



Retail modernization and Optimization: Applying the most progressive tools, methods, and 'best-practices' to drive sales at Retail

As the Florida Lottery's Deputy Secretary of Product and Sales, Justin Rock keeps his eye on all trends that might impact his state's industry-leading sales. While COVID initially looked like it would negatively-impact business, the Florida Lottery, along with most lotteries across the country, emerged stronger than ever. But challenges continue to emerge. "We work in a business where cash-based transactions are incredibly important. Yet more and more, other industries, including some of our channel partners, are going cashless," he said. "Our largest retailer, Publix, which makes up 20% of our sales, has added self-checkout which seemingly contradicts their brand philosophy of customer service. Racetrak and Circle K, other important retailers, are also adding self-service. What does this all mean for the future of lottery? How will lottery continue to thrive when so much is changing at our retail locations?"

Helping Justin answer these and other critical questions was a panel of lottery veterans:

With almost ten years in the lottery industry, between DC Lottery and NC Lottery, **Frank Suarez** sees the overall

Jay Finks, Executive Director, Oklahoma Lottery

Maxwell Goldstein, Director of Sales & Marketing, Carmanah Signs

Burbank Herndon, Vice President Sales - Retail Solutions, Scientific Games

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

Frank Suarez, Executive Director, DC Lottery

modernization efforts at retail as a call to lottery to change with the times and perhaps gain new audiences. "We always talk about evolving our games and methods of distribution to appeal to the younger players and that group is used to not interacting with people for their retail purchases," Frank said. "They buy online and use self-service at retail. Some of the newer lottery vending machines are exactly what this new generation of players is seeing in other purchasing experiences. We need to continue to work even more with our retailers to modernize lottery to align with the expectations of next generation consumers and with the way consumer

packaged goods marketers are meeting those expectations. Single ticket activation, for instance, is one step in the right direction as it allows us to position lottery products anywhere in the store. We just need to meet the retailers' expectations and make it easy for them to sell lottery."

Burbank Herndon helps lead the Retail team at Scientific Games that works through these retail-related issues every day. The issues can be challenging but he said they are solvable. "As an industry, we've done a good job of providing a vending machine that works within the retail environment," he said. "Easy to understand, smooth purchase, quick in and out of the store. Instead of coming through the checkout lanes, the player purchases their lottery tickets on their own in the store. We have to continue to invest in self-serve technologies. Add more bins, add debit and credit in states where it's legal, add accessible selling features. I agree that adding in-lane is important, especially when the largest grocery store chains are telling us that up to 70% of their business is now self-checkout. We have seen that when convenience stores add self-checkout, lottery sales drop because the consumer doesn't see lottery games at the counter and the retailer has not enabled lottery purchases through the new technology. These issues have to be solved quickly

Continued on page 34

and we're working on the technology that will allow lotteries to move as fast as the retailers to ensure that new ways of playing the lottery are as appealing as the traditional clerk-assisted ways."

As the Lottery Director in Oklahoma, and Marketing Director before that, **Jay Finks** works closely with his state's retailers. While he has seen much change in the lottery industry, he believes more is needed. "We all need to challenge each other – vendors, lotteries – to stay relevant," he said. "Our industry has always been accustomed to taking more time to change our methods and we need to learn how to move faster. In Oklahoma, we're embracing self-service and working with our top corporate chains to make sure lottery is always a priority. Ultimately, we need to get lottery into self-checkout, but our current self-service machines are filling a gap that will get us there."

Justin continued the discussion about multi-store corporate accounts. "There is so much change in the corporate world and lottery has to be flexible in dealing with the natural ebbs and flows of private commercial business," he said. "7-Eleven acquired Speedway which was the biggest acquisition in that sector's history. Kum & Go recently sold its business. So the corporate sector is constantly evolving and lottery has to evolve along with it. They want to grow value and if lottery doesn't provide that, we'll lose to other products that can. And that means implementing modernized methods of merchandising and supporting the retailers."

As a provider of in-store marketing technologies that help lotteries attract customers and increase sales, **Maxwell Goldstein** said he and his colleagues at Carmanah Signs work with lotteries to modernize retail and boost player engagement. "Lotteries like OLG are working with retailer partners such as Circle K to make investments in communication at retail using Digital Menu Boards and Digital PlayStations, putting lottery front and center instead of being hidden," he said. "For these large retail chains, it's about future-proofing by investing in technology that improves the in-store experience and keeps them competitive. It's also about meeting customer expectations. A robust digital communication platform enables automated, highly targeted messaging to any screen, anytime, anywhere."

Abacus is at the forefront of providing lottery retailers with in-lane technology that allows lottery to keep pace with retailer changes. But like most modernization projects, it comes down to money. "Most retailers are worried about keeping up with the latest technology," **Terry Presta** said. "Technology is moving fast and it's expensive. So in the end, whoever has the most capital usually wins the technology race. What this means for the future is that consolidation will continue, and the remaining retailers will be bigger and better financed. For lottery it will be good news because we'll have fewer units with higher sales per location. I think this is a positive for lottery in the long term."

