

# STANDING STILL IS NOT AN OPTION

## GROWING RETAIL SALES IN A MATURE LOTTERY

Growing sales, especially same-store sales, in a mature, high-performing lottery can be a challenge. GTECH's expansive suite of capabilities in this area has evolved based on experiences and lessons learned with three lottery management contracts in the U.S. GTECH has developed a comprehensive retail optimization program to boost the sales and revenue of even high-performing lotteries, leveraging more consumer, retailer, and player insights.

In New Jersey, fifth in the nation in total per capita sales at \$6.10, the New Jersey Lottery and Northstar New Jersey Lottery Group (Northstar NJ) have been working together over the past year to build a player-centric plan to grow the Lottery from a nearly \$3 billion brand to a nearly \$4 billion brand by FY 2018. The plan, which is being implemented with the full support and commitment of the entire Lottery staff, includes enhancing brand equity, evolving the instant category with exciting new game families and revamped prize structures, and energizing the draw game portfolio with the addition of new multistate games (CASH4LIFE and MONOPOLY MILLIONAIRES' CLUB™, for example) and enhancements to existing games.

Hand in hand with these major sales drivers, lifting sales in high-performing lotteries requires a retail optimization program focused on the player and executed with relentless precision and an eye to detail in every retail location.



### FOCUS ON THE PLAYER

To grow sales in New Jersey, Northstar NJ (whose responsibilities include sales, marketing, product development, retail optimization/recruitment, retailer relations and communications, and player education functions of the Lottery) has implemented a retail optimization program focused on five major areas.

#### 1. Quality Expansion of the Retailer Network

Expanding the Lottery's reach by adding quality retailers to the network is a priority in New Jersey as it is in most jurisdictions. With more retailers, the Lottery can realize sales across a larger demographic, increase the engagement of lapsed and light players, and improve Lottery acceptance and awareness. In New Jersey, the goal is to add enough quality retailers to reduce the number of people per retailer from 1:1,360 to 1:1,239 by FY 2015.



New Jersey Lottery Recruitment Tools

Armed with a complement of newly created recruitment tools and retailer-facing materials, Northstar NJ's team of Business Development Associates (BDAs) hit the streets to sign up independent retailers across the state. After 10 months, the retailer network has grown by more than 430 retailers.

Simultaneous efforts to recruit one of New Jersey's most profitable and visible chains, Wawa, required creating

a customized solution to meet the retailer's very specific requirements, and concluded successfully in November 2013, with all 235 Wawa locations selling lottery products by early 2014 (see the August issue of PGRI). Wawa stores have generated nearly \$23 million in New Jersey Lottery sales since the initial rollout of stores in October 2014.

## 2. Sales Call Optimization

One way to increase same store sales is to optimize sales representatives' effectiveness in the field. In New Jersey, the retailer-to-representative



Retailer Communication and Training Tools

ratio on average is less than 1:125, and LSRs and BDAs undergo GTECH's intensive, two-week Sales Certification Program training upon hiring. The certification program covers Lottery history, products, sales and marketing strategies and includes a complete set of sales and recruitment tools, a measurement component, and practical field experience such as "clerking for a day."

The entire organization has a singular laser focus, with LSRs and retailers being kept informed and up-to-date through consistent and timely communications driven by a monthly newsletter and a publication that answers retailer questions ("We're Listening to You").

### Sales Call Stratification

Another important element of sales call optimization in New Jersey was to stratify the sales call cycle. The objective of this sales call stratification is to:

- › Find retailers that have higher sales growth potential using predictive sales modeling.
- › Ensure Customer First service with a quality, effective sales call to every retailer in the network focused on actionable sales data.

Using a statistical analysis of data variables – actual sales data as well as population size and growth rates, housing characteristics, presence of other lottery retailers, propensity to play lottery products, etc. – combined with LSR input, all established retailers (those selling for 26 weeks or longer) were prioritized by their sales potential. Sales call frequency was established for each category:

**Top Performers:** Retailers that account for the top 20% of sales; visited bi-weekly.

**High Potential:** Retailers whose predicted sales are higher than actual sales and higher than regional thresholds; visited weekly.

