

BEYOND PRINTING

Maximizing Every Advantage Across the Instant Category

At the PGRI SMART-Tech conference in February, **Keith Cash, IGT Vice President & General Manager, Instant Services**, discussed the components of **Instant Advantage™**, IGT's suite of products and services that can be deployed alone or together to optimize a lottery's instants business.

Cash has a well-rounded view on the category informed over 30 years, with experience in everything from press operations and instants sales to working on the lottery-operator side. Here, he shares recent examples of how lottery customers can put every advantage to work for them to drive instants growth.



Paul Jason: IGT manages the world's largest instant lottery and supports seven of the top 10 instant lotteries around the globe. From your recent talk at SMART-Tech, it sounds like Instant Advantage is a way for customers to get their arms around everything IGT can do to support customers in this category. Is that accurate?

Keith Cash: Yes, in fact IGT has been an instants partner to customers in a variety of capacities for decades — since the early 1990s — but many are not familiar with all the ways lotteries have successfully tapped into these resources, or the extent of the support we can offer to lotteries of all sizes. Instant Advantage really shows the full picture of what some lotteries are achieving in the instants category with these tools and in partnership with IGT. I think having that full picture and hearing

what our customers have accomplished can help others envision their own path to leveraging the high potential of the category.

My colleague Stefano Monterosso noted in this magazine not long ago that instant games have been the most significant driver of growth for lotteries globally in recent years and still are. I share his excitement about the category's ongoing strength and current potential. Some of our customers are familiar with IGT's Six Pillars, which form the philosophy or the framework for how we support lotteries around the world in optimizing their instants business. Simply stated, Instant Advantage puts that framework into action. It details the many ways IGT teams can work together and with our customers to execute, align, and deploy resources and expertise on their behalf.

Putting Instant Advantage to Work

How IGT helps lotteries carry out their vision for instant growth



- 374 extensive **Insights & Analytics** research studies in 2018 alone
- 40 lotteries use IGT's **Instant Ticket Processing & Transaction Engine** globally
- Industry-leading **Product Innovations** including Super Ticket™, Crossword Connect™, Glitz & Glam™ and the first ever instant game with 3-D interactive reveal via augmented reality
- **Logistics & Distribution** services saw a 99.7% accuracy rate in 2017 for the more than 35 million packs of tickets packed and shipped
- “White-Glove” **Player Experiences** with turnkey marketing programs that drive customer engagement and increase sales by offering once-in-a-lifetime experiences for players
- Provide **Instant Game Development** services to more than 60 lotteries worldwide, manage the world's largest instant lottery, and support 7 of the top 10 lotteries
- **Strategic Portfolio Planning** processes that take a deep dive into the product portfolio, with proprietary tools that allow IGT to gauge performance in real-time, helping lotteries make informed decisions to drive bottom-line profits



Members of IGT's Global Operations, Sales, and Marketing teams, industry experts who are among the worldwide and companywide resources devoted to supporting lotteries with Instant Advantage.

Paul Jason: What are the components?

Keith Cash: The components of Instant Advantage all draw on IGT's professional service offerings to cover every touchpoint of the instant product. So, we're talking about strategic portfolio planning, game development, instant data analytics, retail logistics, many other critical operational and marketing needs, and more. (See graphic previous page.) Lotteries choose to deploy these services standalone or in an orchestrated way, relative to the needs of their specific instants program.

Each component is layered. For example, the Insights and Analytics layer includes a deep set of resources that lotteries can leverage alone or together to inform decision-making, from the hundreds of global research studies that IGT carries out, to targeted analyses from our Same Store Sales teams, IGT business intelligence, and more.

When it comes to logistics, we currently service more retailers and fulfill more instant ticket orders than any other supplier. Here, customers can also take advantage of our teams' expertise in inventory management, product distribution, planogram management, and Tel-Sell processes.

The approach we've spelled out in the Six Pillars is to plan, monitor, and continuously adjust to customers' needs across the entire instants value chain as they evolve, and that same spirit applies here. For example, in portfolio planning, we make recommendations to support the entire portfolio, not just individual games. And in addition to all of the tools at our disposal today, we are working on solutions to support product managers in the ways

they've told us they most want and need, related to game design and forecasting.

Paul Jason: How would you characterize the advantages at the center of this approach?

Keith Cash: The advantages are really as unique as each lottery and their goals, because each one is using aspects of the solution to sharpen or address specific growth objectives in their instants program. I'll share some of those cases with you. But first, I'd say that one advantage across the board is IGT's significant investment in the instants business over the past three to five years. The company's commitment to growing the instants business with our customers is visible in many ways.



IGT's new GameTouch™ 20 instant ticket vending machine won the global award for lottery innovation at the 2019 ICE conference in London.

For instance: the research and development that went into the new GameTouch™ 20 instant ticket vending machine, which won a global award for innovation at the 2019 ICE conference in London. This machine was built to meet the unique size requirements to deploy self-service lottery to big-box retailers — a priority for customers. It's now being rolled out in at least 10 states in 2019 and helping lotteries to open up and expand their retailer networks. Another example is the new version of Order Wizard, the newest evolution of IGT's predictive ordering system. It uses IGT's industry-leading algorithm to ensure that lotteries have the right games at the right retailers at the right time.

Customers know about IGT's recent addition of a state-of-the-art printing press and expansion of the instant ticket printing facility in Lakeland, FL, but the investments I'm talking about go beyond printing. We've invested in teams of people with deep and specialized experience in optimizing instants. The investments are in business intelligence and analytics tools. They're in games, touchpoints, and other solutions across the category that customers have told us they want and need to help them grow their business.