Burbank said that with any retailer, but particularly those impacted by mergers and acquisitions, it is important to see how lottery is managed. "We need to make sure that with any changes, lottery is still considered a product of importance," he said. "Do they have games on the counter? Are the games easy to see on the wall behind the counter? Walk up to the counter and ask yourself 'O.K., I'm three feet from the register. Do I see lottery easily and clearly?' Too many times I've seen the lottery get pushed aside when there are changes, moved off a counter or on the counter facing the bathroom. Even if the retailer is independent, we need to make sure lottery is their priority."

Walmart is an example of a corporate account that has drawn almost every lottery and vendor's attention, as their presence across the country is so pervasive. But it can be complicated working with such a large enterprise. "Walmart is so big and wide-reaching that the lottery industry created a vending machine just for them," said Frank. "Given the specifications of Walmart, the machine is short and hard to see but it's what they wanted. To me, this is the potential risk of consolidation in the industry – you begin to lose your impact. You might be in a state with just one corporate retailer and a few smaller chains which allow you to place more POS. But then they begin to consolidate, get bigger, to the point where lottery is just another product. My feeling is that the entire industry needs to act together when we are dealing with large retail groups. We did it with Walmart for things like settlements and instant ticket accounting. Let's continue to work together because

it's only going to get more complicated as consolidation inevitably continues."

Jay agreed, especially because Oklahoma has a strong corporate presence. "We've seen the corporate stores grow from 35-40% of our stores and sales to 50% of our stores and 65% of our sales," he said. "That has caused us to assign our people in the field to corporate accounts to build the relationships. Since COVID, we've had strong leverage over these accounts because lottery basically helped them survive that period. We have a number of corporate retail executives tell us that they are making money on gas and lottery but losing money on food. We need to take advantage of this position because the corporate stores are now in stronger positions than the independents."

In the spirit of an evolving landscape for lottery, Justin moved the conversation back to in-lane. "In-lane is still a relatively young feature for the U.S. lottery industry," he said. "In Florida, we're going on two years of our in-lane project and I see it as an investment in the future. But are our efforts to provide efficient, consumer-friendly retail solutions moving us in the right direction? Are they perhaps a stopgap between the traditional and digital versions of lottery? I believe in the in-lane technology, but I'm interested in how everyone else feels about it."

Obviously, this is a topic in Terry's wheelhouse. "So much is changing right now, and lottery needs to keep pace," he said. "At Abacus, we have seen the move to in-lane coming for many years as it really began in Europe well over a decade ago. We have been working with retailers to make sure we are offering them solutions that work for them. Their customers don't want to go to the customer service desk to buy lottery? Well, it needs to be in-lane. No matter the size of the retailer, we have solutions that will answer their needs and the direction they are taking their customer-focused technology."

Carmanah is no stranger to in-lane, as they have been involved in virtually every install of in-lane lottery signage, working with early adopters in Europe and Canada for over a decade. "As Carmanah provides the signs that attract and inform players, we have deep insight into global best practices for advertising at the point-of-sale," said Maxwell. "In order for in-lane to work,

visibility at the checkout is paramount. Lottery studies have shown jackpot communication, via Jackpot Signs or networked Digital Signage, to be a critical part of successful in-lane programs. Carmanah is working with all solution providers to expand lottery retail networks and generate more revenue at the point of sale.”

Jay concurred that alerting players to what is available is critical, no matter where the product is located. “I’ll go into a retailer that has always had lottery on the counter but now there’s something in front of it,” he said. “So we ask them ‘how about we hang a 43” monitor over your counter and we’ll reload your digital screen every few months when new games are issued?’ Our big push is digital. Whether it’s our app, which is now the only place that players can find a play slip, or menu boards which can carry our important messages. It’s all about breaking through to players.”

In D.C., the lottery is pushing out new vending machines and trying to provide players with as many digital options as

possible. “Our new vending machines almost mimic the experience players have on their mobile devices, making it easy for the players to migrate from one channel to the other” Frank said. “To expand our player base, we believe we need to provide the player with choices, whether they are at home or in the store. Going cashless will also help. We need retailers to accept debit cards for lottery as they do with almost every other product. All these small changes will make a big difference as we try to attract players who have spent much of their lives online.”

Burbank urged lotteries to get to know the people on the ground with lottery sales. “We’ve seen that when you actually walk a retailer through what is available to them, it makes a big difference,” he said. “The employees who work the counter tend to do everything a certain way – they balance a certain way, open the stores a certain way, close in a certain way. But as you move up the responsibility chain, you reach people who can impact change. Meet the corporate person in charge of lottery

and talk with them, show them the sales reports and demonstrate how replenishing bins can drive sales. Then you can start working with them on the technology that will really improve lottery for them. Maybe it’s adding a vending machine or in-lane to a self-service area. What starts with a conversation can lead to important growth of your accounts. And that then results in an increase in lottery revenue.”

Wrapping up the discussion, Justin pointed to the examples of companies in other industries who failed to follow trends and modernize, and are now just distant memories. “Look at Polaroid,” he said. “They were a leader in the point, click and shoot cameras with more than \$3 billion in annual revenues in the early 90s. Then digital came around and by 2001, Polaroid had declared bankruptcy and sold off its assets. The bottom line is that change is difficult but as the retail environment continues to evolve quickly, lottery must change with it. We owe it to the good causes that we all support.” ■



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