RETAIL BENCHMARKING: MOVING FROM SALES FORCE AUTOMATION TO RETAIL INTELLIGENCE

By Lapis Software Associates

The use of Sales Force Automation software ("SFA") to support field operations is widely accepted as an important part of retail Best Practices. Modern SFA systems help standardize procedures, tighten inventory control, and increase field force productivity across numerous industry types, and the benefits to lotteries from the use of these tools are well established. The functionality and feature sets offered by lottery-focused systems have expanded considerably since their introduction just a few years ago. The modern, real-time systems used by much of the lottery industry today provide lottery sales reps (LSRs) with access to a far richer set of information and functionality than that provided by first-generation systems.

Even more important is how well these systems support the demands of today's market. As brick & mortar retail locations face the challenges brought on by changing consumer buying patterns and compete with sales channels such as the Internet for market share, the need to optimize retailer performance is more critical than ever. Even though web-based market share is certain to grow, sale of lottery products at retail remains at the core of every successful, competitive operation.

The newest generations of SFA solutions allow lotteries to maximize retail performance through the use of automated retailer benchmarking, which evaluates the overall performance of each retailer. Whether dealing with a single sole-proprietor shop or members of a large multi-store chain, these techniques allow lottery sales teams to be more knowledgeable about all of their retailers and better informed as to what is—and what is not—working to increase sales at each location.

> Lotteries can apply the same best practices used by major retail chains thanks to specialized lottery retail benchmarking applications

In addition, benchmarking functionality supports collaborative efforts that can be focused on specific areas for improvement and provide specific action items that have been proven to increase sales. Scorecard systems provide retailers with a candid assessment of their current performance, define and prioritize areas of concern and objectives for improvement, create metrics for measuring progress, and support detailed tracking and reporting. These tools also allow retailer-facing lottery personnel to become more informed sales professionals, better prepared and equipped to help every retailer maximize sales and performance.

LOTTERY SALES PERFORMANCE BENCHMARKING: WHAT IS YOUR SCORE?

The benchmarking process generates "Scorecard" data, rating retail performance across a wide range of factors shown to affect sales, from signage and merchandising to sales skills and product knowledge. The resulting scores can then be aggregated and compared to associate specific best practices with consistent top sales performance for each category of location. Most importantly, this

> Scorecard applications provide flexible retail benchmarking functionality that can boost sales by focusing on actions that are proven to work toward improved performance.

performance information can be used to improve retail performance for all retailers because it provides recent, relevant and specific areas for improvement.

Retail benchmarking and scorecards are familiar concepts to many retailers already, and are rapidly becoming a standard part of their daily operations. Thanks to research conducted across every facet of the retail industry and the work of groups such as The Harvard Business School, McKinsey & Company and many other management and investment firms, modern scorecard systems implement well-established criteria to capture and analyze the specific data points that are most critical to performing an accurate evaluation of retail performance.

For years, many of the nation's largest retail chains (including CVS) have relied upon the benchmarking provided by mobile scorecard applications and the same functionality is now available for use by lotteries. In fact, the Kentucky Lottery Corporation has already begun to apply retail benchmarking with encouraging results. Since a retail Scorecard methodology lends itself to flexible automation, LSRs can actively and transparently use them as a part of each store visit when these are integrated into the SFA system.

LOTTERY-FOCUSED BENCHMARKING

There has never been a better time for the lottery industry to institute retailer-benchmarking systems based upon their own specialized scorecards. Customizable SFA systems that support this functionality can be implemented quickly and easily. A well-designed system enables LSRs to perform the necessary analysis to generate real-time ratings during their regular visits, with minimal impact on their workload. The information gathering process is handled as an extension of existing activities, which ensures that all critical data elements are recorded and accurately analyzed as part of the LSRs standard workflow.

A well-crafted and thorough lottery scorecard will cover a wider range of retail performance factors, including the proper use of exterior/interior signage, product mix, adherence with merchandising best-practices, lottery product knowledge, and overall sales skills. Each contributing factor is ranked and weighted in terms of its individual importance and degree of impact on the overall goal for that specific store type, with more important aspects exerting a greater influence upon the final score. The results of the combined analysis are then calculated and recorded, and can be presented in the form of a numeric or letter "Score" that shows the

retailer—and the lottery—exactly where that particular retailer stands relative to the targets established by the lottery, as well how their score compares to those of their peers.

> If there is one universal area of agreement among industry experts it is this; when it comes to retail performance, if you do not measure it, you cannot improve it.