Paul Jason: You mentioned that lotteries have successfully used different components of Instant Advantage. Can you give some brief examples?

Keith Cash: Sure, I'll start with IGT's **Lottomatica**, which manages more than 60,000 retailers in the Italian market through a sales force of about 150 lottery sales representatives, supporting more than €9 billion in sales. Lottomatica used virtually all of the strategies to improve instant game sales, including retailer expansion and optimization, sales force optimization, and constant improvement in its state-of-the-art research methodology, resulting in more player-focused game portfolio management. Lottomatica grew its instant category, Gratta e Vinci, by 207% in IGT's first full year of management and 36x in the first eight years, a compound annual growth rate of more than 50%.

Instants represent an important growth opportunity today in international markets. IGT estimates that bringing international markets to the same share of instant sales already achieved by U.S. lotteries could generate more than \$34 billion in incremental sales.



In Italy, Lottomatica's approach resulted in a compound annual growth rate of 50% over eight years.



As one of the fastest-growing lotteries in the U.S., Michigan experienced a 10.96% sales increase in 2017, due in part to the strong ordering efficiency provided by IGT. The Michigan warehouse has an accuracy rate of 99.89% with 75% of orders restocked automatically and 25% through traditional telemarketing. In 2019, the Lottery is due to receive Order Wizard, IGT's new, feature-rich predictive ordering application.

Paul Jason: How is Instant Advantage being used by North American customers?

Keith Cash: To give a few examples, the **Texas Lottery** comes to mind as a case of a lottery driving growth and improvement through the category by using every part of the Instant Advantage solution, including instant game development, warehousing, distribution, telemarketing, and extensive research and analytics. In FY2018, instant sales in the state increased by more than \$480 million (up 12.3%), surpassing \$4.4 billion and contributing to a transfer of more than \$1.43 billion to the state's Foundation School Fund. IGT has operated the Texas Lottery's instant ticket warehouse since 1992, overseeing exponential growth in sales and supporting 17,700 retailers with 99.97% accuracy in packaging and shipping tickets to retailers.

One of the strategic initiatives we collaborated on with the Texas Lottery recently resulted in significant improvements in sales and profitability in the popular Loteria game category. These were accomplished through a combination of cost-saving by avoiding the license fee associated with Loteria games provided by another vendor and line extensions to higher price points with added-value propositions for players. These portfolio enhancements led to cost savings of nearly \$9 million, with sales in the Loteria category tripling over a period of approximately 18 months. Loteria now represents nearly 13% of Texas instant ticket sales.

The **Michigan Lottery** has seen similar successes in its partnership with us. Michigan has been an IGT customer since 1988, and receives strategic instant game planning and development, marketing, warehouse, distribution, and telemarketing services. An example of successful instants portfolio planning with the Michigan Lottery has been the implementation of multiple facings at very high price points, specifically \$30. This strategy has led to category sales increases of 140% with no cannibalization to the \$20 price point. It has created incremental total sales increases and helped to further entrench the price point with players. This successful implementation has been a central pillar to the Lottery's continued year-over-year double digit growth.

Texas Loteria

- Sales tripled over 18 months
- 13% of Texas instant sales
- Cost savings of nearly \$9 million



Paul Jason: Can Instant Advantage be used to identify jurisdiction-specific areas of opportunity for growth?

Keith Cash: Yes, for instance, we recently worked in collaboration with Northstar and the **New Jersey Lottery** to perform a statewide analysis on retailers and to identify those with the best attributes to be successful with self-service lottery vending machines. Many of these retailers did not previously offer vending. The Lottery moved existing machines into new retail locations and implemented guidelines to keep the network optimized, including planogram adherence and in-store placement. This vending optimization analysis and subsequent action helped contribute to a 10% year-over-year improvement in instant ticket sales at these new locations in comparison to the rest of the state. So you see again that the advantages are as unique as the applications of the solution.

I'm excited to speak with customers about the potential and Instant Advantage, especially as this is a time when IGT has a lot of momentum going in the instant space. It's another expression of how we're continually trying to refine and align to our customers' needs across the category. If I'm talking to somebody and they ask me, "What is this about?" the answer is simple: It's about alignment that helps IGT better serve our customers' instant product category across the value chain. IGT has a long history of comprehensive service with our Operator and Facility Management customers, and Instant Advantage will guide our efforts to extend our capabilities to all customers.

I realize some may not think of IGT in relation to all of these areas of the instant product business. But going down to the facts, we process and predict more instant ticket orders than anyone in the U.S. We pack and distribute more than anyone in the U.S. Our teams are working successfully with lotteries today in all of these areas. When customers see the full picture of what we can bring, they see more ways to get the best from the category – and that involves a lot more than printing.

To learn more about Instant Advantage, please contact your IGT Account Executive.

*Based on 2017 La Fleur's data

≈ 70%

of U.S. retailers are served by an IGT instant ticket inventory management system.*

53%

of U.S. instant ticket sales are ordered through IGT's predictive ordering solution, supporting more than 116,000 retailers.*

\$41.4 BILLION

in instant ticket sales worldwide are processed by IGT.*

Lotteries supported by Instant Advantage have outperformed the industry growth average for

5 YEARS.



Vending Optimization in New Jersey yielded a 10% year-over-year improvement in instant ticket sales at new retail locations in comparison to the rest of the state.

