



Better chances for charity lotteries

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*Charitable organizations within the European Union miss out on **10 billion** euros each year because the charity lottery model has not yet been implemented by all Member States*

What is a charity lottery?



1. Fundraising model
2. Substantial contribution to civil society
3. Sustainable funding: long term agreements with beneficiaries
4. Independent board decides on allocation
5. No addiction: long odds only

Where can we find (nation wide) charity lotteries?



Nationale Postcode Loterij

- Established in 1989 by group of fundraisers
- Aim: establish ‘money machine for good causes’
- Postal Code = ticket number >> shared prizes
- Number lottery – long odds only
- Cooperation with mass media
- Virtual lottery – subscription based (direct debit)
- Today > 300 M Euro/year for 57 organizations

Dutch Lottery market



- State Lottery



- Toto/Lotto



- Charity lotteries



- Incidental lotteries



State versus Charity Lottery



	<i>Dutch State Lottery (monopoly)</i>	<i>Dutch Toto/Lotto + Instant lottery (monopoly)</i>	<i>Dutch Charity Lotteries (3 semi-permanent)</i>
<i>Turnover</i>	772,4 million euros	270 million euros	637 million euros
<i>Number of drawings/year</i>	14	370	13 (per lottery)
<i>Prize payout</i>	> 60% by law	> 47,5% by law	~ 33%
<i>Distribution to treasury or to good causes (abs. + %)</i>	161,5 million euros 20%	54 million euros ~23%	320,1 million euros 50% by law
<i>Operational costs</i>	~15%	~28%	15-20%
<i>Number of beneficiaries</i>	State Treasury	NOC*NSF (sports) ALN (health, culture)	> 150 organizations in fields of development, nature & environment, human rights, health, culture and social cohesion



Better chances for Charity Lotteries

a study on the regulation of
European lottery markets

by SEO Economic research

Better chances for charity lotteries

seo economisch onderzoek

SEO research



- Definition of a charity lottery
- Regulation of gambling markets
- International quick scan
- SWOT analysis
- Formulate proposition
- Regression analysis

Definition of charity lottery

A charity lottery distributes at least 40% of its turnover to good causes (in its maturity), has freedom to determine its beneficiaries and the distribution of proceeds among these good causes, transfers the money to good causes without government intervention, and has a national or regional coverage

Public interest at play: why regulate the gambling market?



Political considerations dominate

- Paternalistic motives → Underestimation of risk of gambling addiction

Market failures

- Economic justification for a restrictive government regulation of charity lotteries: prevent information problems and money laundering
- Economic justification for an encouraging government regulation: increase the turnover of charity lotteries to enhance the positive external effects of these lotteries

Government failure:

- Dutch policy for games of chance is inconsistent (restriction and encouragement), does not differentiate (charity and general games), creates an unequal level playing field and gives rise to regulatory uncertainty

International quick scan



- Lotteries play a significant role in most European gambling markets
- Gambling markets in Western European countries are mature, while in Eastern European countries sufficient space for growth may be available next to existing players
- Differences in market shares can be ascribed to differences in regulation, historical endowments and cultural differences in gaming preferences
- In half of the European countries investigated only one licensee is allowed to organize lotteries
 - In the Czech Republic, Denmark, Germany, Greece, Italy, Lithuania, Luxembourg, the Netherlands, Poland, Spain and Sweden more than one licence is granted by the national government
- Charity lotteries are absent or negligible in most states (except NL, Spain and Sweden)

SWOT analysis (1)



Strengths

- Product differentiation
- Attraction of new customer groups
- More funds for charity organizations compared to direct donations

Opportunities

- Cooperation between charity lotteries in different countries
- New marketing channels: e- and m-commerce

SWOT analysis (2)



