

Insights from Retail Executives on how Brand Lottery can optimize long-term success at Retail



L to R: Eric Grubbs, Jarrod Cummins, Nick Murtagh

For almost the whole history of the Lottery in the US, retail has been the place “where the rubber meets the road”, the face of lottery to the consumer where all the behind-the-scenes planning, marketing strategies, and product development culminate with ticket sales to customers.

Recent years have seen the supremacy of stores challenged by new online options. The rapid growth of eCommerce is undeniable. But retail is evolving and will continue to be the dominant channel and consumer touchpoint for Brand Lottery. Retail has been innovating to meet the needs of the modern consumer, and is challenging lotteries to do the same and make the most of this win-win relationship in the future.

Introducing this panel discussion on retail optimization, moderator **Eric Grubbs, Deputy Executive Director, Sales, of the Pennsylvania Lottery**, posed the question, “How are retail

processes, operations, and expectations changing, and how will Team Lottery need to evolve its methods to keep up?”

Welcoming the opportunity to get “unvarnished guidance” straight from senior executives who manage the lottery category for two major multistate retailers, Eric introduced the panelists:

Jarrold Cummins is the Director Commercial Business Lines and Digital Solutions for Kroger Personal Finance. The Kroger Company operates 2,723 Supermarket Stores across thirty-five states and the District of Columbia.

Nick Murtagh is the Category Analyst Lottery for Sheetz across three of the six states in which it operates convenience stores (Maryland, North Carolina, and Pennsylvania).

Eric began by inviting the panelists to comment on Lottery’s role in the retail business model and what Team Lottery does well now. Jarrod highlighted how Lottery has become an increasingly important part of Kroger’s business in recent years. “Lottery is a trip driver, it draws in a wide range of customers who engage with it, which in turn supports our core business.”

“If you’re looking to develop unique omnichannel marketing strategies for your customers, I recommend trying to leverage the expertise of some of your key retailers.”

Continued on page 46

other attributes that appeal to new demographic profiles? What can we do to tap into these new play styles and motivations? We are seeing that being responsive to the market and giving players what they want is leading to incremental sales and greater success.

I think we're just scratching the surface of the potential to integrate digital platforms into the lottery-playing experience. Likewise with licensed properties, experiential prizes, and innovative prize structures. The impact of our Cowboys and Luke Combs licenses are hugely amplified by their own social media megaphones. Lotteries are now sending people into space. The runway for experiential prizes and ability to tap into a new universe of players on social media appears to be without limits.

do more. So, we began by talking to movie theater operator Alamo Drafthouse who helped us gin up exciting events to support the launch. To augment the launch, there will be a Spielberg film festival in the theater sponsored by the Texas Lottery. During the pre-roll before every movie, a commercial for the ticket will be shown. It's an effective way to connect with an engaged audience who is just sitting there watching the screen, waiting for the movie to begin, and whose interest is directly tied to our ticket theme. That level of engagement is hard to match. The movie theater loves this collaboration too as it supports the movie. Then later in the summer, a Jaws show will be broadcast on a big screen with viewers actually in the water! Texas Lottery and our Jaws game will get lots

building and implementing our mobile claims app costs money that could have been spent on advertising that we know from experience impacts sales. Some might ask how much sales increased by implementing the mobile app, right? That may be hard to measure. What's not hard to measure is the level of service and convenience produced by the mobile app as we now have over 15% of eligible claims being paid out on mobile – and we have not even promoted it yet. That is a concrete data-point confirming the value of the mobile app to our players.

As lotteries that sell online will attest, the value of digital is much less about selling tickets online as it is about engaging the players in a dynamic relationship.

Isn't the success of the mobile app' a testament to the power of the lottery's website?

R. Mindell: Absolutely. Our websites are a grossly underutilized resource. They are a direct line of communication with players, they cost much less than traditional advertising, and they are flexible to change the message as frequently as you want. Compare that to billboards which are costly, the singular message is static, and you're hoping that people who happen to drive by will see it and act on it sometime in the future when they are in a store. The future is in creating more services and benefits for our players, where our players are.

How do you measure the effectiveness of digital advertising or unconventional promotional strategies?

R. Mindell: The tools we use to measure are evolving. I would submit that we need to use common-sense and judgment in addition to raw data. You might have a data-point that a brief scoreboard ad in a sports stadium delivers hundreds of thousands of "impressions". And our ad that displays during the pre-movie rolls delivers far fewer "impressions." I would argue that these raw data-points do not tell us what we need to know. It might be hard to measure the effect of a captured audience who is watching a dynamic 10-second story told about our lottery on

“The fact that outcomes may be hard to measure and turned into easily measured data does not mean the strategy or initiative is not producing a powerful impact.”

Of course, all markets are local. Maybe some states would not be as responsive to \$100 tickets, Luke Combs, and trips into space. But it's not as if we can't cater to the needs of all playstyles and preferences. This is true at high price points as well as low ones. Some states have essentially eliminated the \$1 ticket, but in Texas, we cut back without eliminating. The point is that everything is changing in ways that represent incredible opportunities for all of us as we learn how to tap into them and make disruption work for us.

