

Focus on Instants at Retail: Applying the most progressive strategies for driving Instants Sales at Land-Based Stores



As a four-decade veteran of the international lottery industry, Mark Michalko understands the importance of teamwork. He has worked on both the vendor side (IGT and Intralot) and the lottery side, serving as the first director of the California Lottery and now director of the North Carolina Lottery. So he knows what it takes for a plan to come together, which is what he has seen with the current success of the instant ticket product.

“I know for the North Carolina Lottery, as with most lotteries, reviewing the data is critical to making decisions on your portfolio,” he said. “Recently, we went back through our entire history of scratch tickets in North Carolina and looked at all the attributes of every product we’ve ever offered to determine a formula that tells us which type of game performs best when released at a certain time, with different game features, and in conjunction with other products. Our goal is to have a balanced portfolio of instant ticket products that are positioned for the best chance of success. It was a lot of work but instant tickets are so important to lottery, this type of analysis is critical.”

Across the country, lotteries and ticket vendors are constantly looking at their instant ticket programs to determine the best formula for success. Mark’s panel

took a deep dive into the strategies that lotteries are employing to strengthen their product offerings, provide customers with tickets they’ll purchase, and ensure that the incredible revenue stream created from these products continues. Joining Mark were instant ticket experts from the public and private sectors:

Mark Michalko, Executive Director, North Carolina Lottery

Matt Isaac, Senior Director Lottery Marketing, Pollard Banknote

Jeremy Kyzer, Vice President Sales, Scientific Games

Ryan Mindell, Deputy Executive Director, Texas Lottery

Tom Seaver, Director, Colorado Lottery

With almost no advertising budget, the Texas Lottery has relied on compelling scratch products to drive sales, particularly at the \$50 and \$100 price points. **Ryan Mindell** said careful planning has been one key to their success. “Planning more than a year out allows us to put different pieces in place and then make changes as necessary,” he said. “But ultimately, you want your portfolio to reflect player needs. We have players who now only buy \$50 and \$100 tickets, and that is driving much of our revenue growth. But many more people are buying \$5s, \$10s and \$20s. There might be people only buying crossword games.

So we need to have a diverse set of options and price points. The more varied your portfolio, the greater variety of play-styles you can appeal to and the greater the number of people you can attract to your products.”

At Pollard, **Matt Issac** and his team uses data to study how different price points impact different player segments. “We need to position products so they have the greatest chance of success, not cannibalizing each other, reaching the right player groups,” he said. “Over the years, we’ve all looked at what the higher-performing per-cap lotteries have done and tried to emulate their best practices. Understanding the life cycle of games is also critical. You want to make sure you release a new game at the right time so it doesn’t step on a ticket that is still doing well. All these decisions are best made with detailed market data and player segmentation.”

A veteran of both the vendor and lottery sides of the business,” **Tom Seaver** focuses on creating and executing market strategies that give his team the best chance of success. “A well-rounded marketing strategy will look at the strengths of each of your tools and apply them to the messages that are most important to communicate to players,” he said. “For example, I have seen great work in Scratch category advertising, and equally great work for Scratch product specific support. Is one approach better

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than the other? It depends on a lot of factors – including the objective (product specific is probably better for acquisition, for example). We are all making these decisions as to what we think is best for our lotteries based on our individual market conditions. We are all looking at what is going to deliver the best returns for our beneficiaries and players, and executing on that plan.”

Speaking as a lottery partner that supplies instant scratch games as well as digital game extensions and second-chance promotions to lotteries, **Jeremy Kyzer** said Scientific Games works with customers to rise above the noise and reach players with data-driven content. “There is so much noise in the market – sports betting, casinos, iGaming – that lotteries need to differentiate themselves from all this competition to get the players’ attention,” he said. “Portfolio management planning is more complicated than it was 5-10 years ago, given the range of price-points and other products. But working together, lotteries and their partners can drill down into the data to choose the right products to release at the right time. That is one key to success.”

Mark moved to the many challenges facing lotteries and their products. A number of states have seen sales of instants flatten or even decline, not something that the industry has faced in its history, or at least the last 40 years. “We are no longer a standalone industry,” he said. “We are facing competition from other gaming sources. In North Carolina, sports betting has now been approved. How are these challenges impacting lottery? What about macroeconomic issues such as inflation? How are all these factors impacting our instant ticket portfolios?”

