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INDUSTRY EXPERTS' CALL-TO-ACTION



Gregg Edgar
Arizona Lottery
Optimizing the Brand



Gary Grief
Texas Lottery
*Lottery Aligns with
the Rapidly Changing
Retail Environment*



Drew Svitko
Pennsylvania Lottery
*Competing head-to-head
with gambling*

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IS LOTTERY READY FOR THE CHANGES AT RETAIL?

Forced to change by unplanned and unexpected outside forces over the past two-plus years, the retail industry successfully emerged from the pandemic by adapting to the needs of its customers. Increased health precautions, curbside pickup, home delivery, touchless checkout – these are just some of the initiatives that were created and/or grew to help solve the issues faced at retail.

How has lottery kept pace with these changes? Did the industry modernize and change the way it conducts business to match its retail partners? And going forward, what are we doing to make sure that lottery stays aligned with its retailers and doesn't get pushed aside by other consumer product sectors that are driving progress and innovation at retail?

Delving into these and other critical issues was a panel led by

Gary Grief, Executive Director of the Texas Lottery. Gary was joined by:

Michelle Carney, Vice President Global Lottery Marketing, IGT

Maxwell Goldstein, Vice President Sales - Americas, Carmanah Signs

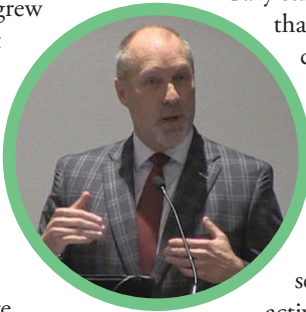
Michael Martin, Vice President, Retail

Solutions, Scientific Games

John McCormack, Vice President, Operations, Intralot, Inc.

Ryan Mindell, Lottery Operations Director, Texas Lottery

Terry Presta, Head of Business – North America, Abacus Solutions



Gary started the session by noting that consumer behavior has changed greatly since March of 2020, often guided by decisions made by retailers. "We now have technologies that reduce or completely eliminate our physical exposure to others in the retail setting," he said. "Contact-less activities such as food and grocery delivery have exploded in popularity. Traditional convenience store lottery retailers have started to pick up the pace and offer alternative means for purchase and modernize on other fronts as well.

"But are we evolving along with our retail partners? We know we must incorporate initiatives such as in-lane purchasing, self-checkout and ticket-by-ticket activation of scratch tickets at the checkout counter. And the retail and digital landscapes are continuing to merge. The question is, 'How will the retail environment be different in the future; and what retail trends from the pandemic will remain and which will fade?'"

Michelle Carney

of IGT kicked things off. "While most retail experts acknowledge that the future is an all-digital experience at retail, until that day arrives, the at-retail experience will continue to evolve," she said. "Merchants are installing solutions like interactive signage, smart price tags, and remote checkout systems, all to enable consumers to have more autonomous shopping experiences. You can now use your mobile device in-store to purchase items and cashless payment is a critical initiative for the lottery industry. The acceleration of technology will certainly impact the consumer shopping experience and how players interact with lottery."



John McCormack of

INTRALOT also sees the growth in self-service options as key to lottery's future. "The one-size-fits-all lottery terminal is being phased out and will



not even exist in the near future,” he said. “Larger retailers, like Walmart, have dictated the parameters for their own self-service terminals and different venues warrant different terminal solutions. A sports-centric venue might not want the same self-service terminal that works for a traditional mom-and-pop retail establishment. While I agree with the importance of cashless payment options, I also think the method for paying at self-service terminals will expand to include payment apps and other technology. Seamless payment transaction is critical to lottery sustainability.”

For **Michael Martin** of Scientific Games, the future is personalization and using data to give consumers exactly what they want. “The player research and retail analytics available to Scientific Games customers is being used to improve their players’ at-retail experience,” he said. “iLottery is far



behind most other industries. Look at Uber, Amazon. They use every piece of data to personalize their interactions and improve the experience for their customers. We have to bring this same business intelligence to lottery, using data to deliver a more personalized player experience. The airline industry is another example we should look to. You use your phone to buy your ticket, get your boarding pass, then see the traffic you’ll encounter on the way to the airport, check in for your flight, and, finally, use your mobile device to board the plane. This works because of the connectivity of devices and systems being

“We can’t maintain the status quo and continue to do business the same way and expect to continue with record-breaking results.”

processed together. It’s where the lottery retail evolution needs to be, and where we are focused on innovation and continuing our ecosystem.”