Texas Lottery has always been good at forging creative brand tie-ins and promotions. What's in the pipeline?

R. Mindell: We are planning to launch Jaws for next summer's 50th anniversary of the original movie. The launch plan was impressive, but we thought we could

of publicity for our sponsorship. And our brand collaborators, the water park owners, benefit as they deliver more fun and value for their customers. As these kinds of promotional integrations get tighter and more synergistic, the value for both the Texas Lottery and our brand collaborators is enhanced.

It is incredibly exciting to imagine the possibilities for reinventing the whole area of co-branding initiatives and promotions. Could you talk about how you assess the ROI for initiatives that are longer-term and have hard to measure outcomes like digital versus more conventional advertising and promotional media?

R. Mindell: Our basic philosophy is that the best way to increase sales is to produce and deliver a better player experience across the board. For example,

a movie screen, but the fact that it's hard to measure does not mean the strategy or initiative is not producing a powerful impact. We can see the increase in sales of our Cowboys-themed tickets and increased use of our mobile app when we run digital ads in the stadium. So, we are confident with our decision to invest in digital ads even though we can't draw a straight cause-and-effect line between these events.

Is the trend towards self-service stopping short of the Amazon Go model of zero clerk-assistance?

R. Mindell: It seems that way. But the previous thinking that convenience equals getting in and out of the store as quickly as possible turns out to not be true for at least some shoppers.

I do think self-service will continue to be a part of the picture, along with BOPIS (buy online, pick up in store), online sales, and probably more options that haven't been invented yet! The main idea is that retail will always evolve to provide the kind of service and shopping experience the customer wants.

You and the Texas Lottery have been on the forefront of initiatives to enhance lottery's position for in-lane sales. What's the next step?

R. Mindell: We are ready and operational with retailers in Texas. APIs (Application Program Interface) are now in place to produce draw game receipt tickets and QUICKTICKETS right in the check-out process. The transaction details are transmitted from check-out directly to the lottery gaming system. The next step, which I am very excited about, is enabling the in-lane sale of scratch tickets. We are changing the inventory bar code on our scratch tickets to be readable by scanners at the register.

Next, we have to get ticket information from retail to the gaming system. Whether it is an intermediary like Abacus or a direct integration like we do with the grocery store H-E-B, you have to bridge that gap. That is where the API becomes a key part of the solution,

enabling all parties to communicate in the common programming language. The API program may need minor tweaking in different jurisdictions, but it is the communications enabler which turns the transmission of data and information into an automated friction-free process.

APIs aren't just for in-lane sales applications either. APIs enable all kinds of communications functionality that will be incredibly powerful. Inventory and sales tracking, ticket activations, and all kinds of reporting become streamlined. Jackpot information can be instantly communicated to digital menus and billboards in real-time. Jackpot alerts can be transmitted to retailers who can promote it themselves.

This process of finding solutions for in-lane sales has also transformed the retailers' perception of lottery. We have gone from having a "take it or leave it" approach to being a leader in helping retailers modernize on their terms and in ways that put the customer first. Talking to our friends at the National Association of Convenience Stores, reveals a keen interest in learning how they can adopt new methods to sell lottery tickets because these innovations are contributing to their broader goals of technological transformation on multiple levels. The positive feedback we get from retailers has been incredibly encouraging.

Retail continues to be Team Lottery's most powerful competitive advantage. That is as true in iLottery states as it is in Texas where we have 21,000 stores selling lottery. That's why driving innovation and progress at retail is our long-term success strategy.

You have been right in the middle of all the strategic planning and decisions being made over the last five years at least. Our discussion has touched on some of those initiatives and strategic guideposts. Any surprises come with your appointment to Executive Director?

R. Mindell: It's not really a surprise, but I have been most pleased by the warm

welcome from the vendor community and my colleagues from other state lotteries and NASPL and MUSL teams as well as my direct stakeholders of the Texas Lottery team and our Commission board. Of course, I had already become acquainted with them. But executive director is a different level of responsibility, and I very much appreciate the comradery and support of industry leaders.

I have learned to appreciate the importance of engaging more team members earlier in the strategic planning and decision-making process. For practical reasons, we do need to specialize by the different functional areas of the business: sales, marketing, finance, security, product development, legal and compliance, responsible gaming, etc. But I have seen over the last seven years that everything we do involves all of these in some measure and so it is best to engage them earlier in the process if possible. It can be a bit of a balancing act. We need to let the specialists in product development develop the product, right? But we can't wait too long in the process to enlist the input from others.

For the last seven years I was fortunate to work with Gary Grief, who taught me many things including the importance of collaboration. I am so impressed with the accomplishments of Team MUSL, for instance, which is creating new pathways for growth. Uniting behind MUSL initiatives to negotiate with uber-brands like NASCAR and the NFL, serves the interests of each of our individual state lotteries. And Team NASPL does so much to facilitate communication between all levels of lottery leadership and create fabulous programs. And of course PGRI's content and conferences are always outstanding. I think there's still so much for me to learn about our fascinating industry. I am excited to be here, excited to learn from my colleagues, and excited to contribute to the worthy mission of government lotteries! ■