

# Industry Best Practices: Learning from Our Customers Worldwide

By *Connie Laverty O'Connor, Senior Vice President & Chief Marketing Officer, GTECH Corporation*

In today's world, there is an unlimited number of entertainment options competing for the attention of lottery players. Now, more than ever, the lottery industry must rapidly deliver new games, promotions, and content in order to satisfy even the most traditional lottery players and keep them coming back for more. In addition, our industry must work to collectively identify and bring in new players.

This is where industry best practices comes into play. A thorough understanding of players and retailers is critical. Lotteries must have market-based facts derived from focus groups, surveys, audience testing, and various other methods. The bottom line is the more quantifiable the case study – the more effective.

As a 30+ year lottery veteran, I've come to realize that the key to increasing sales is not something that can be done in a vacuum. In fact, it will take a teamwork approach involving contributions and learnings from many lotteries. It isn't just one thing that drives a business – many variables must be considered – and each must work in symphony with the other.

At GTECH, we are privileged to collaborate with many of the industry leaders in innovation and execution. Our customers have taught us a great deal. That's why we have established a compendium of "Industry Best Practices" based on our experience working with some of the best and most dynamic lotteries around the world. Our job is to help our customers optimize their games, distribution network, product mix, and identify new opportunities for incremental revenues.

We work hard to develop a level of trust with our customers so they have complete confidence in our advice. As a customer centric organization, everything we do flows from "Industry Best Practices" – from design to production, market research to pilots, retailer optimization to sales-force training, roll-outs to conversions, and from marketing strategies to promotions. In all of this, one thing is clear – there must be concrete, factual data to support best practice observations. This is the key to understanding one lottery's success and transferring it to another.

## Relating to Best Practices for Instant and Online Games

At GTECH, we recently completed a comprehensive exercise with one of our customers to provide them with a customized set of best practices for both instant and online games.

In the instant game category, we found that this lottery would benefit from a number of best-practice initiatives, such as maximizing profit to good causes by carefully managing prize payouts, improving their retail distribution, and focusing on the diversity and quality of their retail mix.

When it came time to address their online games, it was clear that



they would see an increase in their profit to education with the execution of a sales optimization program. A mere 10% increase in Mega Millions or PowerBall generates \$0.38 to good causes versus approximately a 20% increase in the less profitable instant category.

## Relating to Best Practices for Retail

In addition, enhancements to their retail distribution network and selective performance-based retailer incentives were also suggested as part of the best-practices strategy. We are working with our Lottery partners to identify the retailers in their jurisdiction where their player are shopping today that will provide convenience to the player.

The introduction of new channels of trade like Dollar, Superstores and Warehouse over the past decade means that today's consumers are not visiting the traditional lottery-selling retailers as often as they have in the past. This shift means that the lottery category as a whole is not getting the same exposure to today's consumers as it has traditionally. Lotteries recognize that ultimately this will translate into a drop in sales of lottery products unless more stores from the non-traditional retail trade styles are brought on board.

We at GTECH must continue to invest both R&D dollars and resources to participate in Retail Industry Trade Shows, expand our market research program to better anticipate retail trends and continue to invest in the important Industry Standards Initiative so we can collectively stay on the strategic front-end of where the retailers are headed. This will enable us to continually bring new products to market, in-

cluding self-service, that will provide retailers the ability to offer lottery in their stores in an easier, simpler, more secure and integrated way keeping the lottery a very relevant part of their product offering.

### Relating to Lottery Branding

Without a positive brand image it is impossible to sell tickets. Players must first be able to identify a lottery retailer as easily as they can identify any other type of retailer. We recognize that many lotteries rely on their players to recognize their respective jurisdiction's lottery logo as a sign that a specific retailer sells lottery games. These logos must capture the positive imagination of players in order to be successful. Players need to see that logo and recognize it as a sign of optimism and enthusiasm. If a player's immediate reaction to a lottery's logo isn't one of excitement, they simply won't buy tickets.

From large scale exterior signage, to small interior signage including terminal toppers and posters, lotteries need to make it easy for players to recognize a lottery retailer at first glance. Recently, in a European jurisdiction, a survey of important site characteristics, the quality and visibility of interior and exterior signage proved to have the single highest correlation to generating sales. Therefore, the

branding needs to be both clear and consistent in order to maximize the return on the advertising investment.