CHALLENGES AT RETAIL

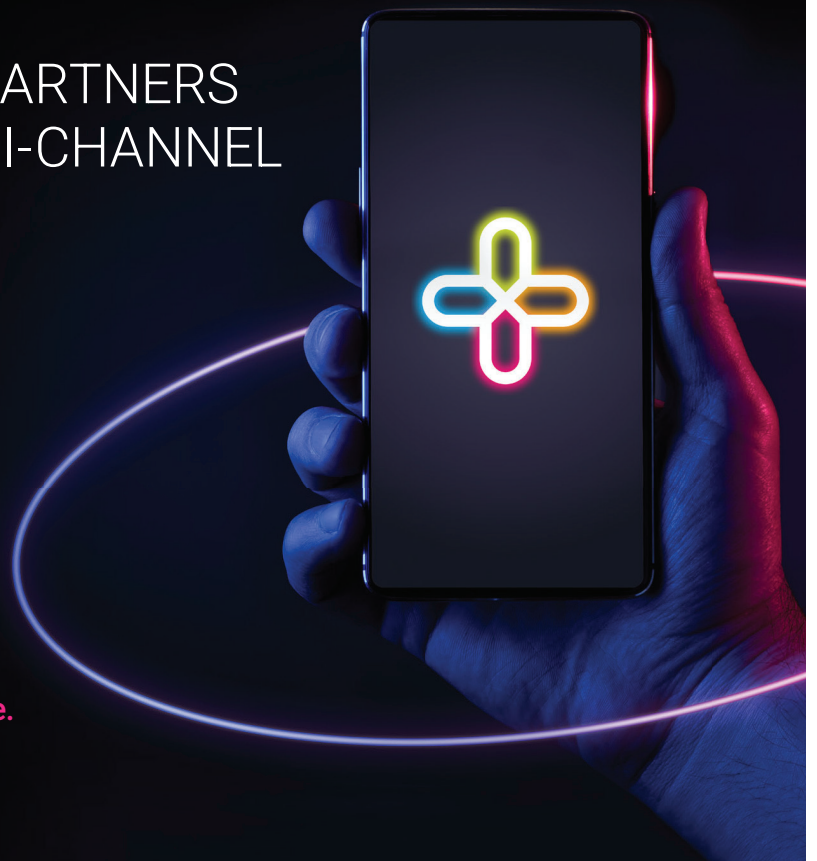
Gary pointed out that some of the issues facing retail are not just the natural evolution of consumer habits, but disruptions brought on by the pandemic, namely the lack of workers. The worker shortage certainly makes the need for technology advancements even more pressing. For more insight into the implications of these changes for the lottery business, Gary turned to vendors who work in the retail trenches every day, honing the technology solutions

Continued on page 32

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that will attract new players and keep lottery sales strong.

Maxwell Goldstein

of Carmanah Signs said that staffing issues are a key factor driving the need for technology that provides players with automated lottery product information. “With about 70% of lottery sales taking place at convenience stores, and those stores having some of the highest employee turnover in the retail industry, lotteries face both a challenge and an opportunity in how they reach and engage their players,” he said. “Carmanah’s solution is to provide high-visibility advertising, such as Digital Menu Boards, Digital PlayStations, and small footprint screens at the point-of-sale. This technology enables lotteries to attract and engage all levels of players – from lapsed or light players to core players. Technology replaces the need to ask a clerk for information while also speeding up the checkout.”



“Traditional retailers are picking up the pace of technology adoption, and there is a need to keep lottery products on a level playing field with other impulse purchases,” says Goldstein. “Advanced digital experiences will assist retailers in serving their customers and will be particularly beneficial for lottery.”

Terry Presta of Abacus said the competitive pressure has never been greater for lotteries, as casinos have continued to grow and offer competing products and content that are starting to erode some of lottery’s player base. “What casinos do much better than lottery is provide winning opportunities and understandable models,” he said. “The casinos take your money and a percentage goes to winnings and a percentage goes to the casino. For the lottery, we keep about 40% of the money wagered and it goes to the retailer, lottery expenses and good causes. Lottery can offer higher payouts and that will drive sales but that doesn’t work for all lotteries. We also need to focus on using our technology to



compete with the casinos and sportsbooks that are taking our players and revenue. These challenges are being addressed and vendors, such as Abacus, have solutions that will help lotteries secure their positions with players.”

