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From the conference room to the corner store:

Turning lottery business intelligence into action at retail

PGRI Introduction:

For all the focus on sophisticated data-driven models that drive corporate strategy and operations, how do large enterprises stay connected to the real world of consumers who walk into a corner store and decide whether to buy a lottery ticket? I put this question to a person who has spanned both worlds. For a decade, Tom Stanek worked for IGT in Texas, leading a team of 230 sales and marketing staff tasked with maximizing sales for the Texas Lottery. Now managing IGT's corporate Retail Sales & Execution Team, he combines that feet-on-the-street perspective with the mission to integrate business intelligence from a variety of sources to optimize retail execution for lotteries and their retail partners around the world.

Paul Jason:

How would you describe your "global-to-local" mission?

Tom Stanek: We know that consumer play-styles, behavior, and gaming cultures differ from market to market. Retailers and business methods also differ from region to region. These differences provide a rich canvas for learning that allows us to better help our lottery customers. IGT's unique experience as a lottery operator around the world servicing hundreds of thousands of retailers gives us a strong basis to understand what works and what doesn't. My mission for IGT is to analyze that information and insight, and turn it into practical strategies that enhance retail execution and performance, ultimately driving revenue growth for lotteries and their beneficiaries.

It's a dynamic process. We apply our experience combined with business intelligence to create strategies that fit our customers' unique circumstances. The models are flexible and the approach is agile. We identify the attributes that make each situation unique and work to maximize each retailer's potential.

How do markets, retailer business cultures, and consumer shopping behaviors vary throughout the world?

T. Stanek: First, there are far more commonalities than there are differences. But we do need to be clear on the differences, because it's the local culture, shopping

behaviors, and values that offer the best opportunities for lotteries to connect with consumers. For example, in Poland, it's expected that 23% of the population will be over 65 by 2030. The country's Żabka convenience store chain adjusted its strategy to adapt to the changing consumer landscape as the population ages. Or, to take another example, in Nutter Fort, West Virginia, the distribution systems need to ensure that retailers have enough product during the annual blackberry festival. The lotteries have the most intimate knowledge of their own marketplace, consumer, and gaming culture. We work closely with them to help integrate what they know to work in their local markets with the successful initiatives we've identified globally. This draws on all our informational resources, combining IGT's research and development, our wealth of business intelligence, decades of operational experience, and a database of performance metrics from markets all around the world.

What is an example of how your experience in a jurisdiction outside the U.S. informed your approach to a challenge within the U.S.?

T. Stanek: A great example is in-lane sales. It's just getting started in the U.S., but European lottery operators have been selling in-lane for well over a decade. That's years of testing numerous point-of-sale (POS) approaches and merchandising methodologies to find the best ways to sell

lottery products in the in-lane environment. This has involved a lot of time-consuming and costly trial-and-error, field-testing, and analysis. While there are differences between European and American consumers and retailers, there are enough important similarities that we can apply what we've learned to minimize the costs and the learning curve for lotteries that are just starting on that journey.

It's imperative to make every step of the check-out process easy and convenient for the consumer, and that applies just as much to the U.S. markets as it does in Europe. So how exactly do you do that? We know from our experience in Europe how to integrate a lottery promotional POS into an in-lane process to optimize for speed and convenience, and be player-agnostic to other lottery draw game purchases. There are ways to merchandize the products for optimal overall shopping speed and convenience. And we can integrate interruption-points into the consumer's pathway that capture attention and appeal to the lapsed and casual player without creating inconvenience or inefficiency in the in-lane purchase process. Instead of reinventing the wheel, U.S. operators can apply some of the best practices established in Europe, New Zealand, and other markets. Might some of them need to be tweaked for application in the U.S.? Of course, but what a fabulous head-start.

When it comes to merchandising lottery, communicating with the consumer, and integrating the most effective POS into the in-lane process, the devil is in the details. We have a crystal-clear picture of how it's done to maximize sales growth. We are helping lottery customers do that right out of the gate, with no wasted time or resources.

“ Instead of reinventing the wheel on the in-lane purchase process, U.S. operators can work with us to apply the methods established as best practices in Europe, New Zealand, and other markets. ”

What are some of the things you saw in the field in Texas that gave you insight into consumer and retailer behavior, or the retailer priorities that don't necessarily get talked about in the headquarters of multi-billion-dollar corporations?

T. Stanek: Throughout the decade I was in Texas, I witnessed firsthand the struggles retailers had with the operational issues, inventory control, and accounting methods that are unique to the lottery industry. I think the industry can earn retailers' enthusiastic commitment to selling lottery by addressing these concerns and helping them be more successful without overloading retailers with cumbersome solutions.

Think about how the industry currently supports multi-state retailers. Lotteries talk to them through many different voices: Each has a corporate account director who takes care of major accounts. Major multi-state retailers, though, don't want 44 different key account managers. They want one. When Speedway is dealing with a consumer packaged-goods (CPG) company, they don't work on a state-by-state basis. They have one person or one support team they can call. IGT wants to help lotteries handle this more like traditional CPG companies, so that lottery operators and the wider community of commercial partners are using collaborative systems that enable more efficient service and support.

Lottery has tremendous untapped capacity to help retailers drive store traffic, increase dwell time, enhance the shopping experience, and otherwise help retailers achieve their broader business objectives. Lottery is also somewhat unique for the role it plays in drawing consumers into the store. We want to help lotteries leverage this ability to enlist retailer support and enhance lottery's brand profile within the store.

Amazon transformed the world of digital commerce. How will Amazon's entry into the world of land-based retail impact the lottery industry?

