

Background

Lottery Licence

Camelot was formed in 199x out of a successful bid to operate the UK National Lottery, under the supervision of the Lottery Commission. Richard Branson was among the failed bidders.

In 2000, the initial 7-year licence was up for renewal. Richard Branson's Virgin Corporation launched a repeated bid for the licence; and after some manoeuvring and posturing, there were two contenders for the licence: Camelot and Virgin.

Situation

By 2000, Camelot was an established organization with single business. It faced a possible termination of its current business at a known date.

This is a situation that may be faced by many organization under various circumstances.

- ❖ Loss of licence / contract
- ❖ Expiry of patent / licence
- ❖ Regulatory change

Camelot was a well-run and well-resourced organization, which could conceivably be reused for some alternative business.

Objectives

Operate business until termination date

Find viable alternative business for organization

Challenges

Finding an alternative business for the Camelot organization would help it achieve its short-term objectives, as well as preserve the value of the business for its shareholders and staff. In particular, a reasonable chance of continued business and preserved jobs would make it easier for Camelot to retain key staff.

Component View

A business such as Camelot's lottery business is built from several components.

- ❖ Call centre
- ❖ Retail sales force
- ❖ Technical network / infrastructure
- ❖ Systems
- ❖ Brand
- ❖ ...

Each component provides one or more services to the business as a whole.

Each component may play a different role in the organization's future – or none.

Each component may undergo a transition into the future organization.

Each transition may take place on a different schedule.

Objectives

Retain all required components until termination date

Find viable alternative use for each component

- ❖ business continuity
- ❖ managing the assets
- ❖ protecting the people

Component Options

For each component, there may be an option of retention or disposal.

Retention	Disposal
Find alternative uses for component	Find suitable partner to take over responsibility for component.
Build alternative business proposition in detail	Buy back services on a fixed-term contract until termination date
Transition component to new use	Reserve option for future services.
Maintain service to old business until termination.	Partner develops alternative uses for component
	<ul style="list-style-type: none"> ❖ better job prospects for staff? ❖ better utilization of assets?

Component Selection

		Components						
Business Ideas								
						X		
					X			
						X		
			X			X		

Figure 1: Component Selection Matrix

Some components will not be needed for the most interesting business ideas.

Some business ideas may use the same subset of components.

Business Idea Generation

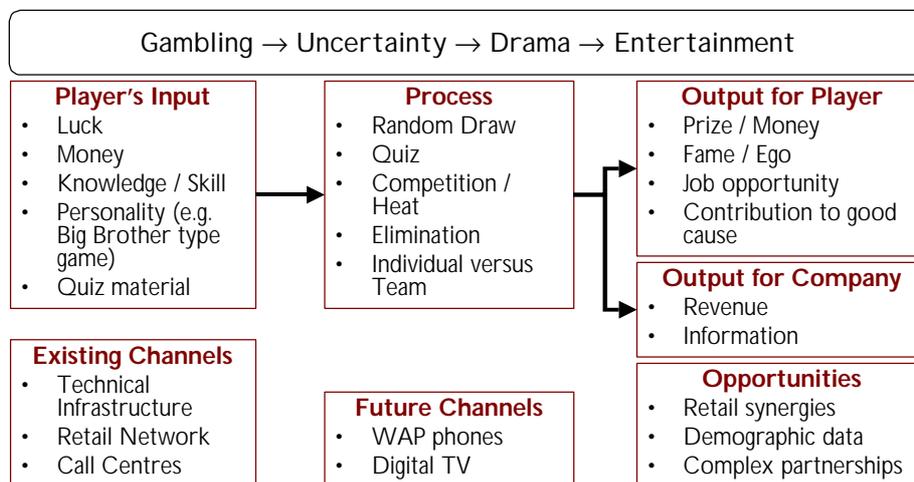


Figure 2: Generation of Business Ideas through Permutation

Each business idea may be a different permutation of some basic elements.

Transition

Given the hostility between Camelot and Virgin, it might be difficult to conceive of collaboration between them, either during a transition period or on an on-going basis.

However, given the cost and risk of the transition to both parties, it might be commercially necessary for them to swallow their differences and work together.

One way that this might happen is that the old and new channels **might** operate in parallel during the transition period, as shown in Figure 3.

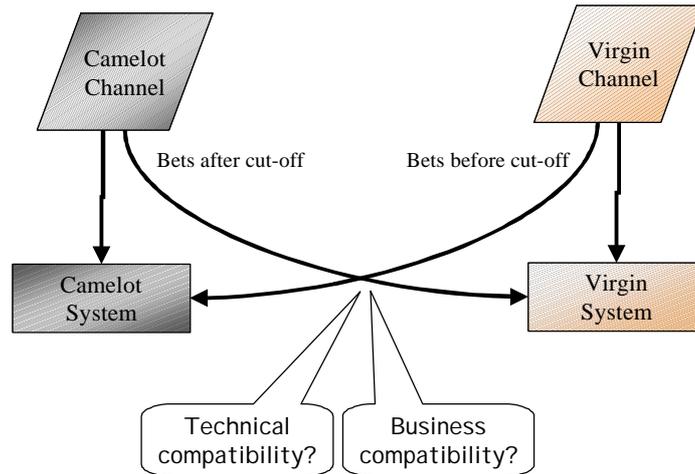


Figure 3: Parallel Operation During Transition

Another possibility is that old and new channels **might** collaborate as well as compete as shown in Figure 4.

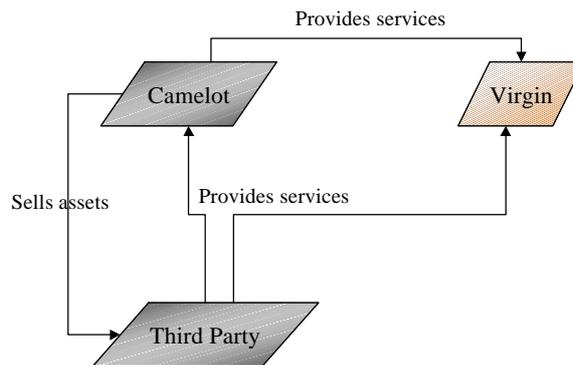


Figure 4: Collaboration After Transition

If it is not politically acceptable for Camelot to provide services to Virgin directly, then the relevant component(s) may be sold to an independent third party, who can sell services back to Camelot and to Virgin.

Ecological View

Camelot Perspective

Camelot initially regards this from the Service Supply perspective.

There is a single customer - the Lottery Commission - which can take away 100% of Camelot's business with a stroke of the pen.

Camelot needs to switch to a Device Supply perspective - then return to a Service Supply perspective at a different level of granularity.

Regulator Perspective

The Lottery Commission apparently regards this exclusively from the Service Use perspective.

No attention has been paid to the Device Use perspective, in particular the question of biodiversity. A single lottery operator represents a monoculture.

Summary

Goal: simple yet striking proposition to players and spectators.

Based on sophisticated technology

- ❖ technical infrastructure
- ❖ data & knowledge management

Simple outside, complex inside - need to establish a good interface

Highly flexible business architecture supports diversification and transition.

Afterword

Camelot won a renewed licence for the UK lottery, and the short-term transition planning outlined in this case was not required.

However, the strategic and ecological challenge for Camelot remains. What will they do next time the licence comes up for renewal?

Source

Prepared by Richard Veryard. Thanks to Will Gee.