As retailers' comfort level and familiarity with the benchmarking process increases, operators can gradually increase the scope, detail and frequency of their scoring programs with minimal impact. And as the frequency and depth of benchmarking data collection increases, having access to up-to-date performance ranking reports becomes all the more important as it allows operators to identify trends and problem areas in near real time, enact corrective measures and policies, and adjust benchmark scoring rules accordingly.

Results of the analysis are presented in a clear and easy-to-understand format that lets retailers see exactly where they stand relative to similar stores (both nearby and state-wide), often providing significant motivation to the retailer for improvement. This is especially true when a retailer is able to see the information in the form of a graphic image, which piques their interest further and can often inspire them to action. To generate even more interest and greater retailer investment, scorecards can be tied to the award of prizes and promotional products for participating retailers. Recognizing and rewarding improved retail performance is recognized as a positive and motivating way to strengthen the relationship with lottery retailers, all while raising the bar for performance.

Comparisons showing a retailer's performance relative to their own previous scores are equally valuable, and help to focus specific lottery and retailer objectives toward the targeted goals. Additional opportunities come from the valuable and often frank dialogue that can arise when discussing scores with a retailer who may have questions or voice concerns such as; "Why did the system score me like that..?" "I thought my clerks understood the lottery games better." "I didn't even realize we had so many bins going unfilled." These discussions open the door to the development of specific actions and remedies the retailer can undertake to

improve their performance and increase their overall score. Soon, retailers will be asking, "What's my score?" during each visit.

> Regular retail scorecard rankings foster valuable conversations with retailers about their standing, and highlight tangible actions retailers can undertake to improve performance and sales

In addition, the back-office tools incorporated into these system allow management to review, analyze and apply the results state-wide, based upon detailed information that considers a full spectrum of performance-influencing factors, rather than just relying on sales figures for comparison. Benchmarking brings to bear the benefits of having access to two powerful data sources; store-specific as well as market-wide competitive analysis, both continually updated with dynamic, real-time data from the field. Careful analysis of the results will also reveal common characteristics shared by successful retailers, and allow these same practices to be introduced to outlets who need help reaching their full potential.

GETTING THE MOST FROM EVERY LSR VISIT

Thanks to recent advancement in SFA systems and an ever-growing selection of mobile, web-enabled devices that support these systems, LSRs today need devote far less time to "housekeeping" efforts such as updating and synchronizing their information. This allows more time for the activities that increase the effectiveness of their visits. Forward-thinking lotteries are taking advantage of the opportunities offered by modern Sales Force Automation tools by incorporating benchmarking into the field-based systems to provide true "Retail Intelligence" without burdening users and retailers with cumbersome, time-consuming surveys and manual reviews in the process. The best systems appear almost transparent in their data collection process yet yield the most informative and useful results.

Retailers realize the benefits of these systems as well; as they experience issues being identified and resolved quickly, often in real time, they become more open to greater participation in programs such as benchmarking and in the performance-focused discussions that result.

GETTING STARTED

Initial implementation can be as simple as rolling out a limited, pilot program to record and analyze just a few key performance metrics, along with a simple scoring system that provides quick identification of top performers. As the system expands, additional ranking criteria is introduced as required, with the relative score and weighting of individual data items adjusted to support the lottery's strategic goals. In addition, business type-specific benchmarking allows the rankings to be normalized across industry types, allowing every retailer the opportunity to achieve the best possible results within their category.

Pre-defined scorecard templates included as part of most benchmarking systems allow lotteries to initiate a scorecard system quickly, without the need for specialized IT support or additional programming. For LSRs and other users, the learning curve is minimal since the benchmarking activities are implemented as extensions to existing, familiar system functionality.

Now is the time to move from Sales Force Automation to "Retail Intelligence." Increasing the impact of each retailer visit will produce more quantifiable actions by retailers to improve; which is the most direct way to increase sales performance across all products. Using the power of benchmarking to generate Retail Scorecards increases the focus and effectiveness of the lottery-retailer relationship, which in turn motivates members of the Lottery's sales team and their retailers to achieve better results. Best of all, recognizing and rewarding improved retail performance serves as a positive and motivational way to strengthen the relationship with lottery retailers while raising the bar to maximize sales at every location.

When your lottery retailers start asking, "What is my Score?" you will know something exciting is beginning to happen. ∎

ABOUT LAPIS

Lapis Software Associates LLC is a global-recognized industry supplier providing lottery-specialized applications and retail sales support solutions. Their product portfolio include the real-time gemIntelligence™ sales force automation system, and the gemRetailer™ portal, providing extended retailer access through lottery websites.

Lapis recently introduced gemScore™, the lottery industry's first retail scorecard and benchmarking system.

Find out more by visiting http://www.gemIntelligence.com or calling +1 973 884 4006