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LOTTERY AND RETAILERS MODERNIZING TOGETHER

Feature Interviews

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Advancing Lottery with Retail Modernization

The year 2020 may have brought us the term “new normal,” but changes have been incubating for years when it comes to selling lottery at retail.



Consolidation in the c-store industry has continued after a brief pause last year. Several major chains have announced mergers and acquisitions in the past few months, and the most significant is 7-Eleven’s purchase of Speedway. In August 2020, 7-Eleven announced that it will buy 3,900 Speedway stores in 35 states from Marathon Petroleum Corp. for \$21 billion. The purchase is “the biggest acquisition in the history of the U.S. c-store industry in terms of size and price tag for a purchase that doesn’t also include a refinery,” according to *CSP Daily News*.

At the same time, c-stores keep modernizing their operations, product offerings and how they engage with customers. Research published by Bluecore in 2020 revealed that up to 39% of c-store brands in the U.S. and Europe are prioritizing how to improve customer experiences and deliver more value.

The major changes taking place among c-store chains are sending waves throughout the industry, including lottery. In the U.S., c-stores account for approximately 63% of all lottery sales, and in some states the figure is as high as 93%, according to data from *La Fleur’s*.



Adapting to Change

As c-store chains consolidate and streamline their operations, retailers are continually forced to reevaluate how they position their products in stores and create easier checkout processes. All of these changes add pressure on product suppliers to conform to chain store strategy, including store design. That means in order to keep up with the altered retail landscape, the lottery industry needs to find new ways to adapt.

“These stores are looking for fast and frictionless product delivery. Lotteries must be prepared for these inevitable changes with modern solutions,” says Jeff Martineck, VP Global Instant Product Innovation & Development for Scientific Games. “It’s all about consumer convenience, data-derived products and intelligent channel execution.”



Scientific Games developed its *SCiQ*® intelligent retail ecosystem to help lotteries and retailers modernize merchandising, selling, accounting and securing instant products. The company serves 150 lotteries and retailers in more than 50 countries around the world and is the leading innovator of lottery retail technology in the industry.

Putting Data in Motion

In contrast to most other products at retail, the lottery industry sells billions of products every year without unit-level tracking. Lotteries and retailers until now have received minimal data about player purchases, as well.

“If we were going to design the first automobile today, we wouldn’t design it fueled by gasoline. In 2021, the obvious choice would be electricity. The only reason that’s not the case is because it’s always been done a certain way,” says Joe Fulton, Director of Product Management for Scientific Games. “If we were going to just now start selling instant games, of course we’d have unit-level tracking, and *SCiQ* is the only thing that offers this to the industry.”



A key to retail modernization is using data to make smarter product decisions. *SCiQ* delivers unique insights into the lottery market basket, such as who is buying games, what other games were bought, how many games were sold in a purchase, or if a game was bought with similar games at other price points. Having this kind of data enables retailers to manage the lottery product more effectively. Lotteries can fine-tune their product portfolios to maximize sales and make sure the right games go to the right stores at the right time. In addition, using *SCiQ* in combination with a loyalty app can



SCiQ Ecosystem Positions Lottery for the Future of Retail

tie purchases to specific players and give insights into what players like.

“All this information was nonexistent before SCiQ,” Martineck said. “It’s the intelligent evolution of lottery product retail execution.”

Keeping Games in Stock

As retailers modernize, products have to earn their prominent placement on c-store counters. Making lottery valuable and economically viable for retailers is essential. Notably, preventing out-of-stocks can have a significant positive impact on sales—and ultimately, lottery profits.

A recent study by Scientific Games in Arizona demonstrates the negative impact of empty bins on sales at major lottery retailers. For the last year, a leading chain lottery retailer in Arizona had an out-of-stock percentage of 8.58% with estimated lost sales of about \$8.5 million. This translated into about \$74,000 in lost sales per store. Reducing the out-of-stock percentage by just 1% could generate \$1 million more sales for the c-store chain.

The real-time data provided by SCiQ helps prevent out-of-stocks so retailers can keep selling. Scientific Games reports that retailers and lotteries fully adopting the features of the SCiQ ecosystem can drive a 15 to 20% increase in instant game sales.

Securing the Product

In December 2019, a man jumped behind the counter of a metro Phoenix convenience store to try to steal lottery tickets. To his surprise, the store’s SCiQ bin securely safeguarded the instant games, minimizing the lottery product loss to the retailer. Even if the thief had managed to remove tickets, SCiQ inventory management and ticket

tracking technology enables a lottery to void any stolen tickets within minutes.

Reducing shrink and theft is a top concern for c-stores, and unsecured tickets create a liability for retailers and lotteries. If they don’t know where all their tickets are, they cannot know if they have been activated, sold, stolen, etc.

“Knowing the status of each ticket at a unit level allows retailers and lotteries to keep them secure,” Fulton said.

Meeting Tomorrow’s Needs

Legendary New York Yankees catcher Yogi Berra famously quipped, “The future ain’t what it used to be.” The adage is as true in lottery as it is in baseball. Trends in consumer behavior indicate how the industry needs to expand its technology and service to meet the expectations of tomorrow’s players.

Scientific Games takes this approach to innovating new technologies with advanced capabilities to help retailers sell lottery. The company’s technology solutions facilitate in-lane sales, as well as cashless payments and pricing. Incorporating mobile with SCiQ enhances players’ shopping experience and streamlines the checkout process.

“With mobile, we are bringing the in-store experience into the pre-store online ecosystem,” Martineck said.

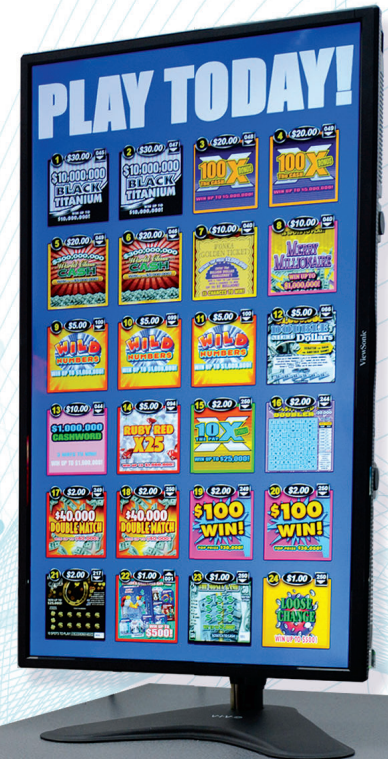
As retail continues to consolidate and modernize, lottery must innovate to keep



growing and delivering proceeds to good causes. The bottom line is that retailers won’t keep instant games where they are if they continue to be sold like they are.

“We have to give retailers and lotteries ways to make products easier to sell and players to buy. SCiQ is a significant way for the industry to evolve as retail is changing,” Martineck said.

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Helping Serve Those Who Served

Supporting our veterans is just one example of how lottery revenues benefit our communities. Scientific Games' suite of retail solutions, including our **PlayCentral[®] HD** and **WAVE[™]** terminals, makes buying and selling lottery products secure and easy so that every dollar possible goes to the good causes our lottery partners support.



Reimagine Next