

Creating Our Future: Part II – Improving and Enhancing Distribution

(Part two of a three part series on driving revenue growth)

By Steve Saferin, President, Scientific Games Ventures

Last month I wrote about the challenge our industry faces to continue to develop new content for instant and online games.

Our industry faces a second challenge to future growth. How do we improve and enhance distribution in the existing bricks-and-mortar retail market?

This is an area in which lotteries made great strides in the '80s and '90s, with instant tickets the primary beneficiary. Despite the advances, there's more than ample room for improvement.

To quote Winston Churchill: *"To improve is to change; to be perfect*

is to change often."

The problem is, our industry, of late, hasn't changed often enough to keep pace with the speed and depth of change taking place at the retail level.

To illustrate my point, consider Pennsylvania (and if this doesn't convince you we have work to do in this area then nothing else I can tell you will).

As most of you know, the Pennsylvania Lottery exclusively targets all its proceeds to programs for older residents, including two popular, low-cost prescription drug programs.

Last year, the Lottery wrote a check essentially for \$65 million to senior citizens, who in turn used the money to purchase prescription medicine at CVS and other drug stores throughout Pennsylvania. CVS currently operates 341 pharmacies and is the largest chain in the state, which means they benefit greatly from Lottery proceeds. Despite the millions of lottery dollars that flow through

CVS cash registers, America's number one pharmacy refuses to sell lottery tickets in Pennsylvania.

Their reasons include many of the common complaints I'm sure you've heard. Lottery tickets are not easy to account for. They're difficult to keep secure. Theft is a constant worry. Lottery slows down the lines at checkout, which only frustrates other paying customers. The list goes on and on.

The point is, if you can't get CVS to sell lottery tickets in Pennsylvania – despite receiving Lottery proceeds in excess of \$50 million – then I don't believe we have any other choice but to adjust our strategies. I mean, if we can't get buy-in from a chain that benefits directly and substantially from our efforts, how can we keep doing what we're doing and expect to expand our presence in the broader drug store market, or in the burgeoning hypermarket environment?

How will we attract the supercenters and warehouse membership clubs like Wal-Mart, Sam's Club, K-Mart and Target – all multi-lane environments that represent perhaps our greatest opportunity for expanded distribution in the years ahead?

Again, I go back to the quote I cited last month: *"The best way to predict the future is to create it."*

Right now, you'll see that our industry is doing just that: developing solutions designed to address the retailer concerns of selling our products.

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There's an article in the December issue of Promo Magazine that talks about how retailers in a variety of distribution channels are aggressively adding interactive technology to in-store point-of-decision kiosks and other displays to allow consumers to sample, for example, the newest music. These mini-kiosks are also being used to provide "how-to" tips for do-it-yourself.

The brand manufacturers are responsible for providing the product content, and for uploading it to the PoD Kiosks via a broadband internet connection.

Some of the new kiosks are Wi-Fi equipped and tap into store-based wireless networks. Usage data is transmitted from a store to brand management. This allows message content to be refined per geographic location.

Supermarkets and big box stores are gravitating to the technology because, by offering this enhanced, in-store experience, they then can use this as "a competitive differentiator."

As you look at our own industry, we've begun to tie-in with this emerging trend.

While we aggressively promote the fact that our new Playcentral kiosk can dispense both Instant and online games, and that it connects to a Lottery's central system to report sales and minimize stock-outs, a more exciting story is yet to be written. That story revolves around Playcentral's interactive capabilities.

Want to incorporate your VIP program into the machine? You'll be able to do that with this machine.

Want to issue a statewide AMBER Alert? How about just to a specific geographic area? No problem.

Get real creative and you can give your players the touchscreen capability to make dinner reservations.

As we push Forward in this area, there will be hiccups along the way, to be sure. Anytime you ask consumers to step out of their comfort zone you can expect some resistance and pushback. But if you look beyond our own industry – to the airline, hotel and supermarket industries, for example – you'll see a world of commerce moving to meet their customers' growing demand for self-service convenience. Virtually all of these industries are using touchscreen technology as the 'forward-thinking' solution.

As we look for ways to expand distribution, there's another challenge our industry must meet, and that is the integration of ticket dispensing with the retailer's cash register. Retailer demands for a solution to this problem have been building for several years.

These demands have only intensified as more and more higher-priced games have entered the marketplace.

If we wish to grow our business over the next decade, these demands can no longer go unmet.

At Scientific Games, we're taking the lead in this area. For the first time in the history of our industry, we have a solution that can integrate ticket dispensing with the retailer's cash register.

We call this new technology ConvenienceCentral. Right now, we're conducting a pilot test of this system in Connecticut. There's a lot to say about this major retail solution (too much to share in this column), but fundamentally it will allow retailers to treat Instant tickets like any other merchandise in their stores, while at the same time making the product more secure.

Both C-Central and PlayCentral are perfect examples of how our industry can "create the future" by recognizing the emerging trends shaping our world, understanding the paths our industry has already walked, and then merging this information to arrive at practical solutions that can open the door to these existing distribution venues. ♣



Steve Saferin, President, Scientific Games Ventures



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October 31

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