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REFLECTIONS ON A PERIOD OF MAJOR TRANSITION

Sarah M. Taylor, Executive Director, Hoosier Lottery (Indiana)
President of the North American Association of
State and Provincial Lotteries (NASPL)

BLUE OCEAN STRATEGY APPLIED TO THE GOVERNMENT LOTTERY SECTOR

Jeff Anderson, Executive Director, Idaho Lottery





ADVANCING

the Science Inside *Traditional* Lottery Retail

For retailers, connecting with customers in extraordinary times means it is *not* business as usual. Consumer behavior is moving in a divergence of directions as – despite a challenging economy – people get back in their stride. And they are not looking back at the world as it was before the global pandemic.

The \$346 billion global lottery industry has grown to one of the biggest consumer products on the planet. With lottery games driving retail traffic and market baskets, retailers are focused on delivering the in-store experiences consumers expect and it's reshaping how lottery products are marketed and sold.

At Scientific Games, data continues to be a constant in developing solutions that help lotteries and their retailers stay in step with consumers, and those experiences can reinvigorate brand engagement.

"Our global teams understand consumers. We use consumer data to continually make the physical lottery retail experience better, we listen to retailers and collaborate on solutions to support what's happening in their stores—because it's already different from last year. Brick-and-mortar is just one part of the lottery ecosystem, but it's currently the core of lotteries' revenues," said Michael Martin, VP of Retail Solutions at Scientific Games.



Michael Martin
VP of Retail Solutions

Finding Consumer Connections

On-the-go purchases and out-of-home experiences are making a strong comeback – a top 10 consumer trend this year. As consumers establish new routines, 39% of those surveyed globally by Euromonitor said more of their purchases would be in person.

"Our digital menu boards help lotteries meet shoppers in the moment. The boards are now using real-time information to adapt to what's

selling, what's not selling, and lotteries can refresh what's on the digital screen so it doesn't become wallpaper in the store," said Martin.

Creating brand connections with a dynamic, digital board featuring lottery games is an attractive, modern touch that also meets the here-and-now top 10 trend of "sparking joy" when the shopper spots their favorite game or licensed brand.





But to engage players, digital menu boards require more than just displaying 4x4 game artwork. The board should be dynamic so it updates regularly, and it should feature large, clean game images, colorful backgrounds, and movement on the screen.

“Digital menu boards are currently being utilized in 12% of our retail network. Having our products displayed on these boards has provided a dynamic and seamless experience for our players and retailers while also providing a substantial lift in sales at each location,” said Abby Morgan, Director of Marketing and Product Development for the Oklahoma Lottery. “With the modernization of our approach on display, we are positive that we’ll see continued success as we are able to add more digital menu boards throughout the network.”

Automation is Part of the New Journey

Retailers are reimagining the customer journey, and in 2023 automation plays a leading role behind the scenes creating organizations with fewer out-of-stock rates and a better-trained and trusted workforce empowered by real-time data.

Automation also enhances the consumer experience. Although most customers like a blend of automation and human interaction, Retail Dive’s 2023 Future of Retail report shared that 73% of consumers actually prefer that local retailers use automation in at least one area of their shopping experience.

At lottery retail, that automation is SCiQ. Now in the top seven North American convenience store chains, the company’s revolutionary SCiQ technology helps create a retail ecosystem developed in response to consumer and retailer demand. Always using data as the backbone to modernize the lottery category, the technology provides real-time inventory tracking both at the individual store level and chainwide – an industry first.

SCiQ’s digital menu board keeps games visible to shoppers and the auto-dispensing bins keep them secure from theft. Retailers benefit from easy shift reporting and automated out-of-stock alerts.

Kevin Howell, Director of Lottery for Par-Mar Stores, said “I really like the visual aspect of the dispensers. They are eye-catching and customer friendly. I also like the reporting so we can see where the out-of-stocks are because tickets aren’t sold out of empty bins. I am pleased that all managers in the stores where SCiQ has been installed love them, and visiting managers want one in their store.”

Retail Dive’s report indicated that 44% of consumers want an automated tool to check product information or inventory. SCiQ lets them know if a game is in stock without asking a retail staff member, who would then have to stop what they are doing and manually check.



It also allows the customer to experience lottery their way and at their own pace.

Larry Vertal, North American Age Restricted Product Manager for Circle K, said, “SCiQ gives us the tools to be a best-in-class lottery retailer. We now use analytics to track our lottery sales and inventory, while also creating friendly competition within the business to drive improvement. Circle K has seen the successes of SCiQ through a faster and efficient sales process, which paired with inventory management, has led to greater customer satisfaction.”

Expanding to self-service, SCiQ’s performance is also proving a significant opportunity to increase profits.

Partnering with multiple lotteries and retailers, Scientific Games has deployed a total of 4,500 Powered by SCiQ ecosystems in the U.S. with more than 125,000 camera-based instant game dispensers and fully integrated digital lottery displays.

“With the enhanced player attraction, ease of use and actionable data; our SCiQ ecosystems offer, we have noted sales increases ranging from 15% to 50% in the first 90 days compared to stores without the solution,” shared Martin.

In Step with Consumers



In 2016, when Scientific Games introduced *PlayCentral*, it was the lottery industry's first payment card industry (PCI) compliant player self-service technology. At the time, the National Association of Convenience Stores reported that 40% of convenience store transactions were credit and debit card purchases. Today, it is more than 73%.

PlayCentral self-service machines initially launched in Pennsylvania, winning the company Walmart Services Division's 2019 Supplier of the Year Award. Today, there are more than 13,000 units at lottery retailers across the U.S. The technology recently debuted in Canada to serve Atlantic Lottery players and it is being piloted in Germany.

