

## Cynthia O'Connell

Secretary of the Florida Lottery



PGRI Introduction: Florida Governor Rick Scott selected Cynthia O'Connell to lead the Florida Lottery in February of this year. Secretary O'Connell is not new to the lottery business, having previously served as a Division Director of Research and Promotions for the Florida Lottery, where she developed the promotional launch of the Lottery's instant and online games, and oversaw a staff of 20 with a multi-million dollar budget authority. Previously, Secretary O'Connell served as a Senior Vice-President/GM at Hill & Knowlton, where she oversaw communications strategies for major national and Florida accounts. Along with her previous experience at the Florida Lottery, Secretary O'Connell has a long history of public service to Florida. She is an inaugural (2001-2011) Board of Trustee member of the University of Florida, where she oversaw committee assignments including educational policy, public relations and brand management. She serves as the Chairwoman of the Florida House in D.C, Florida's embassy on Capitol Hill, where she oversees Florida House's important mission of showcasing Florida's cultural and economic resources to the nation's capital. "Cindy brings an impressive record of leadership and brand management to the Florida Lottery and will improve the agency's important mission of maximizing revenues for the enhancement of public education in Florida," Governor Scott said.

The Florida Lottery recently announced that lottery ticket sales exceeded \$4 billion in fiscal year 2011. That's exciting, but the real story lies in the future. Under the leadership of Secretary O'Connell, the Florida Lottery has embraced quite ambitious goals to increase sales and transfers to education. Specifically, sales to increase by 5% (to \$4.22 billion) and net transfers to increase by 7.76% (to \$1.25 billion). The market is ready for progressive strategies that promise to meet the needs of the next generation of lottery players.

*Paul Jason, Public Gaming: You're coming off a very good year. Congratulations for topping \$4 billion in sales, a 2.8% increase over last year. More importantly, though, are the ambitious targets you've set for 2011/2012.*

**Cynthia O'Connell:** The Florida Lottery has taken a close look at everything we do, embarking on a total refresh of the lottery brand. This is a major initiative, and it's important for us to get it right. This will set the stage for enabling us to drive towards ambitious objectives. To do that, we need to position our products, channels and message to be relevant and competitive in an ever-evolving gaming environment. We're now in our 23rd year of operation, so it is the right time to update our corporate image. I was here at startup and had the privilege of being a part of the launch of our origi-

nal brands. Our FLORIDA LOTTO™ product remains one of the most dominant in-state games in the country, so we need to be very careful about how we change anything. But a refresh is due and we will take the opportunity to look at everything we are doing, looking for ways to improve in every product category and every area of business. In particular, we will be especially focused on building a more unified brand strategy, more active loyalty programs to maximize the synergy of our products, and reinforce our Florida Lottery brand image and relationship with our customers.

*Unified brand strategy. That's somewhat self explanatory, but could you elaborate on what that means?*

**C. O'Connell:** The goal is to maximize overall sales. An integrated brand strategy

gives more attention to that objective. Instead of silos that are measured as independent revenue streams, we want to build an integrated approach to how the games are developed and marketed. We will look at everything we do from a big picture point of view as to how everything works together, in harmony. How do the look and feel of the games complement each other? How exactly is the promotion aligned with the game it's promoting and the motivation of the retailer to sell it? How can we better engage our media partners and retailers in our mission? A unified brand strategy is an approach that encourages a more cohesive process and more synergistic results. And, we are building sophisticated tools to measure the productivity of everything we do.

The Florida Lottery is a very strong lottery and it's gotten to the place it is today because

we've had good leadership in the Secretary's Office. I am very grateful to all my predecessors for positioning us in the place we are. Now it is time to leverage this sound platform to drive for improved performance. The process is underway now and will continue for years to come.

*The potential of the business has increased with the number of products, variety of media and promotional tools, distribution channels and ways to engage retailers, etc. But the complexity has also increased.*

**C. O'Connell:** And that's why simplicity is so vital. It's a bit of a paradox, but the increased complexity requires us to define the messaging and the performance drivers even more clearly. The larger the number of moving parts, the more important it is that each is functioning with a clearly defined purpose. We are focused on projecting clear and simple messaging to our players, our retailers, our media partners, our stakeholders, and our team at the Florida lottery.

