

# Turning LVMs

# Into MVPs

# Part 2



## What makes self-service a win for players, and how can effective execution make a difference?

In fulfilling their mission to generate funds for beneficiaries, lotteries know there is always an opportunity to take a fresh look at strategies to increase player satisfaction and drive sustainable growth.

Self-service optimization is immediately actionable for most lotteries and holds enormous potential upside for lotteries, retailers, and players.

As discussed in Part 1 of this article (PGRI May/June), data analysis by IGT shows that

retail locations with an LVM to complement the sales-counter offering consistently outperform those without an LVM. Based on RMI data for sites that report vending sales, the average weekly lottery sales for retailers with lottery vending is \$11,866, versus \$7,405 for those without — amounting to more than 60% greater sales.

Jurisdictions with fully optimized LVM networks provide roughly one vending machine per 1,000 inhabitants, with a ratio of vending to retail points of sale of about 70%. While the optimal target will vary by state — based, in part, on the trade-style mix — a view across the U.S. lottery market by retailer type reveals the extent of the untapped opportunity to add vending (see orange on graph).

Once you've made a commitment to offer self-service, how do you make the most of it? The mix of instant games stocked is critical.

"This is why we support our customers by first working to optimize the portfolio and product mix before they add or move machines," says Nat Worley, IGT Vice President North American

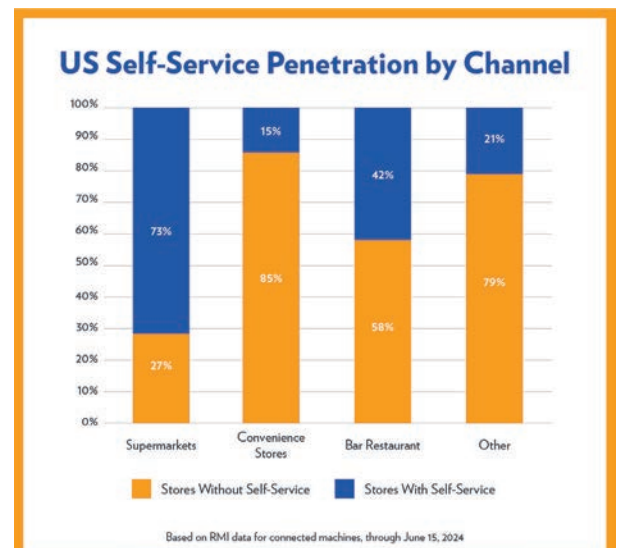
Sales Development. Additional points of sale can only perform best when they offer the games players want to buy. And even when the game mix is right, another important piece of the puzzle is ensuring that LVM bins remain properly stocked to avoid player disappointment and, over time, potential disengagement.

### Optimizing via Space-to-Sales Analysis

Space-to-sales analysis of instant games by price point helps lotteries maintain a balanced

### How Optimizing LVMs Makes It Easier for People to Play

- ✓ Improve player convenience
- ✓ Connect with new players
- ✓ Ensure that the products players find most appealing are available
- ✓ All of which help to sustainably drive sales



offering and make available more of the products players find appealing.

The analysis compares the percentage of sales that come from each price point to the percentage of bins allocated to that price point. If the percentage of bins is much higher or much lower than the percentage of sales, the ratio is out of alignment.

“Beyond missing opportunities, being out of alignment creates extra work and potential problems at retail,” explains Andrew Hill, IGT Director Marketing and Same Store Sales for North America. “If you have multiple bins full of \$X games that are selling very slowly, it means players have lost excitement for them. And if very few bins are dedicated to a price point that’s selling rapidly, retailers constantly need to go in and refill them, which creates many more opportunities for out of stocks to occur — and even opportunities for theft. When bins are more correctly allocated to each price point, it also makes things easier on a lottery’s inside sales team, on their sales force, and on their retailers. And all of that makes the experience better for players.”

IGT’s Sales Development team reviews space-to-sales analysis with lottery customers to confirm what product mix will help players find games they want and produce returns to a state’s beneficiaries.

“When we do rate of sales analysis,” Hill continues, “we look at it from the lottery’s perspective with a focus on lottery profitability.” In addition to the standard rate of sales analysis, the team also analyzes bin profitability — the weekly profit per bin produced for the lottery to return to the state for good causes — informing adjustments to the price-point mix. If there is a price point that players rarely choose, fewer bins are needed for that price point. “It’s common sense to offer more of what players want to buy, and any business would be making a similar move when confronted with that data,” he observes.

Not all lotteries use planograms, and among those that do, not all strictly enforce them. When a lottery sees the space-to-sales data, sometimes the mix of games faced at retail turns out not to be what they intended to display.

“We can look at the penetration data with a lottery and determine the implied planogram,” Hill continues. “If a lottery has an average bin count of 36 games, for instance, then the top 36-most-penetrated games is essentially their planogram — what is actually faced in the majority of the lottery’s retailers. It can be eye-opening to see that, and if that doesn’t align with what a lottery had

expected it to be, that’s definitely a starting point for optimization. Whether or not a lottery uses planograms or even the word planogram, what’s the mix of games they want a consumer to see when they walk into a retailer? We can help lotteries determine that mix and other opportunities with meaningful upside. If they’re adding LVMs, we can help them make strategic decisions on what to face in those bins.”

