

Following is an edited synopsis of the panel discussion held at PGRI SMART-Tech on April 7 in New York. You can view a video of the complete presentation at www.PGRItalks.com. Edited by Paul Jason, PGRI.

RETAIL OPTIMIZATION: IN-STORE MARKETING AND MERCHANDISING

How can Lottery be “up-sold” and engage the shopper in the store? How can technology and Point-of-Sale (POS) tools be used to capture attention and make it easier for the consumer to understand the portfolio of different products and make their selection? How can Mobile Proximity Marketing be applied to Lottery?

Moderator:

Tom Delacenserie,
Secretary,
Florida Lottery

Panelists:

Wendy Montgomery,
Vice President Marketing
& Sales,
Ontario Gaming
& Lottery OLG

Adam Perlow,
President &
Chief Executive Officer,
Hudson Alley Software

John Pittman,
Vice President Marketing,
INTRALOT USA

Tom Shaheen,
Executive Vice President
& Chief Policy Officer,
Linq3

Jeff Sinacori,
Vice President
Retail Development,
Scientific Games Corp.

Tom Delacenserie: Even though a few lotteries have begun to sell online, it is land-based retail that sells our products. Over 99% of U.S. lottery sales happen at retail, and it will take a long time for that to change in any measurable way. That is why it is vital for us to gain as much understanding about the in-store consumer experience as we can. This ‘moment of truth’ when

We have to realize that we’re competing not just for the customer’s attention, but also for the retailer’s attention.

—Wendy Montgomery

the consumer makes the final decision of buying or not buying is undergoing a renaissance, with merchants rediscovering the potential retail has for connecting with the consumer. Like most

business scenarios, this represents opportunity and challenge. Lottery can consolidate its strong existing position at retail by dedicating itself to truly optimizing the in-store player experience and its partner relationship with its retailers. The challenge is that if we don’t do that we will lose ground against the community of CPG merchants who, along with the retailers, are changing the face of the retail shopping experience.

Maximizing in-store marketing and merchandising is about improving product awareness. Product awareness at retail is the critical component to retail sales growth. Awareness can be gained through expanding and improving existing space and product facings, additional product signage, third party partnerships, or all of the above and then some. How can lottery leverage its strengths, profitability per-square-foot, total sales, and growth to gain more space, better location, and a stronger focus at store level? Jeff ...

Jeff Sinacori: The key is to develop products that the consumer loves, and building the mutually beneficial relationship with the C-store owners to position lottery for success in the retail environment. Traditionally, Lottery has focused on its own agenda for how to merchandise its products. That’s not illogical and worked well in the past. But the future is being driven by the consumer, and our customer which is the retailer. Our industry is finding great success when we switch over to a retailer focus, speak the language of retailers, appreciate and respect their goals and their perspectives on how to optimize lottery sales and the consumer shopping experience.

Wendy Montgomery: We have to realize that we’re competing not just for the customer’s attention, but also for the retailer’s attention. We need to understand our retailers’ needs, their concerns, and their objectives. We have to show retailers their ROI on Lottery. In Ontario, we

make sure we talk about the dollars and not the percentage because the retailers like to remind us about the low margin. We point out that you can't take the percentage to the bank—it's the dollars you take to the bank. For example, we want to get the retailers' support to advertise at the pump. By appreciating that the retailers' goal is to cause the consumer to come into the store, the sell is that we are helping to drive store traffic that will end up buying not just lottery products but an additional basket of goods.

Adam Perlow: I think there's going to be a competition for space when it comes to digital displays. There is an argument to be made for having large displays at retail with digital menu boards and tying that into the ordering and planogram process. Technology is expensive, but it's less expensive than the alternative of not maximizing product awareness. Tom is having great success in Florida with this strategy as are other lotteries around the country. Digital technologies in general will be key to en-

There is always a cost to modernizing, and we need to be willing to invest.

—Tom Delacenserie

hancing the consumer in-store experience as well as maximizing product awareness.

Tom Delacenserie: There was a time when the only way

that you could advertise the jackpot was by using a small eraser board that looked like a billboard and it would be on the counter. Except that the retailer had to wipe off the old jackpot to update it with the new. So it always understated the actual jackpot. It cost money to upgrade that process but clearly it was a good investment. There is always a cost to modernizing, and we need to be willing to invest.

John Pittman: Recalling the original question about how do we get more space and more favorable location at the retailers. We need to educate. The thought process for Lottery, Vendor, and Retailer needs to be informed about the facts of what leads to success. Do our retailers understand the per-square-foot profitability of Lottery? Or the cost advantages of a product that they

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do not need to refrigerate? Or compare the cost of managing Lottery to the cost of storing bulky CPG's and tying up their money with cost of inventory? And as others have said, we need to build strong partner relationships with retailers. And not just with the largest retailers but also with the smaller independents who are still so vital to making Lottery available to everyone everywhere.

Tom Delacenserie: I couldn't agree more, and the best way to build that relationship is to make sure you have data necessary to reinforce your position. Building trust through business recommendation that works not only enhances your credibility but also leads to a more productive, long term relationship with the retailer.

