

MOVING THE NEEDLE NOW: Maximizing short-term results



Ryan Mindell

In Texas, Gary Grief and Ryan Mindell have overseen an incredible period of growth for the lottery over the past few years. With highly restricted online options, they have focused on their instant ticket product, launching successful families of games, offering attractive second chance promotions, adding technology that aided retailers, pushing ticket denominations as high as \$100 (in fact, during the pandemic, tickets of \$20 or more accounted for 82% of Texas' sales growth). In short, they have used every weapon in their arsenal to help grow both top- and bottom-line revenue for one of the country's largest lotteries.

Ryan Mindell, Deputy Executive Director, Texas Lottery, was the perfect person to lead a panel focused on taking immediate action to maximize short-term results. For this discussion, he was joined by:

Gary Grief, Executive Director, Texas Lottery

James Carey, Executive Director, New Jersey Lottery

Maxwell Goldstein, Vice President Sales-Americas, Carmanah Signs

Sarah Taylor, Executive Director, Hoosier Lottery

Brad Thompson, Vice President Sales & Marketing, Pollard Banknote

Ryan said that in Texas, he and Gary balanced activities that could immediately impact revenues (such as increasing scratch ticket denominations) with those that take a bit longer to implement or come with a longer ROI timeline. "The decisions to increase price points on scratch tickets was

easy because we can create a plan that has a predictable and immediate impact on revenue," he said. "There are other investments in retail that can take longer and require work from different internal groups, such as selling in-lane. These activities may be key to long-term sustainable growth but typically involve a more methodical process that takes longer to implement and generate concrete results. For the purposes of this panel discussion, we will be looking at ways to generate material short-term results, ways to move the needle this month and this quarter."

Brad Thompson focused on the price points of scratch tickets, which has received increased attention from many lotteries during the past few years. "Lotteries have added more price points. Even smaller lotteries, which didn't think they could successfully offer \$20 or \$30 tickets in their portfolios, have seen a positive response from consumers," he said. "Lotteries are taking advantage of what happened during COVID when lottery was the only gaming option for many months. We saw players migrate to the lottery, particularly casino customers in search of other options and when they started playing lottery, they realized it's a good option. We've been able to keep many of those players by continuing to offer high-prize games. For lotteries like Texas which have already taken the path towards high price-points, the key is to continue launching enticing tickets with engaging promotions. For other lotteries which are just starting their journey up the price-point route, they should move in a progressive manner and not flood the market too quickly. And with all lotteries,

the tickets need to be supported with appropriate marketing campaigns, both at retail and online. All these moves together can lead to sustained revenue growth, as well as producing short-term sales increases."

At the Hoosier Lottery, **Sarah Taylor** said she presses her team to implement games and programs which will appeal to players and maximize revenue. The Hoosier Lottery has an Integrated Services Agreement with IGT Indiana, allowing the vendor to handle the day-to-day functions related to sales, marketing and product development – as well as distribution of product. "We spend a lot of time working on our retail plans – Which tickets will be on sale during which months? What are the price points? Are there draw games that need to be added?" she said. "For us, there are things that we can do which, while incremental, can have a strong cumulative impact on our revenue. It might be adding four scratch ticket towers at as many retailers as possible or strategically launching Fast Play games. It is also important to focus on your key accounts and how you are supporting their efforts. Can you ask them to add a vending machine at their locations? Is lottery located in a good location within the state? Is there anything we can do to incentivize them to pay more attention to lottery and increase sales? When combined, all of these tactics – from scratch ticket price points to focus on retail – can make a big difference in a relatively short time period. The measurement, of course, is in the bottom line."

Like Sarah, **Jim Carey** works with a private operator in New Jersey (a joint venture between IGT and Scientific Games known as Northstar; Hoosier Lottery works with

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IGT). Together, the NJ Lottery and Northstar have created initiatives with both short- and long-term impacts. “Long term, we’re changing game structures which we think will make a difference,” he said. “The two biggest changes are with our in-state jackpot game – Pick Six, where we doubled the price and added a double play option. Our Numbers games – Pick Three and Pick Four – are moving from parimutuel to fixed prizes in November. These are all long-term initiatives. In the near term, we have engaged our Lottery Sales Representatives to distribute game coupons at more than 3,000 locations. We can follow how many of those coupons are used and the result of those purchases. These are easy-to-implement programs and I believe that this personal touch between the LSRs and retailers will have an immediate effect on sales. The retailers, who already have an economic incentive to promote lottery, can pass along offers to their customers and help further drive sales.”