While lotteries can do this strategic analysis on their own, many like to review it with IGT analysts. “We can share a national or international perspective to help identify relevant leading practices or pinpoint what has worked well in other jurisdictions and bring those successes forward,” Hill notes.

## There’s a Tool for That

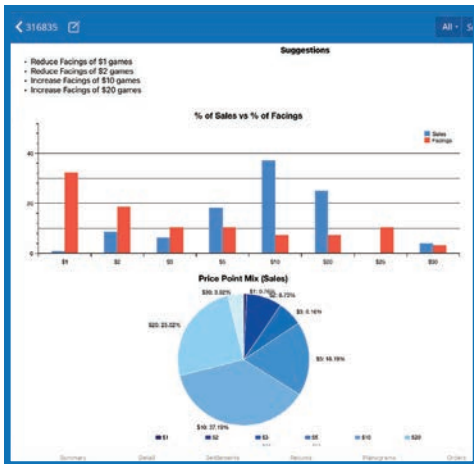
IGT’s Sales Wizard provides Lottery sales teams, including sales reps in the field, with Space to Sales analysis for each retailer. It calculates the percentage of sales coming from each instant ticket price point, compares that to the number of facings a lottery offers at each price point, and recommends increasing or decreasing the number of facings for that price point based on the sales by facing. While not vending-specific, lotteries can use it for vending.

# Space-to-Sales Analysis in Texas

Many stores in the state have 60+ lottery games available at any time. With just under 20,000 retailers to manage, lottery sales representatives in Texas use space-to-sales analysis to customize the Lottery’s price-point planograms for a particular store location. “Space-to-sales analysis helps us create a mix aligned with how players are purchasing at each store. While every store is unique, we can design a plan that is aligned to that part of the city or the state,” says Derek Meier, IGT Senior Manager Order Fulfillment. The Space to Sales function within IGT’s Sales Wizard tool also helps lottery sales reps in Texas work with retailers to face the correct price-point mix.



A key aspect of how the sales team manages the business effectively is the use of the Scratch Sales Summary function in Sales Wizard. This can help reps forecast which games should be removed before a new game launch. Using the validation-based sales data, reps can determine how many packs of a scratch game retailers will sell through before a new game release and adjust the inventory accordingly. You can't return a partial pack; however, you can forecast how many tickets a retailer will sell of a particular game before the new scratch game is launched and remove excess confirmed inventory to allow the game to sell out. This creates room for the new game to be activated as soon as possible.



“There are a number of ways you can take action on that data,” says Danielle Davis, IGT Director of Product Management, Retailer Management and Optimization. “One, am I selling the best games within each of my price points? Two, if a lottery is trying to get retailers to follow a planogram, sales reps can look at the data to see if a retailer is out of compliance, and the suggestions from the tool can guide them to planogram compliance. A third way you can use it is to support bin expansion. For example, if \$X games have fewer facings, yet their overall sales are strong — showing they can support more bins — you could increase those facings. Or you could do a simple swap in/out with another price point.”

The Space-to-Sales screen in Sales Wizard graphically presents analysis of each retailer’s instant game mix and recommendations to optimize (see figure). It also shows the sales per facing by price point, as well as the overall average sales per facing for each retailer. This information has been successfully used by lotteries to help their retailers efficiently right-size their display by optimizing their price-point mix and increasing their ticket facings.

## Minimizing Out of Stocks (OOS)

Keeping all LVM bins full directly correlates with optimal sales by providing game choices to players.

A successful method for boosting self-service sales by addressing empty LVM bins was implemented in recent years by IGT Indiana, responsible for Hoosier Lottery marketing and sales support.

The approach measures success through the **Full and Available percentage (F&A%)** metric, where 0% is ideal for OOS, 100% is the target for F&A.

To achieve this, IGT Indiana implemented a series of strategic initiatives:

Out-of-Stock percentage (OOS%) is a metric calculated based on the percentage of bins in lottery vending machines (LVM) that have run out of tickets.

By tracking OOS%, lotteries can create plans for specific LVMs and limit lost sales due to empty bins.

Although some of the metrics utilized by the different jurisdictions vary, the results are clear: Keeping the OOS% low has a direct, positive impact on sales.

- Integrating self-service revenue as a fundamental pillar across the organization, while also incentivizing the sales team and retailers based on F&A% performance;
- Leveraging an IGT terminal tool that alerted retailers when LVMs had OOS bins;
- Prioritizing field-service support for LVM repairs and developing advanced reporting tools for better insights. Leveraging network connectivity, it obtained near-real-time data on machine performance and enhanced LVM features to provide retailers with actionable inventory information.
- Targeting high-volume retail locations for support;
- Collaborating closely with sales reps and analytics teams to optimize LVM placement and maximize capital investment.