Now the company has added *SCiQ* technology to these powerhouse self-service machines, bringing all the advantages of *SCiQ* to *PlayCentral*. Offering both draw and instant scratch games in an online shopping cart purchase experience, the flagship machine features up to 40 instant games – and now, advanced software that helps connect data.

Always aligned with its players, the Pennsylvania Lottery has deployed *PlayCentral Powered by SCiQ* at retailers throughout the state. Locations with the advanced machines saw 19% sales increase 90 days after installation vs. the previous 90 days.

Cashless is King

The number of cashless purchases at retail continues to increase, and the average lottery basket size is more than 50% higher than cash purchases. Cashless is also bringing new players to the games. And it is the reason Scientific Games has continued integrating cashless solutions across the company's entire line of retail technology

"We are ensuring that our products for brick-and-mortar retail are built to adapt to the current environment while looking to the future," explained Martin.

With more consumers joining the 'cashless' economy, in less than a decade the number of Americans who go cashless has increased by double-digits according to the Pew Research Center. Today, 41% of Americans say none of their purchases in a typical week are paid with cash.

And with consumers glued to their mobile phones – sometimes even while shopping in-store – it is no surprise that 79% of consumers make purchases directly from their mobile devices.

Most recently, the Pennsylvania Lottery reached \$1 billion in retail cashless sales since cashless launched in the state.

"The Pennsylvania Lottery recognizes that the world is evolving into a cashless society," said Pennsylvania Lottery Executive Director Drew Svitko. "As part of our modernization efforts, all our vending equipment and point-of-sale terminals are expected to offer cashless options within 18 months. Cashless payment options provide great convenience and player engagement, but also drive responsible growth, which drives profits to support programs that benefit older Pennsylvanians every day."



Where Data Comes into Play

Scientific Games' tech innovations in the physical retail space have empowered the company's ability to create a more informed, data-backed information loop for lotteries – and for future innovation to stay in step with consumers.

"Our analysts make recommendations that help determine things like whether a specific store should have more \$10 and \$20 games and less \$1 and \$2 games," said Martin. "We're using the data to inform what products should be offered and how games should be displayed. Conversely, it informs key products that could potentially hurt business if they were unavailable."

As an example, Scientific Games analyzed market basket data from approximately 70 million purchases from *SCiQ* and *PlayCentral Powered by SCiQ* to better understand which games are purchased together – or not, as many baskets include only one game – and in what order purchases are made. This helps guide, not only merchandising tactics but launch planning and the ideal number of games in the market by price point. And since this level of market basket data is analyzed by specific game, the interaction of game attributes such as playstyles, themes, or specialty prize structures can also be assessed.

This kind of data can also be applied to a loyalty program, allowing the lottery to connect with players interested in specific games or combinations of games, and offer extra loyalty points.

"As business intelligence practitioners, we see great value when multiple datasets from our different systems are integrated. This leads to insights that can influence stakeholders at retail and enables the systems to work smarter," said Cameron Garrett, VP of Analytics and Insights for Scientific Games. "Connective data creates so many opportunities, but the major opportunity is optimizing product at retail."

Empty instant scratch game bins result in disappointed players and a direct, quantifiable reduction in potential retail sales revenue for lotteries.

"We estimate that lost sales are approximately 5% of total retail sales at the counter, and more than 10% at self-service machines due to out of stocks," explained Garrett. "We as an industry have a real opportunity to re-capture multi-billions of dollars in lost sales annually. As self-service continues to ramp up, ensuring healthy inventory levels and focusing on product mix becomes increasingly important."

The future represents a world where lotteries must have smart, integrated and actionable ecosystems. Benefitting from this data may come in many forms tied to such an ecosystem but should consider all of the retailer touch points—from inside telesales to the tools that lottery sales representatives use for guidance, to the behind-the-scenes algorithms that empower logistics decision-making.



How Can I Help You

The quintessential retailer greeting is service-focused, but advances in the use of data have propelled customer relationships and brand interaction to new heights.

Anticipating consumer behavior – mining data for purchasing patterns and combinations of products – helps increase profitability through cross-selling, promotions or even the placement of games on digital menu boards and self-service machine screens.

"It's all about connecting with consumers, convenience and speed of checkout, and it's our job to bring the most modern experience to players at brick-and-mortar retailers. Again, this is just one part of the ecosystem, but from a lottery revenue standpoint brick and mortar is the most critical," shared Martin.

Scientific Games is committed to the science inside lottery retail. More than a high-level view of consumer connectivity, the company is digging deep into data from all areas to help lotteries and their retailers sustain success.



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For more information, contact
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SOURCES: Convenience.org Euromonitor International's Top 10 Global Consumer Trends 2023 Report; Pew Research Center; Retail Dive

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The Science Inside the Connections



AWARD-WINNING
CRM programs

30+
iLottery customers globally

587.2 MILLION+
online loyalty entries representing
\$3.2 BILLION+
in retail value

Scientific Games' enterprise gaming platforms deliver the industry's most engaging games and promotions, and rich data that can be used to connect digitally with players and responsibly foster growth.



The Science Inside the Sale



Leading
CASHLESS SOLUTION
in the U.S.

The only provider offering an
IN-LANE SOLUTION
for both instant and draw games

PlayCentral Powered by SCiQ
self-service terminals experienced a
16% INCREASE IN SALES
in a top performing U.S. lottery

Scientific Games' ecosystem of innovative retail solutions ensures that the right products are in the right place at the right time, exceeding the high expectations of today's retailers and players.



CRACK THE CODE

Give your players exciting new game options!



Contact your Scientific Games representative for details.



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