Of course, game changes aren’t the only methods for impacting short-term results. How lottery products are marketed to players has a direct result on activity at retail and on how players understand games and promotions. Front and center in this area is Carmanah Signs. “Making lottery more visible to consumers is a critical component of the sales process,” said **Maxwell Goldstein**. “As lotteries search for new sales locations, such as in-lane, the need to engage and educate customers becomes even more important. Clear messaging delivered through the latest digital signage technology is the most effective way to reach players. Technology has also allowed us to tell stories in much more engaging ways. Gone are the days of static images and infrequently updated content. Now we can pull information directly from an API, programmatically updating jackpot values, game information, winner information, and adding new games instantly. Different digital displays can be placed at different locations throughout retail, with content targeted for specific points in the player journey. The impact of these changes is real and measurable.”

In Texas, **Gary Grief** has overseen an incredible increase in scratch ticket sales, starting even before the pandemic. Despite a limited advertising budget, he and his team have been able to break sales records each year over the past decade. “Managing your scratch ticket portfolio is the most

efficient path to driving short-term revenue, year over year,” he said. “We focus the majority of our ad dollars on our big money makers and that’s our scratch ticket families. Our annual plan is to launch at least two families of tickets each fiscal year and the results speak for themselves. That is where we ‘make our living’ in Texas. We blanket the state with promotional billboards and use our social media platforms to spread the word on these tickets..”

As important as it is to drive results in the short term, it is also critical for lotteries to make plans for the future. “With so many scratch tickets being planned and delivered to retail, it’s easy for lotteries to get distracted,” Ryan said. “Lotteries need to also plan for the lean times and the best time for that is when sales are strong. How we split that focus is a critical decision. Investing in the future should be a measured planning process that is taking all parts of the business into account.”

Maxwell Goldstein said that staffing issues are a key factor driving the need for technology that provides players with automated lottery product information. “With the majority of lottery sales taking place at convenience stores, and those stores having some of the highest employee turnover in the retail industry, lotteries face both a challenge and an opportunity in how they reach their players,” he said. “Carmanah’s solution is to help lotteries build a digital communication platform at retail, delivering targeted content using technology such as Digital Menu Boards, Digital PlayStations, and small footprint displays at the point-of-sale. This enables lotteries to attract and engage all levels of players – from lapsed or light players to core players. Technology replaces the need to ask a clerk for information while also speeding up the checkout.”

“Traditional retailers are picking up the pace of technology adoption, and there is a need to keep lottery products on a level playing field with other impulse purchases,” says Goldstein. “Advanced digital experiences assist retailers in serving their customers and are particularly beneficial for lottery.”

In conjunction with their constant work on scratch tickets, the Texas Lottery is undertaking several initiatives that will strengthen the business into the future. “In-lane sales and our API project are two examples of programs which, when

implemented, will strengthen the lottery for years to come,” **Gary** said. “But make no mistake, these projects take time and effort which can be in short supply when you’re dealing with the day-to-day workings of a lottery. As leaders, we have to determine the proper balance for our employees’ time. Everyone has a point of view on what is best – from the lottery to the retailers to the third-party vendors. Long-term plans that involve the retailer community can be difficult because many vendors are hesitant to invest resources into something that won’t show revenue right away. We try and convince them that this is an investment into the future of their business and will result in sustained revenue increases for many years to come.”

Jim used the example of the horse racing industry, which has suffered attendance and wagering declines since he worked at a New Jersey track in the 1980s, to show why long-term planning is critical and why the lottery industry needs to avoid sitting on its laurels. “Our industry – and gaming overall – can change quickly and we must always be planning for the future,” he said. “For the lottery, this means taking steps into online sales and the new Jersey Lottery will start with draw games. We’ll work with our retailers to make sure their concerns are heard but it is important that we start having an online presence. If we want to survive as an industry we have to remain relevant which means building a digital presence like most other consumer products. Start the planning today so you’re not caught by surprise in five or ten years.”

