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PGRI Introduction: For all the talk about multi-channel distribution, the lottery business is still heavily dependent on bricks and mortar—making that connection with the consumer at land-based retail stores. That is why motivating retailers to drive lottery sales is vital to our industry. Helping retailers to understand how lottery aligns with their business objectives is the basis for creating a mutually beneficial and sustainable partnership. Building communication bridges and forging a genuinely open-minded dialogue is the first step towards creating trust, confidence and the foundation for a true partnership. To that end, and to great effect, the Hoosier Lottery's integrated services provider, GTECH Indiana, has embarked on an ambitious program of regularly scheduled Retail Advisory Board Meetings.

Paul Jason, Public Gaming: *Until very recently, land-based retailers were the sole channel of distribution for lottery. For all the talk about the future of the multiple channel approach, retail has phenomenal endurance as the consumer-connection to lottery. Why is that?*

Connie Lavery O'Connor: Lottery is essentially a retail business. This will not change any time soon. Digital media will play an increasingly important role as a channel of communications, but the evidence is conclusive that retail distribution will continue to be the key sales-driver for many years to come. And that is true for all lotteries, even those that have been selling lottery products over the internet for many years. That makes retailers the key supply-chain partner, and retail execution the lynchpin of the lottery business. Fortunately there is still considerable potential to innovate and increase sales at retail; operations can be modernized, business processes streamlined, consumer interest increased with improved use of POS materials and signage, account management tools improved—all making lottery account management easier while increasing same store sales.

The driving theme of GTECH has been "Customer First". Jaymin Patel explains it as an upside-down pyramid in which top management is actually at the bottom and the efforts of everyone at every level is geared towards pushing resources and energy upwards to support the top where the consumer ultimately rules. But since you're not interacting directly with the consumer, is then the retailer your ultimate customer?

C. Lavery O'Connor: Consumers and retailers alike define our destiny. In great part, Lottery or vendor staffs do not sell lottery tickets. The retailer sells the tickets. We can never forget that. We need to focus our resources on helping retailers to succeed at their mission of selling lottery products to the very top of the upside-down pyramid, which is the ultimate boss of all of us: the consumer. The retailer owns the real estate that we are occupying every day, and they decide how much they want to support the growth of lottery.

Hoosier Lottery is now into its third month of extensive meetings with retailers across Indiana. Getting retailers to support a lottery agenda seems to be more challenging than ever.

C. Lavery O'Connor: It doesn't need to be that way. We are finding retailers receptive to our programs and innovations including the fact that lottery products are sold through multiple channels of distribution. They respond well to our transparent collaborative business approach. The retailers already know that we seek to understand their concerns.

Retailer engagement is a critical component to growing the lottery business. The key to engaging retailers is to treat them as genuine partners, and to commit ourselves to their success. That's why we have launched a series of retailer board meetings across the state of Indiana. The meetings include retailers from different markets, urban and rural, from different trade styles, from small independents to large chain stores. This initiative actually includes business and trade groups that do not sell lottery tickets themselves but have a positive influence on the retailers who do. Our goal is to determine what will help them to grow their lottery business.

We begin with an open-ended discussion, asking them how their retail business is going in general and then honing in on how their lottery business is going. We need to better understand their broader business goals, how they intend to achieve them, how they view the

potential and the constraints to accomplishing their goals. And we need them to know that we are interested in them and their success. We depend upon them and we want them to know that we will do whatever we can to help them sell more tickets and make more commissions. We are finding retailers receptive to our programs and innovations including the fact that lottery products are sold through multiple channels of distribution. They respond well to our transparent, collaborative, business approach. They are a valuable resource; they listen to our players everyday. They understand what the customers like, why they like it, and even more importantly, can articulate what players do not like. These insights, coupled with a disciplined program of consumer market research, provide a comprehensive view of player's attitudes, barriers, and play behavior.

The multi-channel approach is not just about internet. It's about in-lane sales at grocery stores, self-serve kiosks, pay-at-the-pump, and other non-traditional POS's. How do you convince retailers that this kind of progress is inevitable and that the best way for them to succeed is to identify their own competitive advantages and figure out how to leverage them? How do you build the communication bridge?

