The Power of Now

REAL TIME INFORMATION IS CHANGING THE GAME

In the few seconds it takes you to scan this sentence, millions—if not billions—of data packets have crossed the globe, keeping businesses, organizations and governments updated with key information in real time. Critical decisions are made based on the real time value of this data, with users placing increasing reliance on the advantages this brings—what we call: "The Power of Now." In fact, almost every decision affecting the global economy—from commodity prices and transportation routing to retail inventory and entertainment- is harnessing and acting on "Now" information.

From the perspective of a lottery, effectively harnessing the Power of Now can unlock many new revenue opportunities. This is being accomplished through the use of today's mobile technology to get the most current and relevant data to those Lottery staff members that can make the best use of it, specifically the field sales team. Readily available, inexpensive mobile devices such as tablets and smartphones, along with specialized sales force software, place the Power of Now in the hands of users anywhere at any time on all their devices.

With major international retailers increasingly managing their enterprise operations in real time, lotteries are wise to consider the many benefits this model provides. Traditional methods of managing retail locations and their inventory through spreadsheet-based reports, often based on stale, local data and lagging indicators, is rapidly giving way to the power of real time visibility, two-way information flow, and features that provide far more precise and effective optimization of retail operations.

- How much more effective could a retailer visit be if your field sales staff had real time visibility into the game inventory and facing status for every store they visit, even before they arrive?

- What about knowing the trending velocity and up-to-the-minute popularity of each game being offered—how might this information augment the reliance on static, manual planograms and traditional reordering patterns?

- Imagine if your sales managers could view and adjust the activity of all sales reps, state wide, in real time. Could ad-hoc changes to a field rep's daily schedule and route be used to proactively address dynamic sales trends and jackpot fevers?

We asked several Lottery industry professionals for their views on how the Power of Now can be used to increase lottery sales. We wanted to know what lotteries can do differently today, with real time management and sales intelligence, increasingly powerful and cost effective mobile devices, high speed communications, and powerful but easy to use applications that can deliver The Power of Now to their user base.

SELLING RETAILERS WITH THE POWER OF NOW
by Jan Kessinger

The advantage of having real-time information on a sales call, or from a sales management perspective is the difference between taking initiative and making things happen compared to always playing catch-up, or reacting on a sales call. When you're talking to a retailer about current sales performance, it carries a lot more weight than looking back a few weeks. Too often, a sales rep is forced to go into a store blind to what awaits. With real-time data, a sales rep can see a clear picture of the store, its inventory, its sales performance and be able to anticipate the needs of the retailer before going into the store to make a call.

From an inventory management standpoint, millions of dollars of sales are lost because of out-of-stocks and empty bins. Countless sales are lost because of the lost opportunity from lack of inventory of hot games, or game displays being clogged by slow-moving games. Real-time data and the capability to get a snapshot of performance greatly reduces inventory issues that hurt sales. From a sales management standpoint, real-time data puts management 'in the now,' where a manager can see the way things are, not just the way things were. That puts management ahead of the game and not always chasing.

With real time visibility, lottery management can identify trends in sales activity and target sales opportunities much more quickly and precisely than ever before. By identifying opportunities earlier, the sales person and their managers can make changes as they are needed, rather than responding reactively. The "Power of Now" provides many new possibilities to enhance lottery retail sales growth.

NOW SHOWING: TODAY'S MOST POPULAR GAMES
by Dr. Stephen Wade

Lottery managers want to be nimble and responsive to the market, but they are not getting the information they need to do this well.

What happened last month may be pretty well reflected in the record of pack activations and settlements. These are accounting transactions that tell about what our retailers did. However, if we want to know what our players are doing right now, we need to look closer to the player and we need to look sooner. To be nimble we need to know where the retailers are going to end up at the end of this month, not last month. The retailers are going to end up where the players are taking them.

In the old days, the amount of IT work required to get real-time insight into what players are doing may have been prohibitive. That is not much of a challenge now. The challenge is to adopt and use more meaningful measures. And by "use," I mean applying the information to do something different than we would otherwise have done. Better information gives us confidence to put tickets where they are needed. For example, knowing which instant games are being consumed faster by players, and then being able to take real time actions to adjust inventories and facings, can translate into higher sales and more efficient inventory flow; this is what the Power of Now means to me.

