

MAKING SURE THAT RETAIL MODERNIZATION WORKS IN OUR FAVOR TO DRIVE SALES INCREASES AND POSITIVE ROI

Jay Finks, Executive Director, Oklahoma Lottery Commission (OLC)

PGRI Introduction: Jay Finks has been with the Oklahoma Lottery Commission since its launch in 2005 and was appointed Executive Director on November 1, 2020. Jay began his career at the Lottery Commission in the Marketing Department and has served as the Marketing Manager, Marketing Director and Director of Marketing and Administration before his appointment to Deputy Director in January of 2019. He brings over 20 years of experience to the position in the fields of strategic marketing, product development, and advertising. Jay was awarded the 2010 Powers Award for excellence in Marketing.

Some aspects of Retail Modernization have not always delivered the desired results. Historically, players have tended to spend more at the counter than they do at self-serve lottery ticket vending machines. Does that mean that the lottery industry should push back against consumer trends like self-serve? Jay talks about why Lottery needs to evolve with the consumer-driven retail modernization trends, and how our actions can ensure these trends deliver value for the Lottery as well as value for the players and our retail partners.

Paul Jason: What are a couple of the high-priority initiatives planned for the Oklahoma Lottery Commission (OLC) over the coming 12 to 18 months?

Jay Finks: Two priorities are rising to the forefront as we continue to keep pace with our exploding business — total sales up 133% over the past 4 years. One, we are aggressively attempting to capture as much market share as possible while there are still limits to discretionary spending (with casinos, movie theatres, and other forms of recreational entertainment not at full capacity). Typically, for instance, a Lottery may wait years to launch a full complement of high price point tickets. Now however, the OLC is being more aggressive during what we see as a window of opportunity. In December of 2019 we launched our first \$20 ticket. We launched our first \$30 in

February and are planning on a \$50 ticket by the end of this year. We have our foot on the gas.

Two, we are seeing an explosion of activity on the corporate retail side of the business. Expansion, mergers and acquisitions in the retail sector are creating additional opportunities for our business. With the growth in sales and ultimately commissions for the retailers, the corporate chains have taken notice and are seeking out additional resources to support the growth of lottery. By the end of the calendar year, in our top 3 chains alone, we anticipate having a self-service machine in over 80% of their stores. And it's not stopping there... we are launching Quick Ticket in almost 500 Dollar General stores in the next two months and executing a test program with our large-size HD self-service machine at



Walmart Super Centers (a test that could have major implications for many other Lotteries).

Is there a shift away from clerk assisted full-service retail?

J. Finks: There is a reason the Walmarts and Lowes of the world are embracing self-service ... consumers want that choice. To resist this major trend only serves to set us further behind in our efforts to engage new an ever-changing set of play styles and preferences.

I don't think we will ever get away from the power of clerk-assisted retail but we can't ignore how strong a complement self-service is to it. They work together to provide consumers with stronger choices to engage in our brand. Additionally, we are seeing it work not only as a complement, but also as a stand-alone POS in convenience stores. In the end we will always look to combine counter sales and self-service, but we can't be afraid to break the model and try new approaches. We must be ready to evolve with the consumer shopping trends that are driving retail modernization.

Continued on page 43

How do you overcome the tendency for self-service options to undermine clerk-assisted counter sales at the counter and sometimes even cause a decline in store sales?

Jay Finks: Oklahoma's grocery sector is dominated by Walmart and Target, not traditional retail grocery chains. In turn, our self-service efforts (and sales related to self-serve) in years past have been weak. Also in years past, when we put a self-service machine in a convenience store, we saw that store immediately move away from counter sales and ultimately hurt our sales efforts. So we decided to take a new approach to mitigate that trade-off and create a synergistic relationship between self-serve and counter sales. We started with our #1 convenience chain and sold in the concept of adding self-service; but we held the line by making the retailer sign a "self-service agreement" that covered things like minimum sales, counter sales, instant game counts, etc. This ultimately led to 25% to 30% increases in total sales in those stores. We used that model to expand to other chains, all the while, holding the line on minimum sales and counter sales initiatives.