T. Stanek: Retail and lottery are both at a crossroad right now. The move of an online giant like Amazon into physical stores is certainly a factor and a catalyst for change, and I have an optimistic view on it. There's an opportunity to evolve with the modern consumer, based on trends that point to a bright future for land-based retail.

Not only is retail the channel that connects lottery to its customers, retail is now coming back as the preferred choice for the next generation of consumers. In 2017, worldwide retail sales actually increased by more than 6%. And e-commerce represents only 10% of total retail sales. It might seem like we're buying everything online, but the fact is that 90% of purchases are still happening in stores (Worldwide Retail and Ecommerce Sales: eMarketer's Estimates for 2016–2021, 2017). MarketingLand.com published a survey indicating that 65% of Gen Zers (born after 1995) prefer to conduct their shopping in-store. Compared to Millennials, this is a big shift toward retail. That's why convenience stores are actually coming back. The number of physical store openings in 2017 was more than 50% greater than in 2016. That's huge, and the implications are quite important for lottery.

So, retail is the place to invest resources for optimal impact on lottery consumers. To be sure, it's vital for lottery to develop an omnichannel relationship with players, carving out a presence in all consumer touchpoints, and certainly including digital



**Sales Tools
and Training**



**Business
Development**



**Retail Sales
Optimization**

IGT's Retail Sales & Execution Team works with lotteries to drive growth in three focus areas, shown.

and mobile devices. But retail will continue to be a major purchase point of lottery for the next generation of consumers.

You mentioned that Gen Zers prefer shopping at land-based retail stores. But they probably don't mean the retail store of their parents' generation, do they?

T. Stanek: Good point. The expectations of young people keep raising the bar for merchants to transform the retail shopping experience. Change is being driven by the consumer, and retailers are embracing the challenge to meet their needs. We think of this as a tremendous opportunity for us to deliver innovative solutions to improve retail execution and ensure that lottery's brands are represented in the best way possible.

Now more than ever, retailers are more receptive to new ideas on how to meet their customers' needs. And lottery already has a great relationship and great profile within the retail environment. There has never been a better time to share new ideas with retailers about how lottery can better drive store traffic, provide entertainment value for customers, and add to their bottom line. That's core to my team's work.

a personalized in-store experience will trigger their desire to share that experience. Retailer resources will shift over to having clerks assist shoppers in other, more meaningful ways, or maybe having staff provide other social amenities or entertainment value.

We think about this as an opportunity for lottery to create a new and different role for itself. Instead of being a product to purchase we want people to see it first and foremost as a game to play. We want to help customers leverage that quality of lottery to enhance the retail environment with a fun and social game-playing experience.

What do you see as the biggest opportunity in the industry? And what has surprised you most since coming to corporate, responsible for global retail operations, instead of focusing on Texas alone?

T. Stanek: The global picture reveals how consumer-facing solutions, like personalization and convenience, are transforming retail operations. The challenge to optimize the shopping experience for each and every consumer has led to an explosion of creative solutions that appeal to more focused consumer profiles, narrower slices of the

service and a faster, easier, more convenient shopping experience. New store layouts, clerk-less stores, shared footprint models, new ways that consumers are identified and connected to their loyalty/member/player-club digital accounts, new ways to process transactions, capture data, retain customers—all represent a massive change in retail.

Lottery absolutely has the inside track, the most favored status with its retail partners. But we have to re-earn it every day, and we will lose it if we don't take a prominent role as part of the modernizing solution going forward. We want to help lotteries partner with retailers and execute at the level of their expectations. This turns what used to be a risk into an even bigger opportunity.

Are lotteries willing to make these investments to modernize?

T. Stanek: The industry needs to continue building a broad-based foundation of stakeholders who work together to define a course of action, with clear plans for how to execute with project management discipline and timelines. We're involved in solutions such as standardizing and automating retail accounting practices, which would include all lotteries in the nationwide marketplace as well as other suppliers and our retail partners. For lotteries, there will be up-front costs to modernize, but the long-term ROI is extremely positive, while the costs of not investing are potentially fatal. Making the investment is the only way to stay relevant at retail, and the upside is truly exciting for the future of lottery and its beneficiaries.

Retailers are not a homogeneous group. The needs of large, multi-state retail operations are different from the independents. Corporate retailers are open to partnering with lotteries, particularly if lotteries can deliver competitive opportunities that help them drive foot traffic. Maybe a state does a lot of business with a certain retailer. We can offer that retailer an exclusive that opens the door to additional promotional materials—that's something a lot of retailers will actually pay for if you give them a solution. Then there will be different eyes and more eyes on the lottery brand.

That's just one example, and we're working along these lines to make sure that the partnerships continue to grow and that we're leveraging every avenue of the retailers' communication channels, which will continue to make lottery much more attractive than a lot of other products out there. ■

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In this climate, all the major CPG marketers are also jockeying for position. They would love to carve out a higher POS profile for themselves. To avoid losing ground, lottery needs to take the lead in transforming operations and the consumer shopping experience.

If the resurgence of retail is driven by desire for social interaction among some younger groups of consumers, then why the trend towards self-serve and the clerk-less store?

T. Stanek: The kind of social interaction they want doesn't have to do with processing transactions at a cash register. What they're looking for is continuous social interaction among their network. Simply experiencing a new product or

consumer market. The number of retailers measuring patterns of customer behavior in brick-and-mortar stores is growing at an unprecedented pace, and they're drawing closer to understanding and personalizing the consumer experience, aligning to troves of data available in the ecommerce world.

Of course, this phenomenon of fracturing the mass market of consumers into smaller and smaller target groups applies to all industries. For retail, it represents a fabulous opportunity for lottery to be a part of the solution, to be the change-agent that leads the charge to modernize POS and methods of operation.

The solutions are largely operations- and execution-driven. It's all about finding more efficient ways to deliver personalized