**Maintain:** Retailers whose sales match their predicted sales and are doing fine as is; visited bi-weekly.

**Bottom Performers:** Retailers in the bottom 10% of sales with little potential for improvement; visited monthly but called bi-weekly by instant ticket specialists.

Retailer classifications and call cycles will be reviewed at least annually.

## 3. Draw Game Optimization

A consistent calendar of player promotions and retailer and clerk incentives helps to revitalize sales of established draw games and introduce new games and game enhancements. In New Jersey, in addition to player favorites like Red Ball and Green Ball, new player promotions are being piloted to measure sales impact. These include enhanced payout structures and "buy one get one" promotions such as Free Ticket Fridays and "Nth" transaction free plays.



Draw Game Player Promotions

### High Jackpot Strategy

Although New Jersey is #1 in the U.S. in total multistate game sales per capita (\$0.94), GTECH and Northstar NJ saw an opportunity to increase these game sales during high jackpots. A high jackpot trigger strategy has been executed that includes:

- › Terminal messages
- › Streamlined digital (ESMM) jackpot awareness show
- › TV and radio advertising
- › Digital banners
- › Billboards
- › Promotions team and mascots at promotional events



Jackpot Awareness in Action

- › Social media
- › Public relations
- › Game shirts/stickers
- › Trial-driving buy one, get one coupons
- › Leveraging corporate in-store announcements and social media push messages
- › Unwavering execution of basics at retail, including jackpots posted around the store, cross-promotion with other games, winner awareness, and always-filled instant ticket bins.

#### 4. Instant Ticket Optimization

With 48% of Lottery retailers carrying 33 or more facings (21% have 48+), growing instant ticket sales in New Jersey is not simply a question of adding more games. Instead, Northstar New Jersey's instant game sales retail optimization program focuses on:

##### Product visibility optimization:

- › Replacing "black box" dispensers with clear plastic dispensers and towers.
- › Piloting strategies to optimize effectiveness of in-counter displays, including menu boards and menu mats.
- › Focusing on achieving new game penetration within the first five days after launch.

**Product mix optimization:** Instituting a monthly plan-o-gram to make sure stores carry all the top

sellings, especially in locations that sell instants only via vending machines.

##### Inventory management:

- › Make bins available for more saleable tickets.
- › Overcome retailer resistance to carrying and activating new games.
- › Avoid diminishing brand relevance through outdated, low-selling product.

These initiatives have contributed to the realization of record-breaking instant sales: six of the top 10 settlement weeks in New Jersey Lottery history (including #1) have been achieved in FY 2014.

#### 5. Performance-Based Retailer & Clerk Incentive Programs

Rewarding retailers and their staff for following revenue-generating marketing best practices can be an effective motivator and sales driver. To drive growth of both instant and draw games, Northstar NJ offers retailers the opportunity to earn incentive dollars if they achieve specific sales goals customized by location. Other retailer incentives, such as rewards for activating, settling, and properly displaying specific instant games, have also been effective.

### JUNE 2014: Plan-o-gram 24 Instant Ticket Display

**Easy Reference Guide:**  
Post inside your dispensing machine\* for the month of June.

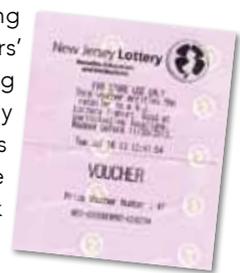
\*Where available.

Must be 18 or older to buy a lottery ticket. Please play responsibly. If you or someone you know has a gambling problem, call 1-800-GAMBLEP.

New Jersey Lottery  
"Give Your Dreams A Chance"

##### Retailer Incentive Sell-in Sheets

Sales associates play a critical role in promoting a lottery's product lines and communicating information about games to the retailers' customers. Realizing that motivating and engaging retail staff can directly affect lottery sales, Northstar NJ has implemented a variety of clerk incentive promotions in New Jersey, including ask for the sale; sell, sign and win boards; and "Nth" voucher initiatives, where every "Nth" ticket of the draw game sold statewide produces a voucher for the selling clerk.



##### Relentless Execution

By developing, implementing, and believing in their retail optimization plan, and through relentless execution of the basics at retail, Northstar NJ and the New Jersey Lottery continue to build a foundation for same store sales growth in the coming years.