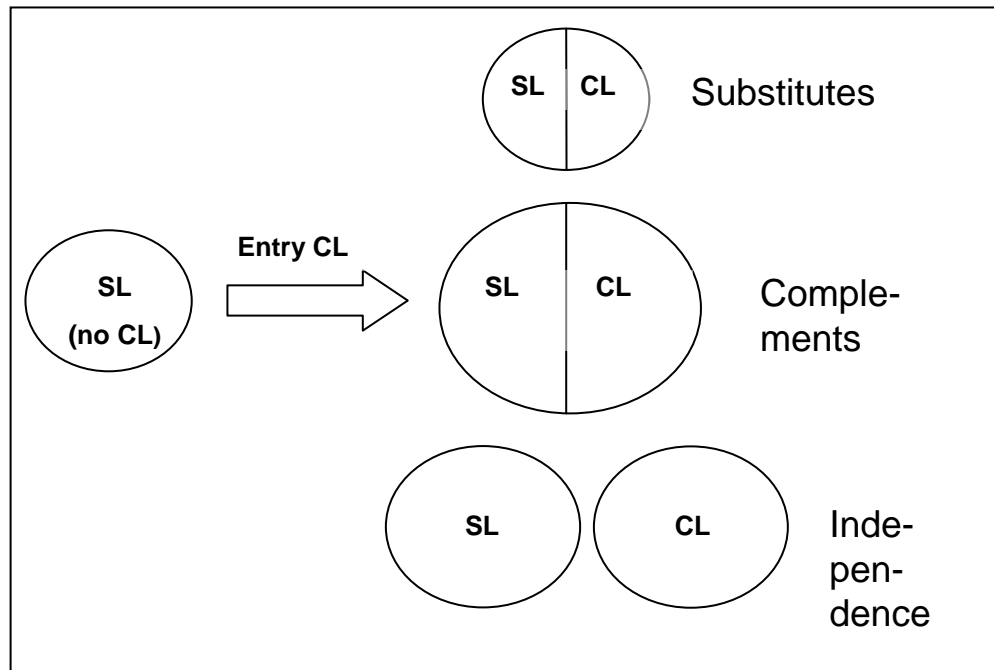
Weaknesses

- Lower prize money (>40% is distributed to good causes)
- Positioning in two markets (lottery and raiser of charity funds)
- Risk of brand dilution (negative image of beneficiaries)

Threats

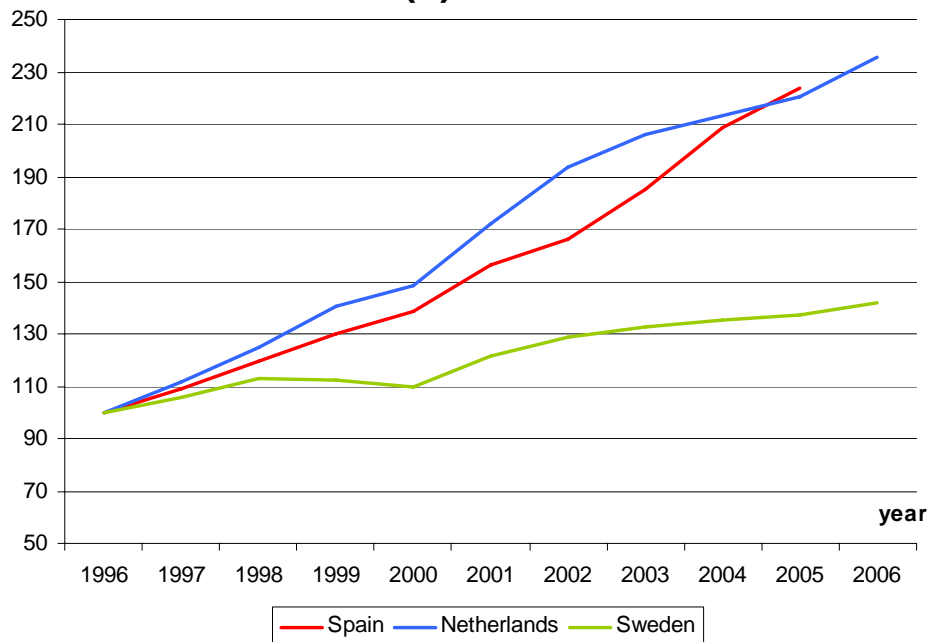
- Unequal level playing field between lotteries and between games of chance (i.e., charity/state lotteries and lotteries/slot machines)
- Competition lowers funds for charity organizations
- Associations with gambling addiction

Charity lotteries are not substitutes for the state lottery, but complementary or independent

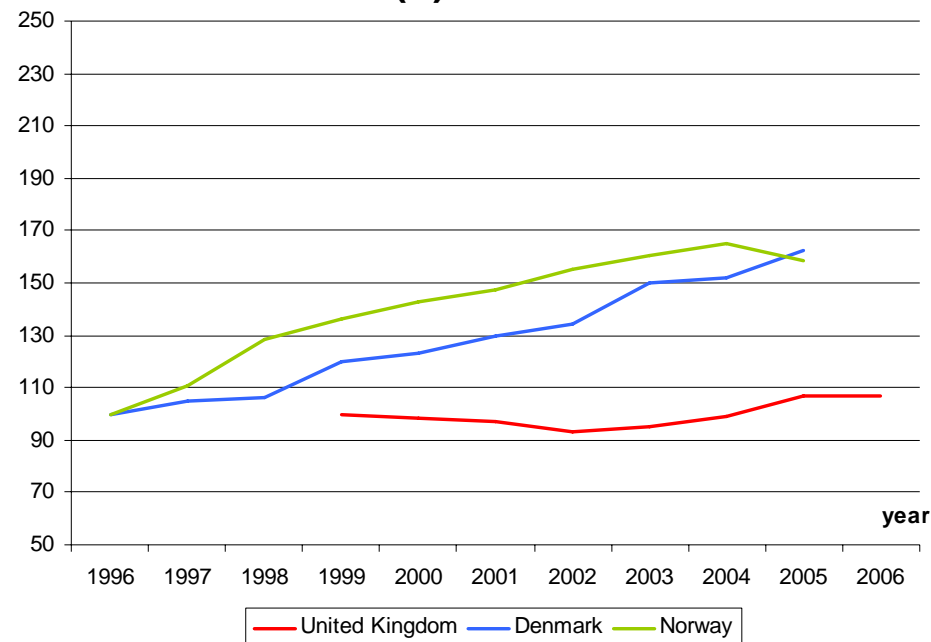


Revenue development for state lotteries in countries (a) with and (b) without charity lotteries (1996 =100, corrected for inflation)

(a)



(b)



Source: SEO Economic Research



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**Thank you for your
attention!**

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www.acleu.eu or contact us at
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