

SCIENTIFIC GAMES: A WINNER FOR LOTTERIES & RETAILERS

Driving incremental sales for three U.S. lotteries



For lotteries, success at retail is more than a numbers game. Still, many U.S. retailers seem to miss a golden opportunity along the consumer path to purchase to improve the odds of their sales success in the lottery category. That's precisely where three innovative state lotteries are changing the game.

State lotteries and retailers in Maryland, Ohio and Georgia are all participating in a retail merchandising program aimed at helping them improve their sales strategies through improved category management. Built on years of industry insight and a deep understanding of the consumer, the program uses solid data paired with a "business school" approach to sharing best practices – all while increasing opportunities for hands-on, store-level teamwork that forges stronger relationships between lottery sales reps and the retailers they serve.

MARYLAND'S MULTI-PHASE RETAIL PROGRAM LEADS TO INCREASED SALES

For the Maryland Lottery, success has come from implementing an innovative "boots-on-the-ground" retail program. Three years ago, the Lottery launched a program that went beyond merchandising and product placement to include analysis of traffic flow patterns, proper game mix and product placement, and profit per square foot. And it took a hard look at the lottery category's impact on overall store profitability.

"Our biggest win is the growth and success of the SalesMaker™ program offered through Scientific Games. When the program began, we had less infrastructure and support than we do now. Now, we have merchandise solely devoted to specific locations and employees who are dedicated to making the program a success," said Jonathan D'Alessio, Merchandising Manager for the Maryland Lottery Gaming and Control Agency.

These locations are outpacing the rest of our network in terms of sales – and that means the program is working. We are excited to see how the 2014 makeovers track in the coming months.

- Jonathan D'Alessio
Maryland Lottery Gaming and Control Agency

D'Alessio said that makeovers performed in 2012 saw an increase in their total year-over-year sales by more than \$4.7 million



Customers can't miss the Maryland Lottery's presence at Lakson Mart in Linthicum, Maryland after SalesMaker's best practices rolled out.

or 3.4%; in 2013, those retail locations saw a year-over-year increase of more than \$6 million or 2.9%.

From adding facings and relocating key impulse buys to conducting detailed surveys and managing store makeovers, the Maryland Lottery and its retailers have worked closely with professional lottery retail development specialists from Scientific Games to gain the insights, guidance, and customization they need to better position current and emerging games while keeping all of the games exciting to customers.

While the Scientific Games team conducted the Maryland Lottery's initial sales force and retail training, and managed several

of the first store makeovers, the State has since made the SalesMaker program their own with oversight from D'Alessio and John Martin, Assistant Director for Lottery, Maryland Lottery and Gaming Control Agency.

“Experience, review and time have allowed us to learn, adapt and streamline the program and make it the success it is today,” said D'Alessio.

GEORGIA'S SALESMAKER RETAILERS AVERAGE 12% SALES INCREASE

For Bill James, Director of Corporate Accounts and Retail Development for Georgia Lottery Corporation, the success of the SalesMaker program can essentially be summed up in one word: makeover. The program began with retailer seminars and continued with the selection of 200 locations for store makeovers that included product education on dispenser and terminal placement, new dispensers with face cards, heightened winner awareness, door/window wraps and more suggestions aimed at enhancing lottery product sales.



SalesMaker amplified the Georgia Lottery's presence at the entrance to Short Way in Cartersville, Georgia.

In the program's first year alone, approximately 110 locations were given makeovers that resulted in a net increase in total lottery sales (over statewide average) of 12% – or more than \$10 million in incremental revenue over the previous year.

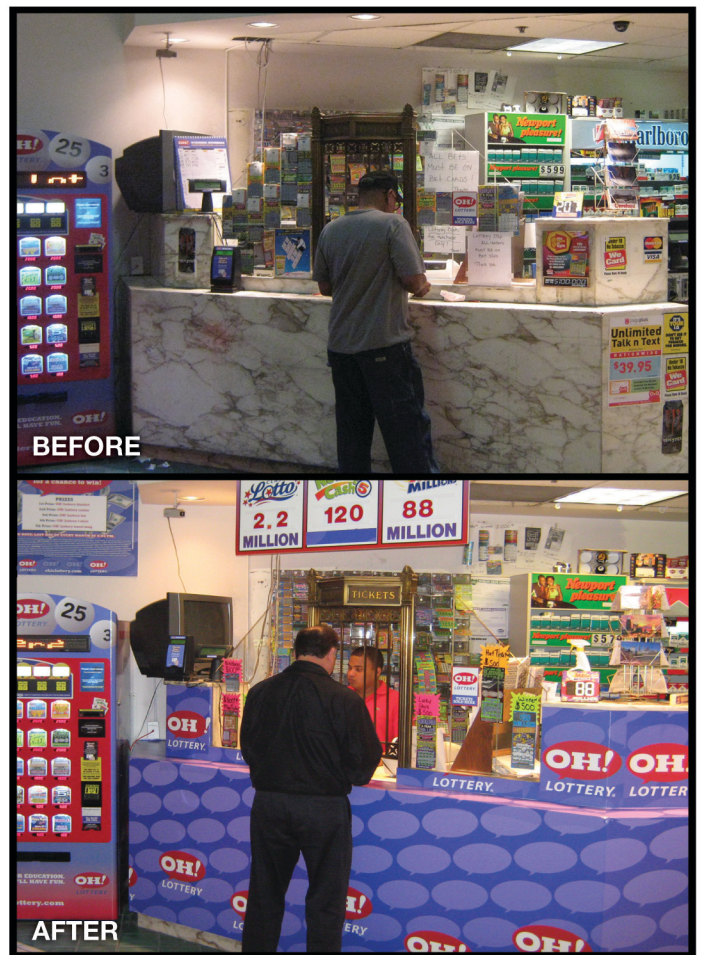
Retailers responded positively and have been very receptive to ideas generated from the program. Those with the best results were the stores that involved key decision makers and sales reps from the initial consultation, and those that remained involved throughout the makeover process.

