

STRATEGIC ALIGNMENT FOR RETAIL OPERATIONS

ACCELERATING REVENUES AND PROFITS



The essence of Strategic Alignment involves the direction and coordination of an organization's resources so that all stakeholders remain focused on the overall strategy and business goals. By directing and dynamically adjusting the efforts of all participants in order to concentrate their efforts on the factors that are most critical to a desired result, organizations can achieve measurable improvements in both efficiency and profitability.

Leading global companies, championship athletic teams, and elite military units all rely on Strategic Alignment as a cornerstone of their success. From historic engineering accomplishments to game-changing product launches, near-perfect alignment of all the participants involved in a process, and the continuous adjustment of assignments within that framework has proven to be critical to a successful outcome. Whether the goal is the worldwide release of a blockbuster film or the explo-

ration of space, strategic alignment is a fundamental ingredient of success.

Strategic Alignment within Lottery Retail Operations

The principals of Strategic Alignment within the lottery industry go well beyond simply establishing and managing goals through periodic planning sessions and strategy discussions. Strategic Alignment entails an active and ongoing process of organizing and re-focusing an enterprise's resources to harmonize with its overall strategy, based on current conditions. Executed correctly, Strategic Alignment helps innovative operators achieve market-leading results through improved retail performance, increased efficiency, and the cultivation of new revenue sources, all while boosting customer satisfaction and lowering costs.

A modern lottery enterprise involves the activities of multiple parties whose efforts, conducted in parallel, all contribute to achieving the desired result. While interactions between the lottery sales rep (LSR) and the retailer are essential to a successful operation, many other relationships exist between key stakeholders that require proper alignment to be most effective. The evolving relationships between the retailer and their corporate offices, the corporate offices and the lottery's key account representative, the LSR and the key account rep, the LSR and the lottery's Tel-Sell rep and many other intertwining interactions all contribute to the bottom line if they are well aligned. The alignment of focus and efforts on the part of each stakeholder is key to a successful outcome, and Strategic Alignment guides that effort. By ensuring that all staff members and retailers operate within this alignment framework, and by adjusting operational responsibilities and assignments dynamically as new information is gained

and shared in real time, key objectives remain in focus and the division of responsibilities among participants is more clearly defined. More importantly, activities undertaken by each stakeholder, from the LSR in the field to the regional and executive managers at the corporate offices, can be factored into dynamic adjustments made to the responsibilities, tasks and overall focus of all other stakeholders, in real-time.

Alignment of Field Activities

Providing sales reps and managers the most up to date information and focusing LSR efforts on tasks that match the lottery's key priorities can achieve more effective retailer visits, and by extension, increased sales. Additional benefits come from providing field staff with the ability to record and share retail visit information and associated activities by recording the information on a central system in real time. This allows lottery management, regional managers and corporate account executives to view and act upon the results of each interaction as it takes place, and to adjust and align their own schedules and activities accordingly.

Properly aligned, retailer visits can include a wider range of sales-centric activities such as promotion planning, resolution of inventory issues, ordering of instant tickets and supplies, retailer surveys and more. Each activity touches upon areas of responsibility associated with other stakeholders. For example, promotion participation often requires managerial approval, and real-time operation makes it possible for a LSR to register a retailer for a promotion, capture and submit all necessary paperwork and signatures electronically, and receive approval while still at the store. Similarly, administrative issues, survey responses, score-based store ranking and other tasks can be addressed at the time of the visit, with the results immediately reflected system-wide. This results in higher value field activities, aligned with all stakeholders and focused on lottery priorities.

Product Alignment

Establishing and maintaining the optimal instant product / price point mix for each retailer is essential for maximizing sales, and is an effort that requires the involvement of multiple lottery operations stakeholders. Likewise, initiatives such as programs to increase the number of facings and demographically targeted games can be implemented far more rapidly and with measurably greater success through a Strategically Aligned approach.

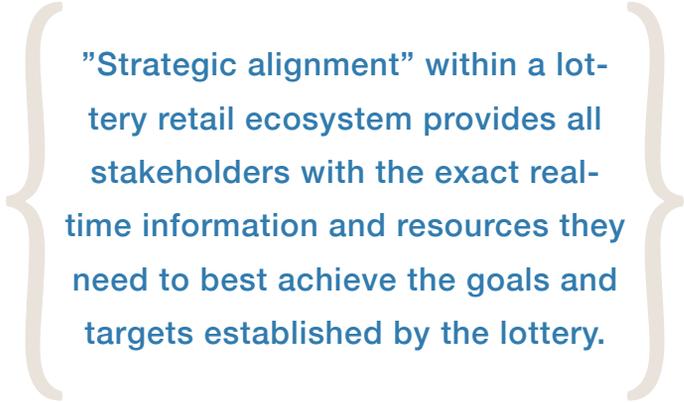
Real-time instant ticket management systems have an excellent track record of ensuring adequate inventory of new and key games, and in developing an optimized mix of games for each retailer. Late activations of new games, sub-optimal product mix,

and stock outages have a significant impact on sales. By contrast, timely activation of new games, real time alignment of facings, product selection and inventory levels based on ever-changing demand leads to sales growth and increased profitability.