Pollard spends much time working with customers on programs which expand the player base. **Brad** said there are several ways to do this. “We ask our lottery customers, ‘how can you remain relevant to the younger players, what do you need to offer to stay top of mind to consumers?’” he said. “Not everyone can sell online but most lotteries can offer robust players clubs. Look at lotteries like Texas which constantly provides exciting promotions with its tickets. Now you have hundreds of thousands of engaged players in a data base and you can contact them with information that promotes sales. You can also improve at-retail sales by using technology to make the purchasing process seamless for all levels of players, particularly new players. Today’s customers want to find their product, pay and leave the store quickly when they are shopping. Let’s make

sure lottery is the same way. These all take planning and lotteries should lean on their vendors to help them with their long-term strategy.”

Ryan wrapped up the discussions by noting that everyone on the panel has some type of decision-making role at their organization, which means they are working on both short- and long-term goals. Keeping an eye on the long term at the executive level will allow your colleagues to focus on the day to day. “But in all honesty, we tend to focus on what is right in front of us,” he said. “We have pressure to meet sales goals, exceed the previous year’s revenues. So if you could put aside long-term sustainability goals, what is one thing you would immediately start doing and one thing you would stop doing?”

“In the ‘start’ category, we would definitely put together multiple sets of working papers for more \$100 scratch tickets every year,” Gary said, with a laugh. “We would constantly run promotions and pull out all the stops to incentivize our sales reps and retailers. Of course, we’re doing pieces of these things now and the results show we’re on the right track. And on the ‘stop’ side, I would definitely stop dedicating the substantial time and resources that currently go into the procurement process which, if done right, can have a significant impact on

the long-term health of our industry.”

Max picked up on Gary’s remarks about the procurement process. “The RFP process and how contracts are awarded can be a challenge for smaller vendors,” he said. “Many technology or equipment companies need to be included in larger contracts to provide their products to lotteries. The way in which RFPs are structured can stifle the creative planning process. It would be great if we could all work together to figure out ways we can revamp the procurement process to make it easier for vendor partners to provide their goods and services to lotteries. The resulting innovation would benefit everyone.”

Sticking with the RFP process, Jim said he would love to revamp the RFP process as well as his mandatory contribution requirement. “Like most changes, we need legislative help to get things done and that is not an easy process,” he said. “There are so many requirements baked into the procurement process and the people who work with us on this have many other things on their desks. But it is certainly something that needs out attention. I also want to lower NJ’s mandatory contribution from its current 30%. It limits our ability to offer higher price point tickets and, in the end, increase our revenue. These are hard things to do but they are places to start.”

Sarah said technology is a critical place to start. “I would love to have technology changes get implemented as quickly as possible,” he said. “I understand the constraints on our partners and it is something that we can work on together. Can lotteries make it easier on vendors to implement the latest technology? Certainly, and let’s work together on our options. I also would like some of our multi-state discussions to wrap up quicker. These initiatives are not easy because we have so many different opinions involved and that can add to the execution timeline. There are some great products and initiatives in the works and we need to bring them to market quicker than now happens.”

Ryan ended by saying that there are many issues facing lotteries, both now and in the future, but today’s leaders are certainly up to the challenges. “In the end, our focus needs to be on driving as much revenue as possible,” he said. “In the short term, that means providing engaging products and promotions which will attract and retain customers. In the long-term, it means making sure there is infrastructure in place which will serve the players of the future. This balancing act is critical to the continuing relevance and success of all lotteries.” ■

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is a version of what happened in the 1920s when the Spanish Flu ended and ushered in the “Roaring 20s.” Today we’re seeing our own version of the Roaring 20s with the rise and widespread consumer adoption of technical innovation.”

Returning to lotteries, Leonard said that driving home the story of where the money goes is key to attracting the next generation of customers. Most people under the age of 30 understand what a lottery is but most have no idea how they are governed or who benefits from the profits. For them, it is the same as giving money to a casino. “We don’t want lotteries to follow the same route as credit unions,” he said. “Credits unions are quite benevolent and are exactly what younger people are looking for. But they couldn’t tell their story or at least people weren’t listening, and they lost an entire generation of potential customers who might have been open to their dedication to communities and supporting important causes.

“Lotteries need to make sure they don’t follow that route. They need to communicate their mission to the widest audience possible,” Leonard said. “Social media is

providing avenues for communication that have never existed before. Use these avenues to reach the next generation of customers and tell them your important story.” ■



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