### Relating to Best Practices: Our Data Warehouse

GTECH started an exercise to record and measure best practices based on specific customer experiences. We are collaborating with key customers to establish a warehouse of industry best practices and data that can be transformed into industry insight. Respecting our customer's privacy and security, it is our goal to improve our relationships with customers by sharing a similar set of data, so that GTECH can speak the same language as its customers and thereby aid the customer in making business decisions to grow revenue and improve their business. GTECH has a goal of becoming a more data-driven company that creates stronger relationships with customers built on improved information and insight. This goal can only be achieved by creating systems capable of collecting and aggregating the detailed data necessary to allow us the ability to analyze data easily. This effort will reveal in hard, measurable ways the data that corresponds to each effort to implement a best practice.

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**VM:** Yes. We'll concentrate on offering great games for our players. People in Florida especially love our FLORIDA LOTTO game. And our scratch-off tickets have really taken off in the last couple of years, as far as market share of product sales is concerned.

**MJ:** *What is the future of VLT's in Broward and Dade County?*

**VM:** Those types of decisions are not made by the Lottery. We have a fundamentally conservative approach to expansion of gaming in our state, and without legislative approval we can't offer some games that other state lotteries offer. For now, we will work to achieve our revenue increases with the traditional product lines, which are working just fine for us.

**MJ:** *What are some of the highlights you've seen in the last 20 years?*

**VM:** It's fun to look back at some of the first scratch-off tickets and see how far we have come in terms of game designs, printing techniques and price points. Who would have ever thought we would have been able to increase our price from \$1 to \$20. The traditional on-line games are still using ball machine drawings but, in recent years, there has been an increase in innovative game content. Technology changes and the Internet have had a significant impact on our industry. The

terminals and printers can now print images and logos and allow for more creative game designs. Twenty years ago, nobody was confused over what you meant by 'on-line' games, since there was no Internet.

After the millions of tickets have been printed and countless drawings have been held, our integrity, and the integrity of all state lotteries, is still pretty solid. Our industry has endured well and our honorable fund-raising for good causes is something we are proud of. I think that's really important.

**MJ:** *What about the Internet? How will it impact the lottery?*

**VM:** Obviously, it is difficult to regulate gaming on the Internet, but at this point it does not have a significant impact on our business. The bigger question in the long run is, "How will the Internet's virtual marketplace change traditional sales outlets and the way we advertise to customers?" Consumers rely on the Internet for purchases, entertainment, and communication more and more every day; so as our industry changes, we will adjust our business model as needed. I am confident that we will continue to achieve our goal, which is to offer the citizens in our state of Florida the best products available, make money for education, and do it with integrity. ♦

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### **Relating to Innovation**

GTECH keeps pushing the development of products and systems for lotteries through our "Research for Innovation" approach involving players, retailers, and customers before, during, and after product development. We recently challenged our own employees to come up with the newest, hottest ideas to grow any single area of the lottery business. During Innovation Week, hundreds of employees from around the world worked together to create ideas for new games, technology, and

services – totaling over 2100 ideas! These ideas are being reviewed and the best will be incorporated into market research in the fall.

### **Conclusion**

Looking collectively at these and all other "Industry Best Practice" efforts, it will take the thoughtful, methodical application in order to move the needle in lottery ticket sales to optimize incremental profit for good causes. ♦

## *Straight Talk from an Industry Leader with a Center Stage View* ...continued from page 22

And lottery management should stop claiming to operate "perfect systems."

**PJ:** *What about the Internet?*

**RB:** As is well known, authorized lottery and gaming activity on the Internet is more developed in Europe than it is in North America. Some European States now generate in excess of 10% of their total annual sales from the Internet. While I can see further growth in Internet sales of sports betting and casino games offered by lottery companies, I see a limit to the total amount of "classical" lottery gaming that can be expected from the Internet. And by "classical," I mean games with percentage payouts in the 60% to 70% range. There is no doubt that if the percentage prize return is raised above 90% then Internet sales of "classical" games – which will then have become full-blown casino games – could provide up to 50% of total

revenue, representing a much lower percentage of total surplus.

Anyway, I'm waiting to see who will be the first authorized lottery to start up in Second Life. Maybe there's a useful job to be had as official Regulator of Gaming in Second Life.

**PJ:** *What you seem to be saying, Ray, is that government operators cannot compete in the Internet space because they have to turn over a larger percentage to government and/or good causes (which obviously results in a lower percentage prize payout). Why shouldn't, and couldn't, the entire gaming industry be regulated so that all operators turn over an equal percentage to the government in the form of taxes or good causes or whatever, and all operators be held to the same standards in every respect?*

**RB:** I'm not saying that government operators can't compete (look at Austria and Sweden). Fundamentally, I am saying that, within the con-  
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