By accurately recording the number and type of facings in every retail location, and providing visibility into the retailer's order history, LSRs are able to assess inventory requirements in a more informed manner and use this information to adjust the retailer's product mix and facing counts. Updates made by the LSR become visible to TelSell staff immediately, allowing them to factor this updated information into their next call. Additional flexibility provided by tools such as the "Suggested Order" functionality employed by the Massachusetts Lottery can bring the efforts of the LSR and the TelSell staff into even closer alignment.

Aligned Performance Improvement

Retail performance has traditionally been measured and evaluated on a periodic basis, typically based on sales reports alone. But sales reports rarely provide the information or incentive needed to inspire a sustainable commitment to improvement from the retailer. When performance-based compensation is involved, alignment of current performance levels with targeted actions to improve is even more critical. Some lotteries are now implementing retail performance benchmarking tools as part of their retail best practices. These serve to align the retailer and



"Strategic alignment" within a lottery retail ecosystem provides all stakeholders with the exact real-time information and resources they need to best achieve the goals and targets established by the lottery.

LSR's collective focus on the key actions that are proven to increase revenues and profits. Instead of relying on sales reports alone, lotteries can consider every element associated with retail performance improvement and track progress through regular performance benchmarking, which includes a wider range of performance factors such as product knowledge, signage and in-store merchandising.

Retailer Alignment

Retailers offer an important opportunity for improved Strategic Alignment, provided they have access to the information they need; but this means providing information and service that often extends beyond what is available through their lottery terminal. Although most lottery terminals provide sophisticated functionality for gaming operations, information provided by the POS terminal is usually limited to what is processed by the online gaming system, and lacks key performance improvement information such as store rankings, evaluation results, and progress toward goals and targets. Even retrieving the financial reports that are available from a lottery terminal can be labor intensive and time-consuming. What's more, additional retailer labor is often required to re-enter this data into a store's financial reporting system. These limitations are especially true for outlets associated with key corporate accounts, where a standard accounting and reporting format defined by a corporate office is required of all stores.

Providing retailers with easy access to a wider range of expanded information, and making key reports and data available in a format better aligned with the way they manage their stores, lets them begin to actively align their actions to lottery priorities because they are seeing opportunities faster. This is best accomplished with a secure, web-based Retailer Portal that allows each retailer to access a custom set of scheduled and ad-hoc reports that meet their exact requirements. These systems also provide ready access to lottery news and announcements, store-specific inventory details, comparative sales analysis, store ranking scores, promotion details and other information that is critical to increased performance.

The specialized requirements of key accounts have traditionally been addressed by creating custom reports that provide financial data in formats specific to each company. Unfortunately, this entails significant effort and resources. Today, many major chains (including 7-ELEVEN, Wawa, and Cumberland Farms) rely on Retailer Portal systems for the chain-wide or store-specific retail information they need, in the exact format they require, without lottery or vendor involvement. When a lottery's retailers and key accounts, as well as the reps that serve them, are aligned in purpose and have access to the real time information they need, the common focus can concentrate on actions that have measurable results in terms of improving lottery sales.

Getting Started with a Strategic Alignment Initiative

Working in close partnership with our clients, we have seen

how the benefits of Strategic Alignment can significantly improve levels of retail performance and revenue growth. Much of that improved performance came not only from automating existing functions, but by making it possible for LSRs, managers, corporate account representatives, retailers and others to work in Strategic Alignment based upon the lottery's key objectives, often for the first time in the organization's history.

The system functionality most critical to successful Strategic Alignment is the ability to make information and updates available to all users, system-wide, in real- or near-real time, on any device type including desktop computers, laptops, tablets and smartphones. Solution platforms equipped with features such as "Intelligent Alert" icons helps focus efforts on clearly-prioritized, lottery-designated tasks, ensuring that LSRs and other system users know exactly what their priorities are at all times. The most flexible solution platforms include web applications that make retailer information available in a variety of formats, including colorful and easy-to-read graphs that help focus retailer efforts on the same key lottery priorities, and are fully customizable to meet each lottery's specific priorities for Strategic Alignment.

Improving retail performance through operational Strategic Alignment represents a logical evolutionary step in a successful lottery's business processes. The improved communication among participants and the intelligent prioritization of efforts that this initiative entails make a strong case for basing these efforts on a flexible and customizable technology.

Embarking on a program of Retail Strategic Alignment is an important step in a business strategy focused on innovation and sales growth, and one that will reap benefits for many years to come. ■

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.