Using current business intelligence on what players are doing helps lotteries avoid two obvious problems: being "out of stock" on games that are moving quickly, and being overstocked on games that are moving slowly. Empty bins that should be serving the most popular game are a glaring lost opportunity. At the same time, too many packs of less popular games will eventually be returned for credit and may end up being shredded.

In my work, I have defined a quantitative way of measuring popularity that has turned out to be very useful. I have called this metric the "Popularity Index."

The "Popularity Index" metric is based on the familiar retail concept of "turn rate." Retail turn rate compares the rate of sales to the value of inventory. People who run stores buy inventory they sell to customers. At any given point, retailers have a measurable amount of money tied to the inventory that they carry; or the value of inventory. When the inventory is sold, retailers often talk about the rate at which they turn inventory into cash, or "Turn rate."

The turn rate is much more meaningful than a simple rate of sales per week. Consider how it can be used to compare retailers: $5,000 of sales per week in a store where the average value of inventory is $2,500 is a turn rate of 2.0, and that is stellar. Five thousand dollars per week from a chain that averages $20 thousand of inventory is a turn rate of 0.25, and that may be a concern. High turn rates occur when inventory quantity and product selection most closely match consumer desire. Low turn rates often occur when we have too much inventory of products that are less popular.

Just as we recognize that the proprietor of the one-cooler shop with a turn rate of 2.0 (in this case with units "per week") is doing a better job of managing lottery inventory than the big chain, we can recognize that a game with a turn rate of 2.0 is doing a better job of moving through the retail pipeline than a game with a turn rate of 0.25 per week. When we use turn rates to compare games, we are talking about the rate at which players are converting the inventory held by all retailers into cash. Players may be buying $250,000 per week of two games. However, selling this volume is a bigger accomplishment if the value of the game's inventory across all retailers is $125,000, than if it is $1 million.

When we compare games, we usually compare within a mental category; "Which of these $5 games are we going to need more of?" To answer this kind of question, and to make the whole business of measuring popularity more intuitive, I defined the Popularity Index as the turn rate of the particular game, divided by the turn rate of the category to which it belongs. A game of average popularity has, intuitively, a popularity of 1.0 and the metric has no dimensions.

How we get to this number

When retailers talk about sales, they are usually talking about sales to their customers. When lotteries discuss instant ticket sales, the language may have variations. When some lotteries say "we sold" they mean "the retailer agreed to pay" (this is activations called sales). Other lotteries say "we sold" when they mean "the retailer paid" (this is settlements called sales). Activations and settlements define an accounting view, but they do not directly reflect what the retailer's customers are doing.

By knowing that 10,000 winning tickets of a game called "Lucky Diamonds" have been validated for prize payment this week, and that the game has odds of 1 in 3.0, we can reliably calculate that about 30,000 tickets of that game have likely been played this week. We may estimate more accurately if we take a small rate of unclaimed prizes into account. Some lotteries monitor this and call it "likely sales" or "validation-based sales." By expressing likely sales over a period of time, we get very close to what a retailer would call rate of sales. We might define our units as "tickets per week" (30,000 per week) or "dollars per week" ($300,000 per

week for a $10 game), and then take this down to a daily rate.

Further, if we know that retailers statewide have activated one million dollars' worth of these $10 tickets in the life of the game, and that likely sales to date have amounted to $700,000, we can estimate that the current value of inventory in Lucky Diamonds is $300,000, over all retailers. A game with $300,000 of likely sales from an inventory of $300,000 has a turn rate of 1.0 per week: retailers are turning over the value of their inventory once per week.

This sounds pretty fast, but again, compared to what? This is where we compare games within categories—for instance, all the $10 games. If all the $10 games have a current value of inventory of $1.2 million and if likely sales of all of them amount to $0.6 million, then the turn rate of the $10 category is 0.5 per week. Lucky Diamonds has a turn rate twice that of the category to which it belongs. This quantity- the ratio of the turn rate of the particular ticket to its category—is what I have called the Popularity Index, in this case is 2.0.

