The Future of the in-store shopping experience

L to R: Tom Seaver, Jason Barrs, Tonya Beenders, Amy Drooker, Michael Martin, Terry Presta, Justin Rock

The world may be changing at a dizzying pace, but Lottery's relationship with retail remains essential to sales success, with around 90% of revenue coming through stores last year. But what challenges will that relationship face from new technology, business models, and competitive channels? And what actions can lotteries and vendors take to optimize partnerships with retail and go from strength to strength?

Moderator **Tom Seaver** (Executive Director of the Colorado Lottery) led the discussion with a panel of experts from the lottery and vendor communities. Alongside Tom were panelists:

- **Jason Barrs,** Senior Vice President Global Sales & Business Development, Carmanah Signs

- **Tonya Beenders**, Chief Sales Officer, Missouri Lottery

- **Amy Drooker,** Vice President Chief Revenue Officer, Kentucky Lottery

- **Michael Martin,** Vice President Retail Solutions, Scientific Games

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

- **Justin Rock,** Deputy Director of Product & Sales, Florida Lottery

Tom began by inviting the panel to highlight their key takeaways from the prior conference discussions about the relationship between retail and Lottery. "We keep talking about retail as if it's one entity," **Michael Martin** responded. And it's just not. Retail has so many different facets, strategies, and components. Some stores are all about speed to keep creating space in the parking lot for the next customers. Others focus on being a destination, dwell time, and creating an in-store experience that will get people to stay. So, we have to approach retail flexibly; it's not one size fits all, and we have to adjust and adapt accordingly."

Similarly, **Tonya Beenders** stressed the importance of understanding each retail partner to enable mutually beneficial collaborations. "We talk about KYC—know your customer—but it's also essential to KYR—know your retailer. Every time we face a decision, we should put ourselves in the retailer's shoes and think about what's in it for them and how we can help them be more profitable."

Thinking about retail innovation, **Terry Presta** pointed out, "Innovation can be more than technology. It can be design or tactics. But often we still only have one lottery terminal and maybe one vending machine in a superstore. So, we're losing sales at peak times or when there's a big jackpot when lots of people want to buy tickets, but they haven't got time to wait in line. And when you've lost that sale, it's lost forever. So, let's change the design so we've got Lottery everywhere."

Justin Rock also reflected on how some retailers are increasingly prioritizing vending machines. "It's scary for us because we're so used to doing business at the counter with customer service. But we've got to adapt because lots of retailers are looking for different ways to integrate Lottery into their stores."

> **"Every time we face a decision, we should put ourselves in the retailer's shoes and think about what's in it for them and how we can help them be more profitable."**

Addressing the future of lottery sales, **Jason Barrs** highlighted the importance of continuing to value partnerships with retailers. "Lottery revenue last year was around $108 billion; sports betting was about $7.5 billion but growing 75% year-on-year. Currently, about 90% of Lottery's revenue comes through retail channels.

We need to continue to treat our retailers as the valued partners that they are and come up with innovative solutions together so that we are generating digital sales with and through retail media networks."

Moving on to retailers' attitudes toward Lottery, Tom asked the panel to comment on changes that they've seen and how they are adapting to those changes.

Responding first, Justin drew distinctions between two categories of retailers. "The independent retailers love Lottery and are really willing to work with us on any ideas we have that could grow their business because they are under threat from the big corporate super retailers which are putting downward pressure on the independent retailers' percentage of sales or market share. On the other hand, those corporate super retailers are also great partners. But Lottery is not as important to them, as it doesn't fit in as well with their overall model and strategies."

Amy Drooker agreed with the distinctions between those two categories of retailers but added that, in her experience, the big chain stores are "also really open to discussing different options for collaboration." She also shared her perspective on retailers' attitudes toward iLottery. "There's a common misconception that retailers don't like iLottery. Actually, they understand that it's wildly growing, and they want to be connected into that. They want to get a piece of the iLottery pie." Amy also argued for involving all stakeholders right from the start when formulating a digital strategy "because that's the best way to ensure that the eventual strategy is executed effectively for everyone's benefit."