The efforts collectively resulted in significant improvements in self-service sales and operational efficiency for IGT Indiana and the Hoosier Lottery. Since IGT Indiana began tracking self-service data in FY14, its total self-service scratch-offs sales has tripled, jumping from \$74m to \$222m in FY23, with self-service growing on a consistent basis every year. In FY16, self-service machines had an F&A% of 90.6%, which equated to more than \$10m in potential sales lost to empty bins. **From FY16 to FY23, the average yearly Full and Available percentage has risen to a record 97.4%.**

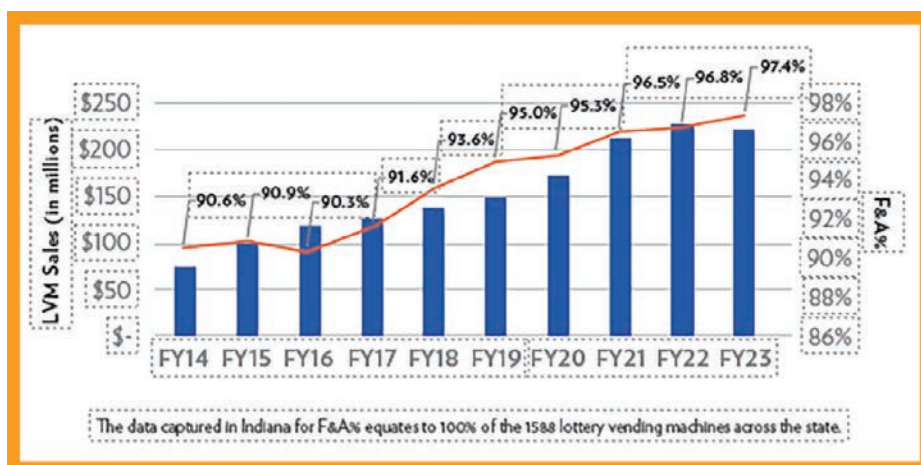
For more on how lotteries are using leading-edge data and analytics for LVM optimization, see **Part 1 of this article in PGRI May/June.**

**For detail on two jurisdictions where lotteries have spent years perfecting the art of keeping LVM bins full,** read a case study at: [igt.com/products-and-services/lottery/case-studies](https://igt.com/products-and-services/lottery/case-studies). To learn more about how IGT teams and tools can assist with LVM optimization, contact your IGT representative.



*Maximizing Full and Available meets player demand while driving sales growth across the self-service network.*

**Clayton Atkinson, Vice President of Sales, IGT Indiana on behalf of the Hoosier Lottery**



# End-to-End Efforts at Walmart

“Walmart’s lottery team is committed to working out of stocks at every level with a set of initiatives spanning from corporate to the stores, and down to the individual machines,” notes IGT’s **Gina Easley, IGT Senior Manager National Retail Accounts**, who plays a pivotal role translating the retailer’s goals and leading practices across 22 IGT-customer jurisdictions and has worked closely with Walmart in the decade-plus journey since its first lottery pilot.

The retailer’s corporate team processes the lottery sales reporting they receive from around the country, filtering and consolidating where needed for use by the division managers. The team also communicates and shares reporting with the store level, and is focused on locations that regularly have a problem with out of stocks.

At the store level, IGT added the option of a lighted indicator on top of its GameTouch™ 20s vending units to alert Walmart associates of issues related to the machine’s status, such as the need to refill a bin. “Focusing on out of stocks at the store and LVM level raises the importance in associates’ minds of attending to any issues quickly,” says Walmart’s **Sheri Brogdon, Senior Manager II – Lottery**. The retailer is also working with IGT to consider the business case for sending real-time alerts to Walmart associates’ handheld device. If implemented, such timely prompts would directly alert associates of the need to fill paper, refresh games, load empty bins, and other key actions.

The retailer is now in the process of supplementing many of its 20-bin machines with full-size vending options on the front walls of its Supercenters and in the stores’ Grab-N-Go cooler areas, a newly approved location near the self-checkouts. Having at least two areas in the stores that can accommodate full-size vending units not only increases the number of bins that can be optimized, it raises the visibility of the lottery program.

When it comes to visibility, Walmart’s lottery program further benefits from its unique “Re-Grand Opening” events. The recent implementation of the retailer’s lottery program at Supercenter locations in Michigan is a prime example. The rollout in Michigan is the

## Walmart Out-of-Stock Initiatives at Every Level



retailer’s 35th state to offer lottery sales. The rollout began in late April, with the first lottery installation taking place in conjunction with the Re-Grand Opening of a newly renovated Supercenter.

The Michigan Lottery offered giveaways at the event, with its sales representatives and IGT’s field merchandisers on site engaging players and store associates to help energize the launch and inform consumers that lottery was now available. The retailer welcomes lottery participation and is now working with the Michigan Lottery to create similar events at additional locations, as well as the Michigan launch of Walmart’s Ambassador program, which has been effective and well-received in other states to drive awareness of lottery availability.

Walmart continues to expand the lottery program to new states.



In April, Michigan became the 35th state to launch lottery with Walmart, and the first state where the retailer has deployed only IGT GameTouch 28™ full-size vending units. When completed, more than 150 of IGT’s GameTouch 28 self-service units will be found among 90 Supercenter locations in the state.