I have been personally working closely with our retailer network to better understand their goals and their needs, convert those into action plans for the Lottery, and nurture our relationship with our retail network. I am also personally invested in doing everything we can to optimize the performance of our corporate accounts. I am in the middle of a 100-day plan to visit our top 25 corporate retailers both here in Florida and at their corporate headquarters elsewhere to discuss how we can grow their lottery business on a unit level. That's what will increase their bottom line as well as our contribution to education. And we're having some success in that we're talking about plan-o-grams, point-of-sale campaigns, and communication between their district managers and our district managers within our nine offices. And, I'm seeing some real hand-in-glove improvements in performance just by virtue of better communication. We are focusing on unit sales and sustainable growth strategies with our retailers, embracing them as the face of the Lottery with our consumers and players.

*Do retailers always welcome you with open arms, enthusiastically embracing the challenge to increase their bottom line by selling more tickets?*

**C. O'Connell:** I think that the best tool of persuasion is simply a data sheet of information that shows their actual sales and compares that to the sales they're leaving on the table by not engaging in more aggres-

sive marketing practices. Every business is all about the bottom line. So we just need to show them how to improve their bottom line, and that lottery delivers great margins, great ROI, and drives traffic that buys other products. Retailers hate the idea that they might be leaving money on the table, losing sales to their competitors, or losing sales that they should be getting. So we show them the sales that their competitors are making and what their sales could be if they made some simple changes. That's a great motivator.

*Lottery brings people in to the stores that might not otherwise have come in. Does the residual impact that lottery has on the sale of all the other products in the store have much traction with retailers?*

**C. O'Connell:** That's where we have lots of traction. Especially when recruiting new retailer segments. The prospect that you can double your total sales just by installing lottery is of course very appealing, a big motivator.

It's because of our sales force and the engagement that we had with our Lottery sales reps and our sales management team that we were able to exceed \$4 billion in sales this fiscal year. It's a full-court press on the retailer front. And so those strategies will stay in place for the next three years.

*Your enthusiasm and focus must be galvanizing to the entire Florida Lottery Team. I'm sure the retailers are not the only ones anxious to get behind a leader who is so serious about making things happen.*

**C. O'Connell:** We do have a great team here and I am very proud of them and their efforts to transform the Lottery. We measure our performance-to-goals daily and weekly. We have a lot to do and we're working very hard together to accomplish those goals.

*Expanding the retailer base, increasing the POS's, seems to be a key focus of many lotteries.*

**C. O'Connell:** Of course, but we are looking just as much at the top performers and asking what we can do to increase those sales. We're not letting anyone rest on their laurels. We have a streamlined presentation that makes a clear and compelling case for everyone to optimize performance, including or even especially our top performers. And, we really don't take no for an answer. The retailers are embracing our sense of purpose and conviction, and giving it their best effort. That's all we need because that will produce the results we're looking for. Frankly, this is just how any product is marketed. We are just

applying the tried and true principles of all successful marketers.

And, I am very personally involved and just loving it. Last week I met with a very large company that has a significant footprint in Florida and does not sell our product. It is exciting to tell our story, to pitch to them how and why lottery fits in with their business plan and will help them accomplish their objectives.

*It was not too many years ago that large retailers were concerned that lottery may not be consistent with the brand and image they wanted to project. Is that still a concern, or has gaming become an accepted part of popular culture?*

**C. O'Connell:** I can't speak to the question of gaming as a part of our culture, but I can say that concern about lottery not matching with their corporate image is a minimal problem for us. The issue is much more about meeting their needs for operational and logistical efficiencies. Can the clerks handle it easily, what's the settlement process, inventory control, will there be any theft – all the gritty details of implementation are what they mostly care about.

*Are there fulfillment and transaction processing issues that are an obstacle?*

**C. O'Connell:** We have a new corporate reporting system which provides information very quickly and efficiently to retailers on their individual store inventory. That has become a key part of the settlement process and is helping them immensely. Other than that, it's all about working with each retail partner, addressing their concerns, helping them deal with the Lottery more efficiently, helping them be more successful, and focusing on their goals to make more money. The best way for us to increase sales is simply to help the retailer make more money with the Lottery, and to make sure they know how much the Lottery is contributing to their bottom line.