The Georgia Lottery's biggest win has been the increase in incremental sales. Draw game and instant game sales at these locations have significantly outperformed other retail locations.

*- Bill James
Georgia Lottery Corporation*

SALES RISE 11%+ AT NEW LOTTERY DESTINATIONS IN OHIO

The Ohio Lottery began SalesMaker in 2011 by creating lottery “destinations” at 15 retail locations in the state. “From that point on, our dedicated team of two to four people was ready to begin completing more [destinations] throughout the state using the best practices learned,” said Patricia Vasil, Deputy Director of Sales. “Once we completed the initial 100, we continued to do more at locations that showed potential to increase sales.”



Lucky Stop in Cleveland, Ohio is now a lottery “destination” following the store's participation in the SalesMaker program.

Vasil said one of the biggest benefits to the Ohio Lottery was the increased teamwork between retailers and sales reps. She said it has provided reps with “a chance to work with each other, learn from each other and build a camaraderie that makes for a better working environment.”

LOTTERY RETAIL BY THE NUMBERS

LOTTERY
SALES
RANK
2ND
ONLY
TO
CIGARETTES

CIGARETTES
\$537,000
LOTTERY
\$437,611
FOODSERVICE SALES
\$296,760
2013 gross inside sales per store

ON AVERAGE, **LOTTERY PLAYERS** SPEND

70% MORE
ON **IN-STORE PURCHASES**
THAN NON-LOTTERY PLAYERS

LOTTERY PLAYERS ARE



90% MORE LIKELY TO BUY
CIGARETTES



73% MORE LIKELY TO BUY
BEER



54% MORE LIKELY TO BUY
CANDY



45% MORE LIKELY TO BUY
SODA

THAN NON-LOTTERY PLAYERS

AN AVERAGE
RETAILER
EARNS **\$32,500**
IN PROFIT PER SQUARE FOOT ON LOTTERY **ANNUALLY**
based on 14 sq. ft. lottery display

**LOTTERY CUSTOMERS,
ON AVERAGE, MAKE**

\$13
IN
NON-LOTTERY
PURCHASES
EACH VISIT



**U.S. C-STORES LEAD
BIG-BOX COMPETITORS
WHEN IT COMES TO
SELLING LOTTERY**

62% OF TOTAL
U.S. LOTTERY
SALES ARE
GENERATED BY
C-STORES

LOTTERY
SALES **\$36.1B+**

Source: National Association of Convenience Stores, La Fleur's Almanac,
Doublebase GfK, Impact 21, Scientific Games.



SalesMaker
A SCIENTIFIC GAMES® RETAILER PROGRAM



Ohio Lottery's Program Administrator, Patrick Kennedy, said the Lottery's own 2014 Summer Fun program, based on the SalesMaker program's best practices, focused on store exterior revamps using banners and window decals as a brand refresh and customer magnet. It helped drive customers in-store for more purchases and leading to an 11.6% increase in instant game sales.

"Both the SalesMaker and Summer Fun programs have both been valuable to us and we look forward to continuing with them in the future," said Kennedy.

The overall lottery presence in our revamped stores has not only created more product visibility and winner awareness, it has really turned these locations into lottery destinations.

*- Patrick Kennedy
Ohio Lottery*

AN INSIGHT-DRIVEN, RESULTS-FOCUSED PROGRAM

All three states have experienced results from the SalesMaker program developed by Scientific Games, which has its global lottery headquarters north of Atlanta. The retail development program provides retailers with insights on deeper consumer awareness and buyer statistics from point-of-entry to point-of-sale. An in-store digital advertising system shares promotional messages about games, winners and "winning" stores on video monitors that customers can't miss.