While Texas doesn’t have as many different forms of gaming as some states, Ryan said he is under no illusion that the Texas Lottery is not impacted by competition. “Even without sports betting, I know that we are not insulated from competition,” he said. “Look at what happened to the lottery during COVID. With no theaters, cruise ships or casinos operating, everyone turned to lottery

for their entertainment. The challenge for us is - now that everything is back, how do we keep talking to the players who have come to lottery during COVID, but now have more options than ever appealing to them to spend their money in other ways? We need to have a broad view of where lottery sits in the entertainment world and work to provide our players with attractive and engaging products.”

Jeremy said some lotteries have found the key to keep those players engaged. “Higher price point games have worked wonders for a number of lotteries,” he said. “It was a product that was maybe missing from their portfolio and once offered, lotteries were able to convert people to becoming long-term players. Inflation, including gas prices, have impacted lottery sales. We’ve not seen correlations between inflation and instant game sales until 2022. Now there’s no denying that we’re getting impacted. It’s certainly something to watch.”

Matt had a different take on the impact of competition on lotteries. “I think the amount of advertising that’s been spent on sports betting and other forms of gaming have helped us,” he said. “To me, the more we see advertising for different forms of gaming, the more people will consider it as an accepted form of entertainment. And lottery will get included in that discussion. It is something to watch as now some states are looking to curtail the amount of advertising sport betting companies can run. Given the limits many state lotteries have on their advertising budgets, more attention to gaming is probably a good thing, at least in the near term.”

Tom pointed out an important downside to all the sports betting advertising. “At some points in the year, it’s hard to buy any time for lottery advertising,” he said. “If it’s an election year, we can almost forget about getting any lottery ads on TV. Traditional advertising is still important for us to create awareness so we definitely get squeezed at some point. It forces us to plan out many months in advance to lock in our buys. That’s quite a change for many lotteries.”

Another seismic change with instant tickets is how they are purchased. “Retail is still king, but many states now offer iLottery and players can purchase and play eInstant tickets as well as other products,” said Mark. “In North Carolina, we’ve seen a dramatic growth in that area, in fact about 25 percent of our draw play is now online. There’s no argument that retail will remain important to our sales, but now that people are becoming more familiar with buying products online, how do we satisfy both purchasing avenues?”

Matt said that lottery needs to maintain and grow some of the “old school” tactics that have made instant tickets so popular. “In-store promotions are critical,” he said. “The old rule of thumb is to place point of sale in a minimum of three places in their traffic pattern. With so many distractions at retail, in store promotion will help reinforce the purchase decision. They’ll see where the dispensers are located and they can have their minds made up by the time they reach the counter. If we’re not promoting in-store, retail sales will be hurt and we’ll especially not reach infrequent players.”

Online sales are not in the discussions in Texas, so Ryan and his team keep a strong focus on retail. “Whether you can sell online or not, you can’t neglect the importance of a strong retailer network and clear, concise in-store promotions,” he said. “At the same time, you need to look at ways to simplify the purchasing process. We’re working on in-lane sales which we believe will attract the younger player who just wants to get in and out of the store. Couriers are also present in Texas. We know they are selling to a much younger audience than the average age of retail customers. So there are options for everyone. They just look a little different state by state.”

Tom expressed frustration at the slow pace of iLottery expansion and said it has forced lotteries to be creative. “What is the fear about selling online?” he said. “The process of educating our legislators has been long and arduous but we need to keep doing it. In the meantime, couriers have shown that players want the online option, and it has been a good experience for Colorado. They are bringing younger players into the fold. It has helped us show that online and retail can successfully co-exist.”

Additional sales initiatives, such as the courier model, will continue to be driven by vendors, Mark said. “While lotteries have smart internal groups working on the many issues we face, there’s a lot we can learn from

the vendors,” he said. “Portfolio management is so important and ticket printers have the data to help us with our planning. And they can provide us with information from lotteries across the world. How we work together, including management of our contracts, is critical to a healthy ongoing relationship.”

As North Carolina’s primary instant game partner, Scientific Games is constantly looking for ways to responsibly drive sales and streamline the planning process, Jeremy said. “Portfolio management and optimization is a constantly evolving journey and lotteries should lean on their partners to guide them on that journey,” he said. “In North Carolina, for example, we set up games to have a conservative quantity at the start as we don’t want to over-produce a product and have it in-market longer than intended. We then work with Mark’s team to make sure there are no gaps, consider re-orders, and decide when to pull a ticket from the market. And the relationship between us and the lottery and our goals is outlined in our contract. We are aligned for growth. When the lottery does well, we do well. That seems to be the intelligent path for a successful partnership.”

