

Simple Math



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Most people hated math at school, yet it is amazing how much of our life is governed by numbers and equations. Our working life very often revolves around numbers, more so if you are in sales of any sort. Those sales numbers always need to grow.

Let's take this back to school then. A very simple equation for the sale and growth of lottery could be seen as:-

lottery + X = growth

Very simple isn't it. Do "X" and your sales will grow. But the million-dollar question is what is "X"?

It could be many things that give you incremental growth, but at Abacus we think that "X" is equal to "Change".

X = change

I was thinking about change and retail and lottery relationships as I remembered how I started selling lottery tickets back in November of 1987 in my Presto Convenience Stores. One of the long-term lottery employees in Kansas told me that he called me up and that I chewed his backside several times about the lottery before eventually letting him in. I told him, "Well, I don't specifically remember that, but that sounds like me."

My retail start with the Kansas Lottery was shrouded in doubt and disbelief. Until the terminal was installed some years later, to sell instants we asked our entry level employees at the front counter, along with

everything else they were responsible for, to SIGHT verify winners. Yes, cashiers had to ascertain whether a scratcher was a winner based on pure visual inspection and then pay the appropriate amount.

Large retailers are increasingly scrutinizing their side of the lottery business model. They have no choice in the face of unrelenting online competition. They are also having to eliminate as much labor from their stores as possible to stay viable.

So let's look at a retailer's lottery model as it is today. Retailers start with 5% in commission but must pay 2% on credit card transactions (where used), leaving them 3%. Each cashier on every shift must account (count) for their inventory at the start and end of the shift. The manager must keep the dispensers completely filled and presentable. They must balance against the terminal and instant stock at the end of every day. In a busy convenience store with 3 registers working out of one terminal, balancing must be done, but if there is a shortage how do you figure out who is short? The back-office staff has to balance the statement at every store for invoicing purposes. If you include the labor and shrink in the calculation, then their 3% may be totally chewed up and they go negative on the category. Lottery can then become what I term a non-category category - i.e. a category that is more trouble than it is worth. This is why some have chosen to stay out.

Capitalism is mutual gains from voluntary exchange. In a proper business relationship, everyone profits for it to "constantly move forward". Now as Head of Business, North America, for Abacus I continue to try and

move the lottery and retailer relationship forward. The white paper solution based on the NASPL API was designed and sanctioned by the retail modernization committee and is clearly the one that will be the most successful in the marketplace, of this I am sure. Why sure? Because it is designed with a focus on improving the CUSTOMER EXPERIENCE of purchasing Powerball and Megamillions in a modern shopping environment. Fast, seamless and more convenient than is the present case. A solution that is also much better for the retailer, making it a win-win in our business relationship.

The future is therefore the total integration of the lottery terminal into the Epos of the large retailers. This integration has already been started by Abacus and will continue to get better and better for years to come. It resolves many of the aforementioned issues and will embed the lottery sales process directly into the retailers' systems. Large retailers will be able to sell lottery products at each register, manned or unmanned, and even via self-checkout, their phone or order at home for self-pick. This integration by Abacus will also open entirely new channels of distribution within bars, coffee shops, restaurants, theaters, etc, in fact anywhere people congregate or linger.

The last point I would like to mention is the Abacus and Toshiba partnership that I believe will enable this retail transformation. Both Abacus and Toshiba are developing what is termed a 'lottery plug-in' to Toshiba's new TCx™ Elevate Epos retail platform. As Toshiba has a very large market share in the 'big box' category this is a HUGE development for the lottery industry and the NASPL

API initiative. It will allow for a virtually seamless integration with the retailers who have the TCx™ Elevate platform allowing them to sell lottery products through their registers/Epos like everything else that they sell today.