We don't need to worry about getting the 22 year-olds to play right now, but we do need to make sure that they're going to play when they're 35.

—Tom Shaheen

Tom Shaheen: Right now is the best time to really address the POS situation with the retailers. They appreciate how important Lottery is to their business and are more receptive than ever to new ways to leverage Lottery to drive store traffic and sales of all their products. As Tom says, the timing is right for the industry to tell our story to the retailers, to inform them of the facts and how and why Lottery can be a valuable component to their success. And it's all about product awareness. For instance, we found that the display of the jackpot amounts at the Pump actually drives an increase of in-store sales. Providing the option of buying the ticket at the Pump increases product awareness, promotes the jackpot, and ends up causing the consumer to come into the store. Store traffic increases anywhere from 4% to as high as 10%. This phenomenon is even more pronounced during times of jackpot fever.

Jeff Sinacori: We need that retailer commitment, buy-in, and partnership between the vendor, the lottery, and the sales rep. We learned years ago, with instant ticket dispensers, how important that is, and how damaging it can be when it is not there. Dispensers started out front and center in the store. In-counter dispensers, and counters in Zone Five away from the register, do

not work well. Getting Zone One on the front counter is key. A sales rep has about three minutes with a manager to get our story across. So we need to be very clear on how to communicate and make our case. As we build a trust relationship, the retailers invite more input and support. That's what our SalesMaker™ program is really all about. Gaining retailer confidence by producing results.

In Georgia, we trained retailers and re-merchandise their stores. We generated about \$35 million in incremental sales in Georgia store locations where we were allowed to re-merchandise their stores. Merchandizing is so important, and that doesn't happen without education and buy-in of the retailer.

Signage placement is also vital. We know that the bottom half of front doors is key. Everyone else knows that too. So we need to convince the retailer why the best use of that space is to promote Lottery. We have 200 stores in Georgia with front-door signage and the impact is significant. Favorable merchandizing and signage placement is so important, and that doesn't happen without education and buy-in from the retailer.

Wendy Montgomery: It is our job to understand the path to purchase and the trigger points and messaging that creates product awareness and leads to a buying decision. Our research indicates that a key issue, especially with new and infrequent players, is that they find our category to be very confusing, and that alone becomes a barrier to purchase. So we work hard to de-clutter, make the displays more appealing and inviting, and make sure the messaging and POS helps them to know how to play the games.

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Lottery is not used to paying for some of these things. We think that the only way to get the kind of innovative, attention-getting, and effective merchandising, POS, and signage

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Pro-lite's new player transaction and jackpot display signs are great and fit well in a variety of retailer locations. They are attention-getting and have been well-received. Sometimes you can actually see them from the street. Jackpot and transaction communication to our players has improved tremendously with the addition of these units.

– May Scheve Reardon,
Missouri Lottery
Executive Director

For more information about Pro-Lite's lottery point of sale signage, please contact:

Linda Turner

Sales Manager, Lottery Division

Phone: 609-538-0128

Email: linda.turner@pro-lite.com

Website: prolitelottery.com

Retail Optimization: The Outside-the-Store Consumer Experience... continued from page 48

that really works is that we have to be more willing to invest. For example, in Ontario we pay for back wall advertising. Cigarettes used to occupy the space behind the cash register which are now points of advertising for us. We were reluctant to pay for that space but have found that it really is paying off for us by giving us visibility right at the point of sale where you absolutely want to capture their attention.

The retailers want the sales reps to be equipped to tell them what games are performing best and how to configure the POS to display the games in the best ways possible.

—Adam Perlow

Tom Delacenserie: You're exactly right. It may be worth investing our own money to produce the desired results of increased net funds for good causes. We invested in jackpot signage for lotto, Powerball, Mega Millions, and found that they produced a 5% sales increase which is huge.

Adam Perlow: You have already pointed out the importance of sales rep's in the whole relationship-building process. I would submit that they need to be given the tools they need to be effectively helpful to the retailers. The retailers want the sales reps to be equipped to tell them what games are performing best and how to configure the POS to display the games in the best ways possible. The sales rep's need detailed information about how the games perform in order to educate the retailer on how to optimize that performance. That's the value of Hudson Alley OnePlace force automation software.

John Pittman: We are focusing on the in-store component to merchandising. But as Tom pointed out, we should also be thinking of the entire customer journey as being an integrated process. Mobile apps and messaging, signage and advertising, and all other consumer touch-points, along with in-store merchandising, should be factored into the whole retail optimization strategy. When it comes to doing this, along with integrating digital technology into the mix, the answers are simple but execution is not always so simple.

Tom Shaheen: We don't need to worry about getting the 22 year-olds to play right now, but we do need to make sure that they're going to play when they're 35. To accomplish this we need to remain focus on taking lottery to where the consumers are as opposed to hoping they will come to where lottery is currently available. We also need to ensure that experience is fast and convenient. Lotteries are doing a fabulous job at getting there despite all the political constraints. ■