Conference Round Up
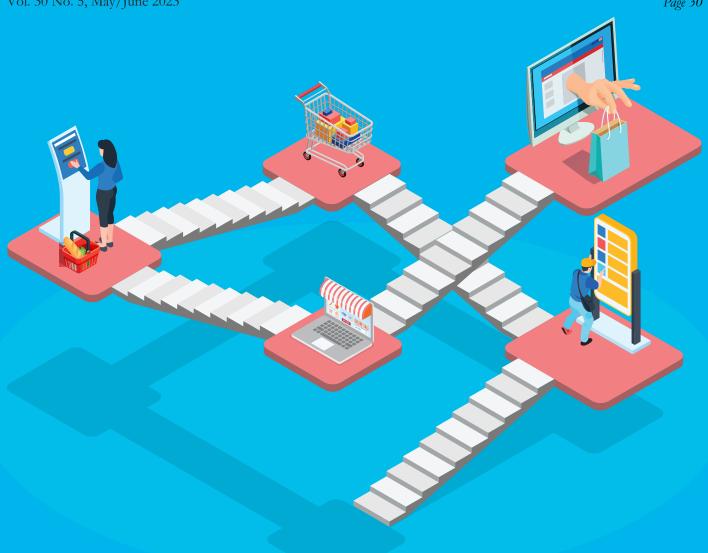
1st Quarter Sales Report

Adapting Lottery for Modern Retail: A Global Perspective

Self-checkout • **Ticket Delivery** • **Instants In-Lane** • **Digitizing Retail**

Adapting Lottery to Modern Retail Innovation

Picture yourself in a busy convenience store as the delivery truck arrives at 10:00 a.m., right on schedule. The truck carries 20 to 25 plastic bins, each standing two and a half feet tall and containing everything from candy to cigarettes. Within two hours, store clerks will stock the products onto shelves. But if retailers can be this efficient, why are instant scratch game displays sometimes empty for weeks?

"Because before *SCiQ*, there was no store-level daily reporting and no set process for lottery game replenishment," said Burbank Herndon, VP of Sales, Retail Solutions for Scientific Games. Information is the lifeblood of modern retailing. It gives retailers the status of every product category in the store. If a product is not on the shelves, management can quickly contact the store's staff to restock. However, the lack of real-time updates on scratch games costs lotteries.

"Lotteries need to communicate with retailers in a way that's already ingrained in their operations," explained Herndon. "By learning the retailer's language and understanding their environment, lotteries can optimize sales."

SCiQ, a retail technology ecosystem from Scientific Games, offers unprecedented real-time reporting, inventory, marketing, accounting, and operational efficiencies, and improves in-store display and security for scratch games. The system works independently with any gaming system. *SCiQ* sends retailers reports highlighting their store's lottery sales and inventory performance and ranks stores within the chain, which motivates managers to take action when their store is underperforming.

"[*SCiQ*] is so easy. Before, we had to count every single ticket after every shift. Now we just have an automatic email that goes out. Everyone immediately knows how much we sold for the day. That's it. It is instantly done," said a Shell Manager in Maryland who has *SCiQ* in her store.

This data-driven approach also helps lotteries understand their local market better. For instance, the industry has long prioritized low out-of-stock percentages for scratch games, but *SCiQ* data has revealed a more important focus. "*SCiQ* tracks individual game sales and knows the sell rate of that game at each store," Herndon said. "To drive revenues, it is essential for the fastest-selling lottery games to be full at all times."

> Since SCiQ units were installed, Casey stores in Illinois experienced up to a 31% increase in instant game sales, depending on the store. In 2022, instant game sales at high-performing Circle K stores with SCiQ grew 30%. All stores where SCiQ was installed in Illinois consistently reported an average of 10% higher instant game sales over stores without SCiQ.

Prepared for Continuous Change

SCiQ seamlessly integrates with the existing retail management framework, and it allows lotteries to better prepare for continuous challenges and changes in today's market, including the need to keep their products relevant and visible to consumers. Priorities are sometimes conflicting.

One challenge is lotteries risk losing countertop space as large retailers push front-of-store re-designs with streamlined, high-tech countertops where traditional instant game displays may no longer fit.

SCiQ is a modern solution with its dynamic monitor positioned on or above the checkout counter, allowing spotlights for featured games and new games. Soon, *SCiQ* will offer stores promotional opportunities on its monitors, like 'Buy a $20 game and get a frozen drink'.

Another challenge is the growing popularity of self-checkout. While the lottery industry has focused on in-lane sales, most consumers are funneled to self-checkout areas in grocery formats where up to 70% of sales now take place. Unfortunately, most grocery stores aren't selling lottery at self-checkout,

Scientific Games is working to integrate *SCiQ* with self-checkout units in the grocery and mass merchandise space and will test it in a live retail environment this year.

But retailer acceptance is the biggest hurdle for the widespread adoption of lottery sales in self-checkout systems. They must be confident that the integration will not slow down their processes or require excessive employee training.

As staffing continues to impact retailers of every kind, convenience stores are now introducing self-checkout. "Lottery sales are decreasing by at least 20% when convenience stores introduce self-checkout," shared Herndon.

It's why Scientific Games is also implementing *SCiQ* in convenience stores with self-checkout, providing digital menu boards where space is limited. Players can see that instant games are available for purchase, and the retailer can track sales and inventory.

Ability to Adapt is Crucial

Lotteries face continuous changes in consumer trends and the retail environment with less countertop real estate and the profusion of self-checkout systems, as well as newer concepts like Buy Online, Pick Up in Store (BOPUS) and cashierless stores. But *SCiQ* is poised to be the cornerstone, sustaining the continued success and expansion of the lottery category and sales performance. By December 2023, *SCiQ* installations in the U.S. are on track to more than double.

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