Jason described STRATACACHE's approach to measuring customer traffic at a large U.S. grocery chain. Sensors are placed in carts and baskets, along with counters installed at doors, that map each customer's journey throughout thestore while quantifying dwell time and engagement. A unique session ID is created, which can then be matched against the grocer's transaction data and loyalty program. "This allows us to measure the store like you would a website, looking at how many impressions a screen gets and comparing against transactions," said Jason. "We can look at how many people visited a display, how long they stayed, where they came from, and where they went next. These insights inform decisions about store layout, allowing the retailer to move products around to monetize real estate. And if the customer swipes a loyalty card, the retailer can upsell through targeted advertisements online - creating a true omnichannel customer journey that provides value to both the retailer and the consumer."

Tonya celebrated the "very, very good relationships" that the Missouri Lottery has with its retailers, which helped when negotiating a significant increase in the number of self-service vending machines across the state. However, she also highlighted some challenges encountered following that expansion. "New vending machines require retailers' staff to stock them. And they've faced problems with labor shortages or clerks not showing up or not doing their jobs. So, we need to work out solutions to keep our machines full and switched on."

Turning to the role of the clerk in Lottery, Tom asked the panel how they saw that developing in the future. Michael emphasized the ongoing importance of both clerks and store managers, who are responsible for keeping tickets loaded and displays updated. "If the clerks and managers aren't engaged," he said, "then we're all going to struggle."

Amy stressed the importance of providing clerks with the support they need to sell and process lottery tickets. "We need to give retailers lots of training videos and have QR codes on the vending machines

"Being able to incentivize our sales force is a game changer for me."

that show clerks how to deal with the most common problems. We have an abundance of resources for retailers on our website, and we need to support them however we can."

Terry made the case for using technology that prioritizes the customer experience and gave the example of Jackpocket, which identified that many customers want to buy at retail but order through an app. "Jackpocket met that demand with a an app that delivers what those customers wanted. And that's probably why they're the number one retailer in every state they're in. So, retailers who are making decisions about self-checkout need to work out what their customers want, and the answers will differ from place to place."

Referencing the idea that modern customers are increasingly focused on shopping speedily, Tom asked, "What can we do to try to make sure that quick visit includes an interaction with the Lottery?"

For Tonya, the key issue was product visibility and the quality of the signage and digital menu boards. Similarly, Jason talked about the placement of in-store advertising, recommending it should be right above the cashier's point of sale if possible. Terry agreed about the importance of in-lane jackpot signs to encourage impulse purchases and posed the question, "Why is it that convenience stores are generally outselling grocery stores when they have ten times less traffic? It comes down to signage and distribution points."

Returning to his earlier point about stores' differing priorities, Michael again discussed those experience-oriented retailers that are trying to keep customers present for longer. He also agreed with Jason, "The closer you can get your product to the point of sale, the more you will sell. You want to have the digital displays, the actual products, and everything right there at checkout."

On that theme, Amy reflected on the

different approaches taken by the lotteries of Kentucky and Indiana. "In Kentucky, we have digital menu boards in all of the Circle Ks, and they're placed so that the people standing in line can access them. We've seen the benefits of using digital boards across Kentucky, and in some places they've increased Fast Play sales by up to 76%. But in Indiana, they don't have the digital boards, but they have a tower of four right there on the self-checkout, and it's really engaging. So, we're going to do some testing and maybe add those towers too, so we'll have a mixture of the old approach and the new."

Moving on, Tom asked the panel's opinions on the in-store media that retailers and other vendors try to sell as spaces to promote the Lottery.

Justin responded that gas station TV had been very effective for the Florida Lottery. "It lets you capture that consumer who's not really willing to go into the store for anything else. And you can catch them in a moment of impulse, promoting your product right there at the pump and prompting them to go into the store. The only downside to it is inconsistency and making sure that it's working properly in all the places where you're paying for it."

