



M E M O R A N D U M

Date: May 26, 2011

To: California State Lottery Commission

From: Linh Nguyen, Acting Director

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Subject: 9(a) Regulations for Implementation of Draw Test Games

ISSUE

Should the California State Lottery Commission (Commission) approve regulations for the implementation of Draw Test Games?

RECOMMENDATION

Staff recommends approval of regulations for the implementation of Draw Test Games.

BACKGROUND

One of the key steps in developing a new product or promotion is to define actionable tactics based on consumer responses to preferences and spending patterns identified during research studies. Industry best practices focus on Quantitative (surveys, questionnaires, etc.) as well as Qualitative (focus groups, one-on-one interviews, etc.) processes to assist in determining player preferences and potential spending habits. Findings from these studies provide critical and important key consumer data in the development of potential new games and promotions. However, to truly understand potential player spending habits, there is no better method than having a player actually purchase and experience the game or promotion.

Having the ability to test new games or promotions in a live retail environment with real purchase/claim transactions (wagers and prizes) will greatly improve our ability to determine if a proposed new game or promotion has the potential to succeed through a statewide implementation effort.

These test game/promotion concepts can be offered alone or in conjunction with our existing California State Lottery (Lottery) games to truly gauge how a player will respond with other products and consumer goods offered at retail. Furthermore, the test system platform is entirely independent from the Lottery host gaming system which allows for a self-sufficient deployment.

DISCUSSION

The Lottery, in partnership with its gaming system vendor, GTECH Corporation, has developed a secure wireless test system that communicates separately from a retailer's existing gaming system.

In a test environment for a monitor type game a monitor "show" can be created for each test concept that displays actual randomly drawn numbers or game icons. Payout screens and normal rotational information would also appear during the test period. The test system is operated by GTECH and securely communicates with the test system's terminals only (which in turn only communicates with the test system).

After set up in retail location(s), players will be able to purchase either the test concept game or promotion from a test system terminal. Purchases for other games can still be purchased through retailers existing Gaming System terminals - depending on the objectives of the test.

Players can view the live draw on a monitor or other communication devices and experience the winning/non-winning process. Players will also be able to validate their tickets and collect winnings as they normally would for any draw game purchased from an authorized Lottery retailer. Wagering could be enabled at a certain time of day and then suppressed after a certain period of time.

Approval of regulations for Draw Test Games will allow the Lottery to obtain "real-world" data as a result of live-environment testing. In turn, the system provides reliable data with regard to player spending patterns, feature likes/dislikes, game comprehension and a myriad of quantifiable game design attributes.

With retailer involvement as well as players intercept studies conducted during the play sessions at retail, the Lottery will be in the unique position to gain insight into its players and retailers like never before. As a result, the Lottery can then tailor its new features, new promotional ideas, or any other game concepts by utilizing the quantifiable observations gleaned over a relatively short "test" period.