This concept was the impetus, in 2020, to finally get 7-Eleven (Oklahoma's largest chain, independently owned) to finally agree to sell Lottery. We launched a self-service only model in over 100 stores and they have already settled in as one of the top 3 chains. In the end, it took a progressive line of thinking to embrace a new model of Lottery delivery to consumers...and the net result is a measurable lift in our sales.

Thankfully, the commercial community is responding to the consumer demand for options by enhancing the user-experience of self-serve machines and processes. Of

Lottery Focus on the Consumer continued from 21

technology behind self-service has changed rapidly and most lottery resistance has now dissipated. "Previous generations of self-service machines were a bit clunky and not user friendly," he said. "But the technology has evolved quickly. Touch screens, large easy-to-read screens, marketing capabilities that appeal to the shopper, replication of purchase patterns – these features have made the machines a must-have in many locations. Couple this with the ability to make cashless

course we still want retailers to continue to deploy clerk-assisted full-service options for lottery players. But self-service is an important trend. Our goal is to make sure it complements and augments the channel mix of options and contributes to sales.

Even though the OLC does not sell tickets online, you have taken a very proactive and progressive approach towards building the online connection and towards digitization in the retail environment.

Jay Finks: Absolutely. We are certainly evolving our business and pushing ourselves to embrace every possible digital outlet available to make us more efficient. For example...

- We are converting all of our traditional outdoor boards to digital. We asked ourselves, what is the ROI of an expensive outdoor board that for the most part promotes a jackpot amount that does not create consumer response (i.e. \$20m to \$200m+)? Why not utilize the flexibility of digital to promote the jackpot when it is most relevant and then use it for other purpose, for all different kinds of messaging objectives, when the jackpot is at lower levels?
- We are adding a fully functional ticket checker to our app and are exploring more ways to engage the player on the smart-phone.
- We are going to launch a digital playslip via our app but here is the kicker ... we are eliminating ALL paper playslips once we launch it.
- We are actively exploring ways to eliminate the large plastic play stations in all stores and continuing our push to put digital advertising screens in as many stores as possible. We have found

purchase, and lottery consumers have options never before available. I know the retailers appreciate these new trends that have reduced many of the on-counter issues faced by retailers."

For Shannon, it's all about the purchase paths available to players. "In Michigan, there is a high demand for self-service machines," she said. "But it doesn't have to be one or the other. Why not have self-service and in-lane together? These are just

that digital point-of-sale creates more efficiencies, as well as a much stronger impression on the shopper, when you compare it to paper point-of-sale.

What do you think iLottery might be approved in your state – maybe in the next two years? Do you expect any other regulatory changes to be enacted in the near future?

Jay Finks: We are actively engaging Legislators to educate them on the value, sales opportunity and return to the State if they would authorize us to execute iLottery. However, that conversation does not stand alone. Oklahoma has over 100 tribal casinos which ranks them 3rd in the nation in total slot machines. All conversations legislatively are going to include tribal gaming compacts, sports betting, iLottery and potentially more. It's a very wide-sweeping topic. I am always hopeful that Oklahoma can come up with a solution where "everyone wins" but the challenge there is significant. It is my top priority from a legislative strategy standpoint.

Given your background and deep experience in Lottery marketing, you didn't need an introduction to the OK Lottery. What has surprised you since you were appointed to lead the lottery last year?

Jay Finks: I wish I had something profound here to say but this transition has been as smooth as anyone could expect. Former Oklahoma Lottery Director Rollo Redburn and I sat down years ago and built a succession plan with one goal in mind ... don't let a leadership transition impact our sales and operational momentum. It was built to keep our internal culture strong and to sustain a high level of confidence with our Board and our legislative leaders. ■

more placement opportunities for lotteries. Having options will help get lottery into retailers who may have been previously resistant to the sales of lottery products. At Pollard, we've been testing the placement of small self-serve machines into bars and restaurants that never thought they could offer lottery. That is how the industry will continue to grow."

One of the interesting trends that took place over the past year-plus was that lottery sales

Continued on page 45