EXECUTIVE SUMMARY OF ROUNDTABLE DISCUSSION
AT PGRI LOTTERY EXPO NASHVILLE

THE FUTURE IS NOW FOR LOTTERY RETAIL MODERNIZATION

Another holiday of record-breaking online sales – both for home delivery and in-store pick-up - is further evidence of a trend that has been growing for a number of years: Consumers want the purchasing process to be easy and quick. And what is true for shoppers of clothes and groceries is also true for lottery purchasers. While the majority of lotteries continue to discuss an iLottery future, the traditional in-store retail experience is undergoing massive changes that have improved the shopping experience for players. And more advancements are on the way.

Missouri Executive Director and president of the Powerball Group **May Scheve Reardon** moderated a panel discussion which delved into the various aspects of the modernization of in-store retail sales of lottery products. She was joined by:

Max Goldstein, Vice President Sales - Americas, Carmanah Signs

Gary Grief, Executive Director, Texas Lottery

Matt Isaac, Senior Director, Lottery Marketing, Pollard Banknote

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

Sara Taylor, Executive Director, Hoosier Lottery and President, MUSL

As a lottery director and president of MUSL, **Sarah Taylor** is in a unique position to comment on lottery activity throughout the Unites States. She said that the economic and human resource shortages facing all businesses are also impacting lottery retailers. "Hiring is difficult. Both starting pay and gas prices are going up," she said. "When we have a few good jackpot runs some retailers feel they don't have the staff to help the people in line to purchase tickets. Retailers are looking to us to help solve the problem by making the in-store lottery experience more efficient. In Indiana, we equip our sales team with information to help the retail locations work more efficiently, perhaps by offering self-service. We see services like Door Dash and Instacart providing a great service to businesses. As more retailers go to 'buy online and pick up in store,' should we learn and engage how lottery can tap into this new channel of delivery services? There is a lot for us to consider and figure out."

scratch ticket products," he said. "That actually helps us be very focused on how we increase the sales of those two revenue drivers. We recognize that every retailer is different, and each has a different footprint for lottery. We need to provide solutions to apply to each situation. We are working with vendors on different initiatives, such as the Quick Ticket solution with InComm which is a gift card type product for Powerball and Mega Millions.

"At HEB Grocery we have integrated with IGT's central system to sell the multi-state games on the checkout receipt. And we have partnerships with Blackhawk and Abacus to develop in-lane solutions with a other large retail chains. This allows us to go from one point-of-sales location in a store to multiple POS's in a single store, some even exceeding twenty or twenty-five. I really think that in-lane solutions are the

"iGaming and sports wagering have changed how customers, retailers and legislators perceive the gaming landscape."

Gary Grief agreed with Sarah that the retailers are looking to their suppliers and commercial partners for assistance. And that's what his team in Texas is providing. "As we can't do iLottery, sports betting or keno, our big focus is in-lane, and our sandbox is limited to traditional draw and

holy grail for traditional lottery products. It will be our main driver of growth."

As the former owner of a chain of convenience stores and former Executive Director of the Kansas Lottery, Terry Presta understands better than most the pressures faced by lottery retailers and how the industry

can help. "Whether you have a single store owner or a chain with dozens of stores, there are pressures faced by all lottery retailers," he said. "You've got to be profitable, and you have to protect your market share. Your costs go up every year, and that's why they are looking to increase sales and margins. The lottery industry can help here by providing technology which reduces the workload for retailers to sell our products. As in-lane grows in popularity, we'll see more retailers use these programs to help overcome some of the issues they face. This will help make it a simpler customer experience and remove a large portion of the cost for retailers to sell lottery products. I believe that this is the way that lottery will be sold at retail in the very near future because it is a better business model than what we have now. It also creates a better customer experience which is the key to ever increasing sales in the future."

Of course, any discussion of modernizing and improving the retail experience should also include how you get players through the doors. That's where Carmanah Signs excels, and Max Goldstein provided some guidance on this important piece of the retail puzzle.

"Consumers expect a digital experience at retail - if lotteries don't deliver this experience, they risk hiding in plain sight," he said. "With consumers making fewer visits to retailers, lotteries need to engage consumers while they're actually in-store. Dedicated lottery merchandising space must be optimized to maintain existing footprint or risk losing it. Carmanah provides the digital communication platform at retail, which enables lotteries to provide fresh, targeted content where and when they want it - be it Digital Menu Boards, Digital PlayStations, and/or small footprint Interactive Tablets.

"To accomplish this, lotteries need to plan and budget for these executions to compete with other fast-moving consumer products. Now is the time for lotteries to invest in retail modernization to ensure future growth after two years of record sales."

"We have to move from where we like to sell our products to where the consumers like to buy them."

Matt Isaac of Pollard Banknote said that expanding the retail footprint is key to increasing sales, and technologies both big and small can help here. "We are testing Select 4™, our four-game instant ticket vending machine, in non-traditional locations such as bars, restaurants and fraternal organizations which might not currently have the foot traffic to support a larger type of product offering," he said. "If we focus on expanding into these types of locations where people are spending time, and perhaps reaching people who aren't as familiar with our products, we can start to incrementally expand our base. For a ticket printer like Pollard, working with technology companies helps us expand our footprint by reaching customers where they are spending their money. An example of this is the growth we've seen in dollar stores, and we've been very focused on different ways of selling product to reach that trade style. Retail solutions like ScanActiv™, Scratch and WINdow™ and introducing games that have a digital component are all examples of technology we can utilize to succeed adding players to our lottery base."

Sarah Taylor said that attracting customers to the lottery through different initiatives is critical given the increasing competition many states are facing. "iGaming and sports wagering have changed how customers, retailers and legislators perceive the gaming landscape," she said. "But lottery is unique where most of the money goes to designated causes. So, when we look at initiatives that could deliver lottery products directly to customers, like Amazon, Door Dash, or grocery curbside along with their products, we need to consider working with our stakeholders

so we can compete in the modern retail environment."

This need for flexibility is a driving force behind Abacus' work. "We have invested enormous resources integrating with retail systems such as Toshiba, Fujitsu and NCR," Terry said. "We want to make sure that no matter what system the retailer uses, we can work with it to bring lottery directly to where the customers are making their purchases. Initiatives like self-serve lottery have been happening in Europe for many years. The marketplace is changing fast, and lotteries should rely on their vendors to quickly and efficiently modernize their systems and make sure lottery is not left behind as the retail environment changes.

Gary wrapped up the panel with comments similar to the adage "fish where the fish are."

"We need to blanket the market at this point, hit every possible retail and consumer touch-point we can," he said. "We have to move from where we like to sell our products to where the consumers like to buy them. And there are so many locations where we're just not in yet. I'm not yet measuring sales in revenue from in-lane because I don't care about sales. I'm measuring the breadth of deployment. We just need to get our foot in the door, establish the business relationship with the retailers who will deploy this technology. The sales will come, and we'll be a stronger industry for having deployed the technologies of retail modernization." ∎