

CORONAVIRUS REDEFINES RETAIL

Safety concerns could speed digitization of the in-store shopping experience, adoption of technology

While lawyers, stock brokers, salespeople and marketers have all worked from home over the past months, cashiers at supermarkets, clerks at convenience stores, and shelf stockers at liquor stores showed up at their workplaces every day. These workers were deemed essential and, indeed, their presence has kept society functioning as normally as possible.

Aside from their importance to providing critical supplies, these essential workers have something else in common. They all work at some of the largest sales locations for lottery.

One of the more interesting developments during this period has been the importance of workers who previously might not have received much attention. With many people sheltering at home, hundreds of thousands of employees headed to supermarkets and convenience stores to keep the community supplied with important provisions. And while lottery sales were down in some states as store foot traffic dropped, the fact that these retail locations remained open meant that the sale of scratch tickets and draw games continued.

Lotteries worked tirelessly to make sure their retailers had the tools they needed to stay safe and continued to provide them with their critical sales tools.

A trend which will certainly have an impact on the future of lottery is the incredible rise in on-line grocery shopping and home delivery of meals. The question is: Will the current shopping patterns continue now that people are

free to leave their houses and return to their previous shopping patterns? Last year, just 4% of grocery sales in the United States came online, according to Nielsen. Will this continue to grow throughout 2020 and beyond? And people will certainly need to fill their gas tanks (at least those without electric vehicles).

Lotteries and lottery vendors will need to assess how the retail experience will look for customers when they return in large numbers. Chances are that speed-of-purchase will be important. Get in, get what you want, get out of the store.

LOTTERY VENDORS TAKE THE LEAD

Abacus, the 'Industry Bridge' between the Lottery and the retailers using its unique Abacus Transactional Gateway, has implemented these types of ease-of-sale solutions in Europe for many years. While the United States has been slower to adopt changes at

retail, the pandemic has been a clarion call to retailers that they must adapt to protect customers and their business.

"The retail landscape has been in a continuing period of change in recent years," said Terry Presta, Abacus Head of Business and former Director at the Kansas Lottery. "The trend moving towards self-service had already started. At some retailers, one third or more of the customers already use the self-scan option for paying for groceries. And the ordering of groceries online and having them delivered at home is already a significant share of the market. The pandemic has accelerated both of these trends.

"Speed of purchase through contactless shopping and digital ordering are positive trends for customers but they pose challenges for lotteries. Dedicated lottery terminals across limited retail locations will not reach consumers looking for less human contact. Lotteries must adjust to meet changing player trends."

Lottery vendors have been aware of the consumer changes for many years. The impact of COVID-19 has simply sped up the timeline to implement the technology to keep up with these changes. Vendors are implementing at-retail systems that integrate into the retailer's entire omnichannel network. These systems will allow lotteries to offer their products direct to consumers at all retail touch points at lottery retailers.

A self-service, self-check-out terminal enabled by Abacus to sell draw-based lottery games in a grocery store with a digital marketing sign.



IGT was a pioneer in launching in-lane lottery sales internationally and is a prominent player in the in-lane space, with about 50,000 lanes worldwide and a significant number of new lanes to be added later this year. The company is working closely with lottery customers and technology partners to deploy in-lane solutions that make lottery more convenient for U.S. players.

An IGT customer, the Texas Lottery Commission, is currently selling lottery in-lane QuickTickets™ at approximately 1,500 Dollar General stores in the state, one of the most recent examples in the U.S. of lottery penetrating an important trade style within one of the fastest growing retail segments in the country. The TLC is also working with one of its most important retailers, HEB—a supermarket chain based in San Antonio, with more than 400 stores throughout Texas and Mexico, and \$28 billion in annual sales—to allow the in-lane sale of Ticket-On-Receipt draw game tickets, along with the redemption of draw and instant games in-lane. This provides a more seamless player experience and with the added benefit of incorporating key lottery data into HEB's existing POS and back office solutions.

IGT is actively working with its other customers to develop similar implementation plans across their vending terminals. Results have shown that cashless comprises about 10-15% of sales, of which IGT estimates 4-5% to be incremental. It is expected that the percentage of cashless sales will rise with the accelerating change in consumer behavior.



IGT offers cashless capability on all its vending terminals, such as the GameTouch™ 28 (pictured), and has deployed over 3,300 cashless-enabled units with more to follow this year.

Jay Gendron, Chief Operating Officer, Lottery, said “IGT is constantly exploring retail, consumer and technology trends and investing in opportunities. These will now be more important than ever to not only obtain more player engagement, but to help enable our lottery customers with solutions to support a cashless and contactless retail environment for the future.”

PROTECTING LOTTERY RETAILERS

As states continue to tweak their stay-at-home orders, lottery retailers will see an increase in customers. This is good news for states that are revenue-starved, given the economic hit every state has taken since March. But it is incumbent upon lotteries to protect their critical retail partners as well as customers.

“When we look at the big picture, generating state revenue is our mission, first and foremost. But we can't forget about retailer commissions, which boost the viability of thousands of local businesses across the country,” said Maryland Lottery Director Gordon Medenica. “Collaborative partnerships with retailers are crucial to lotteries' success and that means the safety of retail employees and customers must be a top priority. We can play our part by educating our sales representatives about sales and safety techniques which they can share with their retailers. We are all in this together, and lotteries can lead the way in making sure the lottery retailer network operates safely.”



An IGT customer, the Texas Lottery Commission (TLC), is currently selling lottery in-lane QuickTickets™ at approximately 1,500 Dollar General stores in the state. Shoppers choose QuickTickets™ from a POS display (shown at left, bottom row) or immediately at the checkout counter to be purchased and activated in-lane, as confirmed on the pictured receipt. The TLC is also working with IGT and supermarket chain HEB, offering the in-lane sale of Ticket-On-Receipt draw game tickets, along with the redemption of draw and instant games in-lane.

SHIFT TO CASHLESS TRANSACTIONS

IGT has also been working with its customers to address the shift in consumer behavior from using cash to going cashless at retail. This behavior change is accelerating now due to the pandemic. IGT offers cashless on all its vending terminals and has rolled out over 3,300 units across three Lotteries: Michigan, Virginia and North Carolina. In addition, the Georgia Lottery is currently testing cashless at select locations with plans to expand to the entire vending network later in the year. The Missouri Lottery plans to roll out starting in July and the Kentucky Lottery will follow in November.



The Maryland Lottery has worked with its retail network to ensure the safety of employees and customers.