C. Lavery O'Connor: The important thing is to listen very carefully. At the end of the day, their goal is to drive traffic into their store and make as much money as possible. The Lottery, particularly games like Powerball, Mega Millions and Lotto with big jackpots attract customers. Help them understand how the lottery fits into their business and how to optimize the category to build their core business.

Integrating the retailers into the process makes it a shared business plan.

C. Lavery O'Connor: Exactly. When people feel their opinion is respected and their input valued, in general they are more committed to implementing mutually developed plans. Retailer Advisory meetings are working sessions with very high levels of interactivity and retailer engagement. They are made to feel that their participation will help inform our business plan. They believe this because they receive written answers to every single question at the end of the regional tour in a newsletter called We're Listening to You. The answers reflect the specific actions we plan to take based upon the collective input.

Even with that communication bridge, don't you encounter resistance to at least some of the distributional strategies that must be undertaken?

C. Lavery O'Connor: Retailers tend to oppose only things that adversely affect their store



traffic and sales. Offering or expanding lottery products, as long as they are professionally merchandized, results in new revenues. There is no evidence that lottery cannibalizes their existing business. While lines during major jackpots may disrupt their business other than \$500 million plus jackpots similar to the March \$646 Mega Millions or November Powerball \$588, these big pots help their business. One convenience store executive said that the major Powerball rollup negatively impacted cigarette sales, but almost universally, this was an anomaly. With the current price of gas, there is an increasing need for convenience stores to cross merchandize lottery to increase the per person market basket.

When the lottery grows, the player base grows, more innovative games are introduced and new channels bring in new consumer groups. Every retailer sees an increase in sales and profits.

You have been in this business for decades. GTECH has the benefit of systematically leveraging best practices as they are revealed in the hundreds of markets and tens of thousands of retail stores that your team of thousands is working in. Seriously, what can retailers tell you that you don't already know?

C. Lavery O'Connor: I learn something new at every one of these sessions. Different regions of the state have different perspectives. Sometimes it is not so much the suggestions offered as much as detailed insights into operational barriers to performance. The devil is in the details. For example, retailers helped us design the flows as well as the layouts of the terminal screens. This advice is invaluable. Some of these retailers could sell the lottery in their sleep. Many times we simply do not know what we do not know.

We still need to work harder to align our business processes and methods with those of our retail partners. For all the diligence and sophistication in the application of best practices, the execution needs to be 100% right.

The world as we know it is being reinvented daily. Markets and business environments differ. Consumer behavior driven by technological advances is constantly evolving. The only way to remain relevant with up-to-date solutions is to stay closely connected to the retailer. The deeper our understanding of the retail reality, the more effective we and our teams become in driving same store sales.

It all sounds so common-sensical.

C. Lavery O'Connor: Selling lottery tickets is about superior execution of simple business processes. We need to simplify every aspect of what we expect the retailer to do. They have no time. They are multitasking and they have hundreds of other categories to worry about. So, we need to drill down into simplifying every aspect of handling lottery from merchandising to signage to effective retailer incentive programs to excellent inventory management. In other words, we have an obligation to take as much work away from them as we can through flexible retail solutions.

Chain stores that cross state lines complain that the accounting and other pro-

cesses are not standardized. Is that a costly matter to re-program or otherwise convert to standard procedures that are translatable across state lines?

C. Lavery O'Connor: It needs to be done. Yes, there may be some upfront investment, some modifications to technology and even possibly some local rules modified however; we have been discussing national chain expansion for a long time and each of us understands that national chain penetration is essential to attracting new players.

I would have thought of The Lottery Retailer Advisory Board as being an expedient way of getting the message across and getting 'buy-in' from the customers, the retailers. What's coming across loud and clear, though,

is just how beneficial the learning process is for your Hoosier Lottery Team as well.

C. Lavery O'Connor: The Advisory's Boards work because we learn from the retailers basic principles of effective retailing. We hear which products sell, what merchandizing works, what lottery players are saying, how best to motivate their clerks, and how best to fit in with their operations. We learn as much as they do. We implement several improvements from a technology, operational, and marketing perspective based on their insights. Our follow through on their suggestions, concerns and views make it worthwhile to participate. ♦