*How do you determine where to install ITVM's?*

**C. O'Connell:** Store traffic. ITVMs are expensive, so we install them where they generate the highest sales and that is mostly correlated to store traffic. Our ITVMs have been wildly successful, out-performing our sales projections. And, retailers continue to see significant growth from the installed base. ITVMs are currently averaging more than \$3,600 in sales per unit/per week. They've generated over \$410 million in sales since first being introduced in '09. Lottery retailers with ITVMs experienced increases in Scratch-Off sales of 18% in 2010

and of 13% in 2011, as compared to the same period the previous year.

*It sounds like the market could absorb more ITVM's; that there are some retailers that would like to have them but can't.*

**C. O'Connell:** That's correct, the ITVM has to perform. Our retailers understand that. The criteria for where the ITVMs are placed is sales transaction volume. If a location can't meet the minimum threshold, the unit will be moved to a different location to try to get its sales up.

*So, you're trying to get authorization to acquire more?*

**C. O'Connell:** Yes, but that decision is driven by current sales. That's why it is important to keep the sales growth rate high.

*Have there been any incidents of underage play or something that would be otherwise undesirable as a result of a self service unit?*

**C. O'Connell:** Not that we know about, and we would probably know about it if there were. We are very careful about where the ITVMs are installed, and we have a 'kill switch' for the clerk to use if they see a minor playing.

*Your in-state lotto continues to be a big performer.*

**C. O'Connell:** It does. FLORIDA LOTTO was the first jackpot game in Florida, introduced in April of 1988. Our players embraced it from the very beginning and it really has become a part of the very fabric of Florida. We just picked up POWERBALL® two years ago. And though POWERBALL is America's favorite jackpot game, FLORIDA LOTTO is Florida's favorite game. Some of our early lottery jackpots set industry records. The enthusiasm that was created

early on set the stage for the brand equity that's only increased over the years, and envelopes the game today. Here we are 23 years later, and even with the addition of POWERBALL, the Florida Lottery is still the highest selling jackpot game in Florida. Scratch-off games come in at 55% of our annual sales, making it the top-selling category. FLORIDA LOTTO is approximately 10.3% of sales, followed closely by POWERBALL at about 9.8% of the sales. POWERBALL did ramp up quickly to get to that level after only two years. Florida now produces 12-15% of Powerball's national sales.

*Do you care where the revenue comes from? If Powerball were taking share away from your in-state lotto, would that matter to you? Would you want to take measures to try to reinforce the brand equity of your in-state lotto?*

**C. O'Connell:** We always guard against the cannibalization of any of our products when we introduce a new product. I'm sure every state does that. The purpose of introducing new products is to create incremental sales, not just migrate sales from one category to another. And, so, yes, it does matter where the revenue comes from because if the revenue just comes from cannibalization, then the business will not grow. You really want to challenge each new concept, each new promotion, each new product to carve out its own brand equity. Thankfully, we do not have this problem in Florida, but that may be because we do definitely guard against it.

*Are you considering Mega Millions?*

**C. O'Connell:** Not at this time. FLORIDA LOTTO is our strong in-state game. It provides the price-point alternative to \$2

POWERBALL and so we will stay with a system we know works very well.

*And so the raise in price to \$2 Powerball works well for your state?*

**C. O'Connell:** It fits very nicely. We intend to promote it widely and we'll be watching closely to see how our other products and our players react to that new price point.

*There are many obstacles to nationalizing an advertising and promotional campaign. Do you feel that there are compelling benefits to nationalization of brand management, advertising, and promotion – not all but just some portion of it?*

**C. O'Connell:** Florida would benefit from a national campaign because we have so many tourists and seasonal residents from other states that might end up making some of their purchases here in Florida. I do feel, however, that there are many challenges to getting 44 lotteries to agree on anything including, or maybe even especially, a national advertising campaign. Creating a campaign that would be both effective in each and every state and compliant with the rules of each and every state would be difficult to say the least. That said, I also feel that if we could find a way to work through these issues, a nationalized campaign could be a very worthwhile initiative for the jurisdictions involved.

*And in closing?*

**C. O'Connell:** I just want to welcome your Lottery Expo guests to the Sunshine State! We very much look forward to seeing you here and promise you'll have a great time and also enjoy a memorable conference experience as well. ♦