The company's understanding that lottery sales rank second only to cigarette sales at C-stores helps lottery retailers maximize category sales by better positioning the lottery brand in key locations, leading consumers from curb to counter while boosting sales opportunities in other categories. Research shows that on average, lottery players spend 70% more on in-store purchases than non-lottery players – creating a potentially huge, yet often under-capitalized sales opportunity for retailers.

Turning data like this into strategic store makeovers that better guide consumers toward lottery purchases is where the greatest impact on profitability can occur. "It's really all about creating a lottery 'emporium' presence in your store," said Michael Group, Retail Development Specialist and Marketing Analyst for Scientific Games. "The goal is to build profitability while making it easier for consumers to engage, play, win and turn more of their winnings into in-store impulse buys."

TURNING REPS AND RETAILERS INTO EXPERTS

For Jeff Sinacori, Vice President, Retail Development for Scientific Games, sales is second nature. During his days as the No. 1 selling New York Lottery retailer, Sinacori realized he needed to generate more incremental revenue in order to stay in business. He realized that lottery was basically a free product to him as a store owner, and all he had to do was figure out how to sell it and earn commission. Paying attention to sales traffic, profit-per-square-foot and the "low-hanging fruit" led to building one of the most



Once the New York Lottery's top-selling retailer, Scientific Games' Jeff Sinacori works with a retailer.

successful convenience store lottery programs in the country at Scientific Games. He now helps other retailers build their own successful lottery business.

"You might look at it as merchandising, but that's only a piece of the puzzle," said Sinacori. "The educational part – learning how to sell lottery and combine it with other products at the front counter – makes SalesMaker more of a business program. Retailers have responded positively. The more we work with them, the better their sales get."

Sinacori said retailers appreciate the "business school" approach to learning how to sell lottery as a category. The curriculum for seminars and field-level training covers key elements such as:

- Benefits of double-facing instant games
- The importance of creating winner awareness at lottery locations
- Using a profit-per-square-foot analysis to show retailers how to maximize sales
- Creating a lottery environment/destination that enhances the consumer experience
- Getting the retailer to dedicate valuable counter point-of-sale space to elevate lottery visibility and generate more impulse purchases

While all of these contribute to a better bottom line, it's the profit-per-square-foot analysis that is the star of the program. "Once retailers see how much revenue they can earn on lottery products versus other impulse-type purchases such as lighters and energy shots, they are more inclined to position lottery products front and center," said Sinacori. "This program is not only a best practice for lottery, it's also a best practice for retail business overall."

The program's seminar and field training is offered for lottery sales reps as well as sales managers, while the merchandising education happens with retailers in-store. For everyone involved, the process is an eye-opening experience. Now, corporate chains are eager to learn and implement best practices.

"It's amazing how quickly and successfully retailers immediately begin to implement what they've learned in the seminars," said

Sinacori. "They love the business school approach and the unique educational opportunity. Even the best of the best can still improve their sales."

EXTENDING MARKETING REACH

Group said the biggest challenge for many retailers is staying current, since most depend on their clerks for virtually all new game launches, maintenance and refresh of in-store promotions. That's where another level of service comes into play.

A second-level component of the SalesMaker program takes retail development out of the hands of just a few and expands it to include marketing and sales reps from across the country. These reps work with store owners and managers to find lottery solutions that not only increase sales but also ease pain points.

"This approach creates a very direct connection between the lottery and the retailer versus a third-party merchandising company," said Angela Saviano, Director, Retail Insights for Scientific Games. "It shows retailers that lotteries are creating customized ways to further support their business."

The program is driven by both merchandising and sales techniques. Expanding know-how and hands-on experience throughout the organization enables Scientific Games to provide specialists to aid lotteries in their retail development initiatives and pass more knowledge on to their sales personnel. The more experts, the more outreach; the more retailers that are impacted, the more sales realized.

Specialized Scientific Games employees are experts in SalesMaker's best practices, from merchandising, traffic flow patterns and selling the importance of lottery to overall store profitability, profit-per-square-foot analysis, proper game mix and product placement.

MOVING FORWARD

An educational, hands on, one-store-at-a-time approach sets the SalesMaker program apart. Through the combined efforts and creative synergies of reps and retailers, this program has changed the way the Maryland, Ohio and Georgia Lotteries interact with both their retailers and with consumers.

Sinacori said, "One of the reason these lotteries have all had success is by getting their retailers to commit to allowing Scientific Games to make changes at retail – and sometimes these are sweeping changes."

"These business concepts have become ingrained as the way these three lotteries do business with their retailers to drive incremental sales," said Saviano. "It takes a lot of hard work and the results continue to grow steadily. We applaud all of these lotteries for what they've done with their retailers and ultimately, to benefit the good causes in each of their states." ■