Gary turned to his Texas colleague, **Ryan Mindell**, to further expound on how lotteries are working through the retail issues. “The last two years have changed the expectations of our customers,” he said. “If we’re not going to meet those expectations then we’re going to start to fade away. Convenience stores are already exploring ways to create an in-store shopping experience with no clerks. It’s one thing for a large grocery store to provide self-serve check-out. But for a convenience store to explore that level of automation should be a wakeup call for lottery because I don’t think we’re ready to meet those customer and retailer expectations today. It doesn’t mean that we can’t get ready. We just need to start having those conversations.”

“I think retailers are going to impose higher expectations on all their suppliers, including lottery, to bring more to the table. They are under pressure to modernize and they expect us to help them adapt and change,” he said. “I had a meeting with a retailer recently in which we tried everything we could to get an in-lane pilot for scratch tickets. And at the end of the day, we could not make it happen because we weren’t connected to their point-of-sale and so they couldn’t track those sales like they track other sales. It was a nonstarter. It doesn’t matter what liabilities we were willing to accept, what terms, or what business processes we were willing to change. That one piece meant that we couldn’t get there.”

LOCATION, LOCATION, LOCATION

Gary turned the conversation to the physical lottery location and how lottery is presented to consumers. “In a recent study, almost 50% of consumers

said they would rather use self-service checkout in stores than checkout with a live person,” he said. “And that number is even more pronounced for Gen Z and Millennials. The question for lottery is

‘how do we handle this need for change?’ It seems like an opportunity for us to gain new customers but how do we execute on this new situation?”

Max said we only need to look to other countries as a guide. “In the U.K, Ireland and Canada,

lotteries are actively promoting self-service checkout,” he said.

“Carmanah has been working with many lotteries on this because self-service must be accompanied by clear signage that explains the offer and how to purchase your tickets. The big box stores in the U.S. are starting to explore lottery self-service checkout and once someone like Walmart has moved in that direction, you’ll see others follow. In reality, this is how we’re going to stay relevant to a new generation of players.”

Michelle said that while lottery certainly needs to evolve with the changing nature of retail, it is not as simple as just making the products available at a self-service checkout. “We really need to look at the accounting side of our business as well as the business model in general,” Michelle said. “Things like ticket-by-ticket activation and in-lane sales are not easily accountable with our current systems. Tying into the retailer POS has taken many years to get right. Many of these technologies are works in progress, as retailers continue to change their business models.

“In terms of the consumer and the player experience, we need to always talk about mobile, because it is probably the most critical part of the consumer experience,” she said. “Even if you’re not an iLottery state, there is so much that can be done through mobile in terms of player communication and promotions. You can provide content via a lottery app while the player is in the store. Let them know about jackpots. Today’s technology allows for many forms of player engagement, and we need to take advantage of what is available.”

Continued on page 50

However, the Mobile Game Player has the highest % chance for ‘winning’ on Mobile Games at 47%. Now, winning on mobile games may not even be monetary wins, but it appears that still applies to the winning feeling, which is perhaps another lesson learned from this research. Do players actually have to win money to have a ‘winning feeling’, and therefore generate repeat play and ultimately loyalty.

