5 Trends Transforming Retail

Acting on these trends can help ensure that lottery products remain important to retailers and relevant to players

"The incredible changes happening today in retail open up opportunities for lotteries in areas that customers tell us they want to pursue: new sales and distribution channels, alternative payment options, and personalized experiences," says **Tom Stanek**, Senior Director, Global Retail Sales and Marketing, IGT. "This transformation isn't minor. I call it 'the great disruption' – and the upside for the lottery industry is potentially great as well."

In a talk at the recent PGRI SMART-Tech conference, Stanek discussed how the following retail trends are reshaping reality for brick-and-mortar retailers as they compete for control of consumers' market baskets – and as consumer packaged goods companies compete to get their products into those baskets.

Stanek explains that consumers today base their purchasing decisions on three factors: experience, convenience, and value. "What's new and important is that *experience* now takes precedence over the more familiar drivers of convenience and value. Consumers are learning to expect a more personalized relationship with retailers, and that personalization will be data-driven."

Stanek concludes that there's a significant opportunity for the lottery industry to ride the wave of these trends and make use of technology and new retail formats to streamline activities and keep pace with player preferences. Together, the following trends point the way to fulfilling consumer expectations and driving lottery growth at retail:

Trend 1
Frictionless Checkout

Bingo Box, Take and Go, and other retailers in the APAC market set the tone with cashierless physical stores, and Amazon Go and others have quickly followed suit with a variety of new models to provide consumer-friendly self-service options. In 2019, brick and mortar retailers will be focused on establishing a technology foundation to ensure that in the future they'll have the best frictionless checkout experience for consumers. It's not just about debit and credit, but other potential forms of payment as well. In the past six months alone, the retail chains that have implemented the Apple Pay mobile payment service include some major players in the lottery business, such as Albertsons, Casey's, Meijers, 7-Eleven, Safeway, and Speedway.

Given that not all lotteries are permitted to offer cashless transactions for lottery purchases today, it's up to lotteries and their regulatory bodies to evaluate the acceptance of new forms of payment to capture consumer payment preferences. In addition, traditional instant ticket accounting may need to be adapted to new retail checkout requirements.

Trend 2
Next-Level Loyalty

Retailers are launching a new generation of loyalty programs that are customizable to a member's individual preferences – including how points are collected and spent – providing flexibility and personalized rewards for shoppers and more in-depth business intelligence for retailers. These state-of-the-art programs can be leveraged to attract consumers into physical stores vs. buying online by offering more reward points for shopping in-store. Retailers Kwik Trip and NOCO Express both saw immediate, tangible results from their recent loyalty program launches and updates. Kwik Trip's loyalty program update hit one million members within its

first three months and is slated to gain close to two million members in its first year, thanks to the program's introduction of reward components, punch cards, exclusive coupons, and more.

Lotteries can raise their awareness among players and increase player acquisitions by leveraging existing retailer loyalty programs, which may be more beneficial than creating a program from scratch. IGT has worked successfully with retailers and lotteries to do this, resulting in the lotteries getting their messages and products in front of the retailers' large and loyal base of customers – groups that extend far beyond current players. The key to aligning with retailers' loyalty programs is coordinated relationship management and flexibility with marketing and promotional budgets.

Trend 3
Connected Retail through the Internet of Things

Here's where data leads the way in creating a more optimal customer experience: Stores powered by the Internet of Things (IoT) provide shoppers with personalized offers and messaging based on their shopper data and allow operators to better manage many facets of the retail environment. Artificial Intelligence provides predictive analytics on what products might work best in specific store locations based on purchase history, loyalty data, and other factors, and helps manage out-of-stocks and merchandising.

IoT solutions such as Walkbase can help retailers and brands design and customize their attractions to improve relationships with consumers. Walkbase is a Wi-Fi application that gathers and aggregates customer data from all in-store data sources, including sensors that track what customers are doing in-store, video feeds, point-of-sale data, people-counters, the existing Wi-Fi network, and more. Such solutions can help retailers understand precisely how consumers behave in a retail environment and suggest optimal products and experiences based on consumers' in-store and digital behaviors.

What are the opportunities for lotteries? Artificial Intelligence, voice assistants, and personalized alerts can provide suggestions on lottery products that best fit into the consumer's basket, based on previous lottery and non-lottery in-store purchases. Leveraging the industry's standard API and vending, and revisiting distribution and

service models (for example, for clerkless stores) will drive changes to the business model. With all of this in mind, integration into retailer systems is a must if lotteries are to be included in the advancement of retailers' use of the IoT. IGT has been providing systems integration services to lotteries for nearly two decades in international markets, with 70% of in-lane sales processed through IGT systems, spanning 10,000 retailers and nearly 100,0000 lanes.

Trend 4
The Big are Getting Bigger

It will be even harder for small chains and independent retailers to compete as big retailers get bigger and possess the resources to invest in new technologies. Walmart, 7-Eleven, Circle K, Speedway, and many more lottery retailers have made major acquisitions over the past 12 months to expand their presence. This trend will continue as retailers with capital will have the leverage to advance in the changing retail world, most likely capturing market share and locations from smaller, less-funded retailers.

Within the lottery industry, consortium-level standards for procedures and operations will allow national and regional relationships to flourish with large retail

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chain accounts. As large retailers expand their dominance, it will be important for lottery products to operate more in line with other consumer packaged goods products to remain relevant.

Trend 5
Partner or Perish

Retailers are partnering with, investing in, or buying technology firms to ensure

optimal goods management, front office and customer experiences, and marketing and merchandising enhancements. In 2018, consumer and retail companies were responsible for 32% of the technology company purchases made by non-technical firms. The partnerships springing up between retailers and technology suppliers to innovate on new retail solutions include Kroger and Microsoft; Target and Google Cloud; Walmart and Microsoft; and Carrefour and Google. The practice of 'CO-petition' – or cooperation between competitors – is also being introduced as rivals partner to leverage aspects of one another's business, enabling both to provide better value to the consumer.

As retailers become more technically savvy, they expect their product partners to be so as well. Lotteries and vendors must remain open to data sharing and report-consolidation across jurisdictions. Advanced retail technology can be leveraged to provide retailers with real-time views into their operations, enabling them to make decisions that impact product placement and profitability. Lottery should be a part of this evaluation to highlight its highly favorable profit-per-square-inch comparison and gain optimal placement.

"IGT's cross-disciplinary **Retail Sales and Execution team** (ReSET) looks at these trends from multiple angles to better understand and serve the needs of lottery customers and retailers," says Stanek. The global ReSET team delivers a set of targeted **+Services**, developed in collaboration with customers, to focus on immediate-to-24-month initiatives in three areas: **Sales Tools and Training, Business Development, and Retail Sales Optimization**.

To learn more about +Services, email the IGT retail team at retailsuccess@igt.com.