

# PROTECTING OUR INDUSTRY AND OUR BRANDS FROM UNAUTHORIZED LOTTERY OPERATORS

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Most people would agree that technology has made the world a lot smaller place. That would be especially true as it applies to communication, which has been transformed by the internet and mobile technology. New age communication technologies have given the individual instantaneous access within the global community. It has also given the internet-based merchants access to a global community of consumers. While this incredible level of connectivity has many benefits, it also provides a platform for internet merchants to domicile in a jurisdiction where their activities may not be illegal, and vend the products into jurisdictions where the activities are illegal. A recent issue of this magazine included an article titled "Are Unlicensed Online Distributors of Lotteries Misleading Consumers? Who are [www.Congalotto.com](http://www.Congalotto.com) and [www.Trillionario.com](http://www.Trillionario.com)?" that described how this is happening to the lottery industry. These companies are able to sell lottery products illegally over the internet because it is difficult to enforce laws across jurisdictional boundaries. As members of the Lottery community, we must be vigilant in protecting our industry and our brands, as the reputation for honesty and integrity is a Lottery's most valued asset. The confusion being created by these unauthorized vendors of lottery products is a problem that affects our customers and therefore it affects all of us. And it is taking money away from the 'good cause' beneficiaries of lotteries.

Playing the lottery over the Internet is still in its infancy in the U.S. Just a handful of lotteries are deploying the Internet as a distribution channel within the state's borders. Unfortunately, unauthorized off-shore operators have seized the opportunity to capitalize on our un-witting players. A Google search "Buy Lottery Online" reveals many options in addition to the two mentioned above; to name a few:

[www.bylottonline.com](http://www.bylottonline.com)  
[www.buymegamillionsonline.com](http://www.buymegamillionsonline.com)  
[www.lottobroker.com](http://www.lottobroker.com)  
[www.thelotter.com](http://www.thelotter.com)  
[www.lotteryuniverse.com](http://www.lotteryuniverse.com)  
[www.wintrillions.com](http://www.wintrillions.com)

All of these web-sites present themselves to be legitimate distributors of the major jackpot games around the world like Powerball, MegaMillions, and Euro-Millions. They all represent themselves to be acting on behalf of various country or state lotteries when, in fact, they are operating without authorization in the U.S. The U.S. is a very large market, possibly the largest. We all saw the effects on the off-shore Internet casinos and bookmakers, many being legitimate public companies in their respective jurisdictions, when the U.S. Department of Justice declared their activities illegal a couple of years ago. Similarly, we need to mobilize the agents of law enforcement to act against the



illegal vendors of lottery products.

One might wonder why it would be profitable for a vendor to sell these lottery tickets. Some operators are booking the wagers themselves and keeping the profits that would normally go to Good Causes. These unauthorized operators are happy to pay their clients low and mid-tier prizes as it is good publicity and it creates the appearance of being authorized and credible. But how likely is it that a \$50 million or \$100 million jackpot would be paid? What is to stop these operators from profiting while they can and, in the unlikely event that a super-jackpot is hit, they could simply go out of business. These web-sites operate on the basis that the odds of selling a jackpot winner is most unlikely. And as long as a big jackpot is not hit, then selling lottery tickets and honoring claims for smaller prizes is very profitable indeed. Other operators actually buy the ticket but charge a "management fee". For instance, [www.buymegamillionsonline.com](http://www.buymegamillionsonline.com) charges \$1.50 management fee for each \$1 Mega Millions ticket.

Jumbo Interactive is an internet vendor of lotteries, however the difference is Jumbo operates legally and with the full support and authorization of legal authorities, regulators, and the government lottery. Regardless of the odds, Jumbo Interactive, a licensed and authorized reseller for the Australian Lotteries in Australia, has over the past five years sold two Jackpot winning tickets over the Internet to the value of Australian \$15 and \$30 million, which is all cash, no annuity and tax free; the equivalent of approximately US \$100 million.

Imagine the public relations nightmare and the impact on our industry and brands should somebody purchase a ticket from an unauthorized operator and think they have won a major Powerball or Mega-Millions jackpot only to be denied payment. Certainly, a lawsuit is in the making and a good attorney could sway a jury with some simple questions; "Mr. Lottery Director, did you know of these unauthorized operators? If so, what did you do about them?"

**So how can we be proactive to protect our industry and brands? Practice good consumer protection:**

1. Just like lotteries introduced daily numbers games to provide a legal outlet for these popular games that were being played illegally across the country, lotteries should enable the sale of lottery products through digital channels. Clearly there is significant public demand from players to purchase lottery tickets over the Internet. I am not talking about Interactive or i-Gaming but simply the e-commerce or m-commerce purchase of a lottery's existing portfolio of product. Using the Jumbo e-retailer model whereby the existing brick and mortar lottery retailers can become Jumbo's e-retail partners and offer their customers e-commerce and m-commerce services to purchase lottery tickets, the lottery can create a diverse network of web-based retailers within its own jurisdiction. Such a web-based network of authorized lottery web-sites utilizing effective search engine optimization techniques will help push out the unauthorized operations.

A Google search for "Buy lottery online" presently displays unauthorized websites. Engaging retailers in the business of vending lottery products online will produce a long list of authorized online merchants and push the unauthorized operators lower and lower in the search results list. Ultimately, as more authorized e-retailers come online the unauthorized sites are pushed to page two. Very few people click on anything in page 2 especially once you find what you're looking for on page one.

2. Just like most lotteries post Lottery Scams on their web-sites, they should make it absolutely clear on their web-sites that placing a wager via any of the following unauthorized web-sites is illegal under U.S. federal and state laws and the Lottery will not be responsible for any claims for prizes; followed by a constantly updated list of the known unauthorized operators. This will at least help in the event of a customer complaint, but of course will not be as effective as the first point in preventing the problem in the first place.

3. Amend Lottery Rules and Regulations to reflect the above. Again not very helpful in prevention however helpful in lottery protection.

U.S. lotteries need to be cognizant of the fact that these unauthorized operators are based outside the U.S. and consequently out of reach to a state lottery, hence there is no control over how the lottery's brands are being used, or misused.

Technology provides every business, including lotteries, the opportunity to improve our product offerings and our distribution processes to drive sales and revenue to new heights. This ultimately benefits the good causes that Lottery exists to serve. As an authorized reseller of official government lotteries, Jumbo Interactive has for over a decade met the unique challenges presented by selling lottery over the Internet and mobile devices. We are focused on being the best of breed in maintaining the security and integrity of a player's personal data, e-wallet, and wagers, and to maintaining the highest levels of honesty and integrity of our Lottery partners. ♦