Matt continued on the contract discussion. “I think that lotteries that provide for secondary vendor contracts see great benefit because it allows innovation from a variety of sources,” he said. “At Pollard, we bring things to our clients, both primary and secondary, that have worked in other jurisdictions in the U.S. and around the world and show how they can be used in each lottery. We might have sales strategies

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In her current role leading a team responsible for the development of IGT global marketing and communications strategies, Michelle also leads the management of IGT’s relationships with industry associations such as the World Lottery Association (WLA), the National Association of State and Provincial Lotteries (NASPL) and European Lotteries (EL). Her contributions in this role have included helping to establish the framework for WLA partnerships between lotteries and vendors, and developing innovative concepts for retail and product execution through the North American and EL Design Partner Programs.

She has served on numerous industry panels and committees, and collaborated with lotteries around the world on new game development efforts, new product introductions and market execution, as well as working with the late Buddy Roogow on industry monitor game and price-point innovation for U.S. draw games.

“Michelle consistently brings her critical thinking

that are different from the other printers but would work well in a certain jurisdiction. The more information a lottery can receive from different sources the better decisions that can be made that drive sales and revenue.”

Ryan said that Texas has successfully employed the “all three” ticket vendor strategy and it has worked for them. “All three vendors come in and bring us all their best ideas, and we then pick which ones work for us irrespective of the vendor,” he said. “We weigh an array of different factors

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– licensed brands, printing innovations, product nuances, press availability. I’m not sure anyone can grow a category by leaving any ideas on the table which is why I like this model. We get the best ideas from the experts in the ticket printing field, and then we choose the ones that fit best with the needs of the Texas Lottery.”

As someone who has worked for both vendors and lotteries, Tom brings a unique perspective to this type of discussion. “We’re a small industry so we can’t exclude anyone from business discussions because good ideas come from everywhere,” he said. “Look at the iLottery industry. They use different game developers to create different

games with an array of play styles. Why can’t that model work for instant tickets? In the end, we need to listen to our players. We are wringing our hands because of the drop in sales of \$1 and \$2 tickets. Well, since our players are telling us they don’t necessarily support those price points, why continue to force the discussion on how to grow those sales? Let’s focus on providing players with the products they do want and support the retail network with the information they need to reach players and increase sales.”

Mark wrapped up the discussion by

harkening back to his opening comments. “Data, data and more data,” he said. “We can’t have enough data to make the decisions that are so critical to our businesses. And we can’t just look at the ‘easy’ data like price-points and game attributes. We need to look at seasonality and timing of releases. When to pull games and put others in their place. This can only be done by working with our printing partners who work with lotteries across the world. Once we have the data, we can make informed decisions and create balanced portfolios for the future. The success of our industry depends on all of us working together towards one common goal.” ■

ability and keen business acumen to industry executive-planning and decision-making sessions while masterfully delivering complex execution plans,” said Jay Gendron, IGT Chief Operating Officer Global Lottery. “She respects the diversity of competing perspectives and is tenacious about chasing the details to get the job done.”

Before joining IGT (formerly GTECH) in 2000, Michelle began her career with Comcast Wachovia Center, working for the Philadelphia Flyers, and The Vanguard Group in Pennsylvania, followed by the Fleet Financial group. She was determined to succeed in what were then male-dominated business environments. Her early mentors taught her the importance of honesty, integrity, and perseverance, and she has always focused on understanding issues from the customer’s point of view as well as demonstrating sensitivity to the consumer journey.

Michelle’s career in the lottery industry has truly grown from the ground up, starting with her

earliest role as a senior market analyst at GTECH. By applying an entrepreneurial spirit of innovation and her commitment to building mutually beneficial, long-term business relationships, she contributed to the execution of the first in-lane solution in U.K., and, in 2005, the Florida Lottery’s terminal rollout retail-optimization plan and first digital signage implementation in the U.S.; led the development and execution team for Game Pro, a standalone system to test new monitor games, deployed in Rhode Island; the initial launch in Illinois of Pick n Play as a new category of instant online games; the execution of e-scratch in Kansas; and the launch of G3 (Generation 3) games, the precursor to today’s Fast Play games, in Minnesota.

“Customer First is a core IGT belief that has always inspired me,” said Michelle, “and that is genuinely how I feel about what we do for lotteries and for the industry.” ■