 p.m. are delivered the next business day.

The New York Lottery plans to continue following these basic guidelines in order to achieve almost \$3 billion in Instant sales for the current fiscal year.

Submit material for next week's Morning Report by Wednesday of this week to Toddpg2@aol.com

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