So to go back to school and our equation where

$$X = \text{change}$$

we see “X” as the Abacus Toshiba partnership driving forward sales into new areas and increasing that all important market presence. We can therefore say that “X” is:-

$$(\text{Abacus} + \text{Toshiba}) = \text{change}$$

So our final equation would look like this:

$$\text{lottery} + (\text{Abacus} + \text{Toshiba}) = \text{growth}$$

Thirty years ago, the restraint on growth was the bottleneck that sight verification created. This bottleneck was broken by the introduction of the lottery terminal into the marketplace. Retail has changed and continues to change rapidly. We are at a crossroads again, but the restraint on growth is now this very terminal. Moving our transactions into the Epos will literally put “Lottery Everywhere” and lead to the next burst of sustained growth in sales and profits for good causes.



So put the Abacus Fusion Platform at the heart of connecting lotteries, retailers and your consumers. ■

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It is important for marketers to understand that subscription services do not represent competition, but rather augmentation to existing channels of sales and distribution. Sephora (cosmetics) has mastered this dynamic with its PLAY! Program, which offers subscribers access to new products through home delivery while using this consumer touch-point to encourage them to shop at local stores to acquire points for redemption for prizes and experiences.

Implications for Lottery

State lotteries in New York, Maine, Maryland, and other states have adopted various approaches to subscription sales for such games as Mega Millions, Powerball, Cash4 Life, and Lucky for Life. A player can select favorite numbers and apply them to games 52 weeks in the year or buy packages of various periodicity. In some states, winning pay-outs can be automatically credited to a player’s on-line account, although the award dollar threshold varies by jurisdiction.

Subscription sales represent an excellent way for players to manage the amount of money they spend on lottery tickets. As such subscription sales provide a seamless method for lotteries to contribute to **Responsible Gaming**. Limits could be placed on an individual player’s purchases by dollar amount and/or by frequency. Age restrictions and secure payment methods are easier to administer in a subscription model than they are in a busy retail environment. RG resources could be made available through a subscription portal, with 24-7 live access to counselors and other “members only” benefits such as on-going coaching check-ins and account-ability updates.

For Lottery jurisdictions that permit subscriptions, here are some of the key ingredients to keep in mind when launching or enhancing such a service:

- Select the optimal web architecture – A subscription site or page should promote customer engagement, long-term utility, and seamless payment (and pay-out) functionality.
- It’s all about conversions – Develop a deep understanding of the shopper’s journey, from researching to exploring, to making the commitment to subscribing. Incentivize players with an introductory discount, free gift, or special service.
- Go mobile – Optimize digital content assets for all devices. Minimum requirements include “tap to call” customer service, real-time alerts, and game status monitoring.
- Build community – Engender a “members-only club” feeling through live chat, special events, product previews, and stories of Good Works.

The old subscription trade style is new again, and it promises benefits to consumers and incremental sales for providers. Sign up now! ■

the threats and opportunities and chart a course to lead us forward.

All games, all products and business models are vulnerable to disruption and need to step on the gas to innovate and lead. And it’s true that draw-based games need to press even harder to stay relevant and grow our player-base. We do recognize the threats, we do understand the nature of the issues we face, we are tackling the challenge head-on and will power forward with a game-plan to keep EuroMillions on a pathway of growth and sustainability.

Does the product need to change, or just the messaging?

A. Pilkington: The positive thing is that we have three pathways to differentiation. One, innovate on the product side. That, as you pointed out, poses some challenges as there are only so many moving parts to a draw-game. But we’re working on that. Fortunately, in the mean-time, millions of players continue to love the game and we think will continue to play for a very long time to come. Two, get more creative on the messaging and promotion side. EuroMillions is a fabulous product with a unique consumer appeal. Three, push further into new trade-styles and channels of distribution and continue to develop the digital/Mobile channels as well as expand the retail footprint.



SLE exists to serve its member lottery operators. And EuroMillions exists to augment the portfolio of products offered by our member lotteries. All of our member lotteries have their own national jurisdictional lotto game and we want to make sure the positioning of EuroMillions supports optimization of their entire portfolio of products. To that purpose as well, differentiation is key to our growth strategies. ■