Jason emphasized the importance of owning and controlling in-store media to achieve maximum ROI. He explained, "Our partners at OLG own and control their retail media network and use it to focus on specific games, showing direct correlation with increased product sales. So, it has been valuable to them, and they're able to control and dictate how they want to implement in-store media instead of having to beg, borrow, and steal time on a retailer-owned media network."

In another example, Jason described recent research results from the North Carolina Education Lottery, "We saw that players were much more likely to try games featured on the Digital Menu Boards. For example, 24% of players at stores with Digital Menu Boards tried Fast Play games in the past six months, compared to just 3% of players at stores without Digital Menu Boards."

Next, Tom asked about the effectiveness of in-store promotions and how they can best be used to generate sales.

Tonya explained how the Missouri Lottery has a limited budget for paid media in stores, but they do use in-store promotions as part of the statewide promotion of new games, such as their recently launched Frogger scratch ticket. "We try to leverage whatever is happening at a statewide level within stores. We get into the stores and 'tryvertise' to expose customers to the product. And it works really well, especially when you have fun brands that create a lot of buzz at retail. For example, lottery sales reps conducted more than 200 on-site promotions at retail with the launch of the Frogger Scratchers ticket."

Justin made the case for offering instant win opportunities as part of in-store promotions. "Instant win opportunities put money straight in the player's pocket and give them that buzz of instant gratification, which is a big part of our business."

Thinking about the visual side of in-store promotions, Michael stated, "Obviously, promotions can only be effective if people notice them. And that's why you need something that's colorful and moves, ideally something digital that changes. And if you can partner with retailers to do a cross-promotion, that's one of the best ways of tying the two businesses together, digital and retail, and really getting people's attention."

Answering Tom's question about how changing retail environments have impacted lotteries' vending strategies, Amy shared the experience of the Kentucky Lottery. "We have a really well-established, robust vending program with around 2,200 machines spread across about 55% of our retailers. Our perspective is that retailers want time and money. And with our vending program, we're basically giving them a free employee. And although we're asking more of them, we're giving them much more too in terms of driving sales and improving their bottom line."

In Florida, the number of vending machines is limited by law, so the Lottery has only placed them in very high-performing top-tier stores. But Justin shared his concern about retailers who only want to sell through vending machines. "It's as if some retailers are breaking up with us. Some of them are telling us, 'It's our way or the highway—we don't need you at the counter, so if you don't want to sell out of a vending machine only, we don't really want to sell.' And because our retailer commission is set by law, we can't even change that when negotiating with them."

Sharing a success story from Missouri, Tonya explained how the Lottery there has traditionally set strict rules for retailers, such as you can only get a vending machine if you agree to take at least two. However, they've recently done a big rollout of vending machines in QuikTrip stores, which saw the retailer agreeing to go from having eight games at the counter to 20 or more. "We have over 5,000 new facings just with that deal," she added, "and QuikTrip's sales are up 30% in their lottery category, which is huge."

Finally, Tom asked the panel about the next big initiatives that they are working on. Responding first, Amy discussed Kentucky's forthcoming "Epic Program," which is about recognizing and celebrating best practices among retail clerks. Echoing Amy's earlier point, Tonya emphasized the importance of "really working on providing retailers with better tools to onboard and train their staff on issues like loading games into a vending machine."

Michael explained how Scientific Games will continue to work with the whole ecosystem to improve retailer collaboration and use data to drive actions and accountability. For Terry and Abacus Solutions, the emphasis remains on bringing Powerball, Mega Millions, and both traditional and digital instants in-lane.

Finally, Justin was excited about a new initiative that could revolutionize sales in Florida. "Being able to incentivize our sales force is a game changer for me. No more just pats on the back, now we can really motivate the team with proper incentives, and that's what I'm really looking forward to." ■