With real time visibility and alerts triggered by emerging popularity of games, lotteries can now adjust not only their inventory mix and quantity, but also the merchandising. Adjusting inventory and merchandising more quickly to the real time velocity of demand, the higher the sustained turn rate, and thus revenues.

Fine Tuning

Real-world experience tells us that it is useful to also consider the "types" of stores and the associated "turn rates." Player and trade-style segmentation can provide a good answer to this question.

Lottery marketers typically think of applying segmentation to answer the question; "How many kinds of players do I have?" A segmentation analysis usually yields not just a number, but a brief description of what really matters to each player segment, and how important each is to your total business. This is meant to help focus marketing efforts. A "Turn Rate" segmentation of your retailer base would let you group retailers according to the preferences expressed by their customers. By studying the velocity of how particular games have moved through each store in the past, lotteries may have additional insights to group the stores into more meaningful segments for more real time inventory management actions.

The Power of Now

When the next jackpot draw game rolls over multiple times, lotteries know it is time to increase and stock up on all consumables from play slips and pencils to ticket paper rolls. The focus is not on the historical or average demand for these consumables, rather it is on taking action to make sure the short term increase in popularity is fully met by each retailer. Running out of supplies during a jackpot sales spike would be unthinkable. The Power of Now means lotteries can apply the same real time game management practices to instant tickets.

What you need to know now is information that can be tracked in real time, acted upon in real time and, when integrated over a meaningfully broad and consistent base, offer new insights into inventory optimization.

CONCLUSION

The Power of Now is unleashed through the effective use of real time lottery sales force automation solutions. With features supporting enhanced instant ticket management and merchandising tactics based on real time retail intelligence, as well as managerial tools providing more effective route planning and retailer communication, a new generation of sales force automation systems are allowing lotteries to harness the Power of Now, and are serving a rapidly-growing role among forward-thinking lotteries in their efforts toward increased sales.

"The Pennsylvania Lottery relies heavily on real-time data to optimize and increase sales," said Deputy Executive Director for Retail Operations Eric Grubbs. "We can't afford to allow an underperforming game to take up precious shelf space, so our sales representatives use this crucial data to keep game inventories fresh and tailored to an individual retailer's needs."

There has never been a better time for lotteries to harness the benefits of the Power of Now. Increasing collaboration using more flexible and customizable platforms like gemIntelligence, lotteries

can more rapidly turn innovative new sales and inventory management ideas, like those presented in this article, into automated software applications. Those applications can then quickly be enhanced over time as measureable results and experience is achieved. By combining this more rapid translation of innovation into action, with increasingly powerful and cost effective mobile devices and reliable high speed communications, lotteries can accelerate toward the next level of "Retail Intelligence;" the ultimate benefit of the "Power of Now." ∎

Authors & Contributors
Written by Lapis Software Associates

Contributing Writers:
Jan Kessinger is President of Henderson Kessinger Consulting
Dr. Stephen Wade, serves as Research and Development Manager for Washington's Lottery and provides consulting services under Lottery Management Consulting, LLC.

A Sales Rep's View:
The Popularity Index with a Real-Time Sales Tool

As you enter the next location on your sales route, your lottery mobility application alerts you that a recent new game, Lucky Diamonds, has achieved a popularity index of 2.0 based on its sales trends over the past several days. A glance at the mobile application's Popularity Dashboard displays the current inventory of Lucky Diamonds at this outlet in a graphical format, and indicates that the higher turn rate for this game mandates additional inventory. A system generated "Recommended Order" suggests the ideal quantity, and you use the touch screen to quickly place the required order. This in turn is immediately received and acknowledged by an automated workflow process in the Lottery back office. Next, a pop-up merchandising suggestion based on the trending popularity of Lucky Diamonds alerts you to increase the number and positon of the facings used for this game. As your visit concludes, you use the mobile application to register the task completion and take a photograph of the updated display which is recorded to the retailer's record and available to other system users as needed, as is a record of your visit. Meanwhile, the order you placed is being reviewed and will be filled and shipped within hours, with a shipment confirmation sent to your device as soon as that happens. ∎