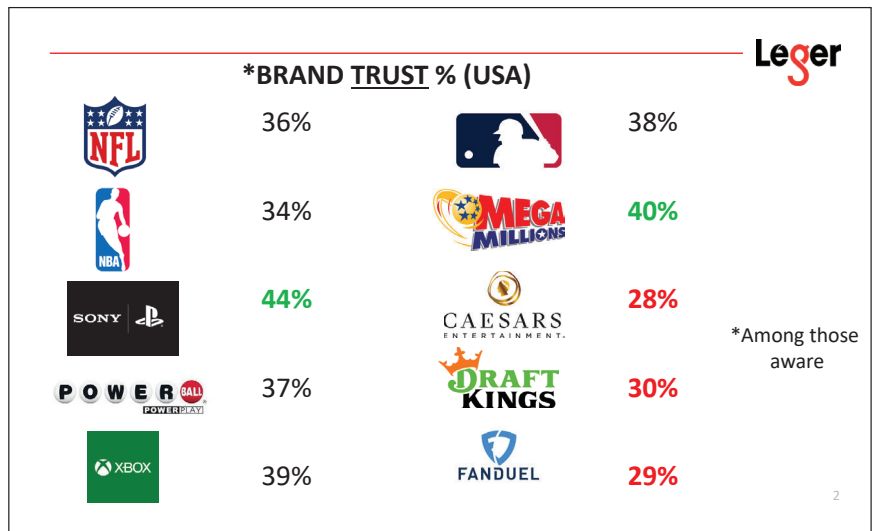
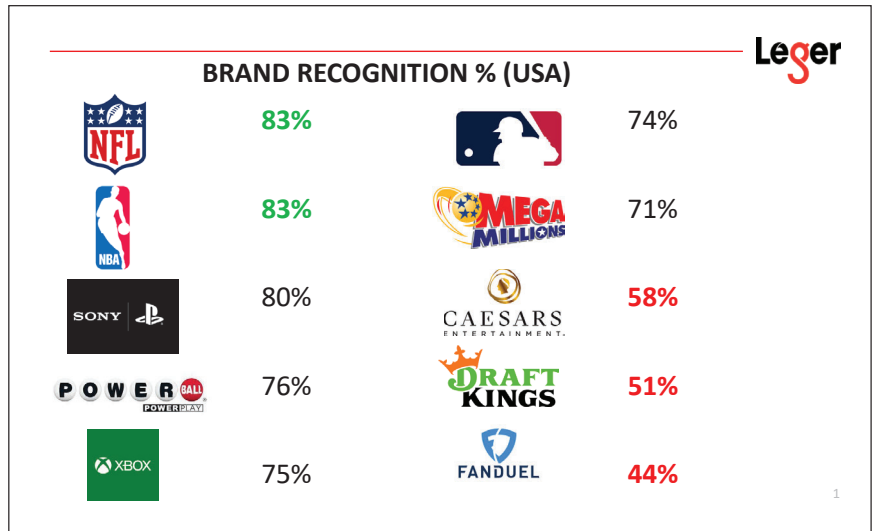
Leger’s insights lead to the following industry questions

- Are we underselling the Powerball and Mega Millions brands, in terms of both recognition and trust?
- Are we promoting winning enough in the Lottery sector, especially Scratch tickets?
- Do Lottery games have enough of a ‘fun’ component to compete with other gaming options?
- Can draw games offer greater levels of fun, with more winners?

All of the data and tables from this research are available for free from Leger’s Lottery & Gaming team. Feel free to get in touch with Simon at sjaworski@leger360.com

Trust me I’m a researcher.

Simon Jaworski, EVP, Lottery & Gaming, Leger USA ■



Is Lottery Ready for the Changes at Retail? continued from page 32

DATA IS KING

Moving to the issue of data analytics, Gary acknowledged that many brands create personalized experiences using shopping habit data. But it can be challenging for lottery retailers to match the level of personalization found at other stores. Gary asked, “What data do you think lotteries find most relevant to use for our purposes at retail?”

Michael said he believes all retail has moved to some form of brick and mortar/digital hybrid and that has forever changed what we know about consumers. “We are thinking more about the consumer and less about the technology and physical location,” he said. “We are partnering with lottery retailers because they have crucial and vast data. Retailers may know how long the shopper lingers in certain aisles, what they are looking at and what they decide to purchase. Using

this type of data for lottery products, we can work with retailers to provide content the players want, and display it in a more attractive, convenient, and effective manner.”

At INTRALOT, John said they are focusing on the data from the digital side of the business and using that to make business decisions. “With digital, we can capture a wealth of data and use it to study player purchase patterns in real time,” he said. “We can say ‘people in this demographic tend to buy these products’ and then tailor promotions and coupons that will drive sales. For true brick and mortar sales, we need to get that data from the retailers. Data is collected by the lottery using vendors’ systems which can then be used to deploy technology and content quickly and accurately.”

Terry said that we should use all tools available and make sure we evolve as retail

changes. “I would challenge people to not totally rely on the existing business model because it will certainly change,” he said. “We should try and continue to improve the customer experience. Can we make the process of lottery purchase easier? It might be as simple as all lotteries offering an app to choose your numbers, which many offer today. Let’s listen to our retailers because they are the ones who interact with our players every day.”

Gary concluded the discussion by saying, “The retail world is not going to wait for us. We can’t maintain the status quo and continue to do business the same way and expect to continue with record-breaking results. We should think about rebuilding our brand with a foundation that’s built on what our retailers and customers need from us. That will be our most successful pathway forward.” ■

