



Abacus : Solving the Rubik's Cube Puzzle Through Retail Integration

Grocery and convenience retailers are making large investments in technology to address the labor shortage while finding ways to manage operating costs and provide a quality customer experience. Investments, such as home delivery, curbside pickup, increasing self-service checkout and the closure of customer service centers, are impacting lottery exposure in grocery stores. Likewise, self-service checkout, 'Just Walk Out' technologies are reducing visits to the checkout counter in convenience stores, while hybrid and electric vehicles are reducing trips to the gas pumps and to the store.

The recent Mega Millions \$1.3 billion jackpot created long lines and it is difficult to estimate sales lost because retailers were limited to selling lottery products through existing lottery selling systems. Competition in gaming, including the expansion of casinos and sports betting vie for the gaming dollars and lottery managed iLottery and sports betting offer higher sales but much lower profit than traditional games.

Does this paint a bleak picture for our industry? It does not have to and can be seen as a big opportunity.

Abacus' "Lottery Everywhere" solution can help address these challenges. Once the Abacus gateway connects the retailers' POS (registers) or retailer ecosystem to the lottery's gaming system a whole new distribution channel for the lottery is established. Abacus does not provide a 'one and done' solution but provides lotteries a customizable solution.

"As a 30+ year retailer in Kansas and the Director of the Kansas Lottery for 5 years, I can quote you every verse and song of the Kansas Lottery going back to 1987 with the launch of "Up, Up and Away", their first game. The lottery terminal was a godsend to the business when it was first introduced in 1991. But now in the digital age, not being in the

retailer's register is an impediment to that digital progress. I firmly believe that what Abacus has developed is the distribution system of the future. Putting lottery in every lane, manned or not, and the various other channels. And you can't get there via a lottery terminal", Abacus Head of Business, Terry Presta.

"We have more than 25,000 enabled POS terminals and 5,000 self-checkout terminals live in Europe today. We have developed a new self-checkout solution for the Canadian market and plan to go live with Print on Receipt in Iowa with major grocery chain stores," said Simon Butler, Abacus CEO. "We expect to add several additional US lotteries in 2023," added Butler.

Services offered

Print on Receipt

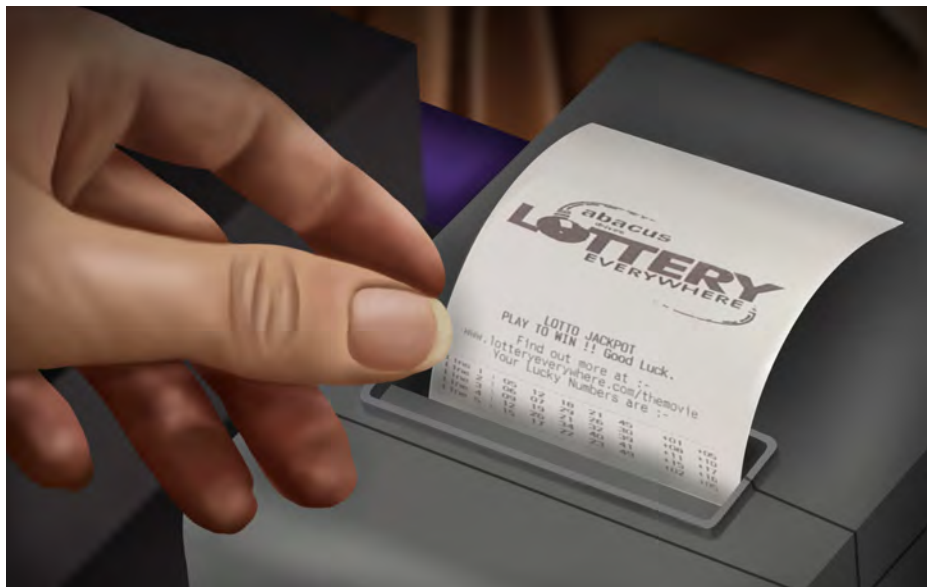
You are familiar with Print on Receipt technology developed for grocery stores. Print on Receipt allows consumers to purchase draw games through the grocery check stand lanes and the consumer's draw game ticket is printed on register receipt paper. The in-lane lottery purchase is intuitive for both the consumer and

retailer, as lottery draw game purchases are handled just like any other products the store sells – scan, pay and print.

Instant Tickets

Abacus has been developing solutions to offer instant tickets in-lane. This innovative solution offers a secure integration into the retailer point of sale, reducing shrink in the category. The Abacus system offers an intuitive way of selling a wide range of instant tickets just like any other item in the consumers basket. Abacus is actively working on ways to explore other methods of delivering the solution to retail such as ticket by ticket activation through the retail POS system.

Adding a layer of security to instant tickets, such as ticket-by-ticket activation has been requested by numerous lotteries to address the escalating theft issues facing retailers. With ticket-by-ticket activation, tickets remain in a dormant status until the ticket(s) are activated by scanning the ticket(s) for sale through the retailer POS. Ticket validations cannot occur until tickets have been activated by scanning the tickets for sale through the retailer POS.



Digital Games

The digital delivery of engaging, colorful instant games can open a new revenue stream. Managed like paper instant tickets, digital tickets are developed using game play parameters and prize structures to guarantee the appropriate levels of prizes for consumers, retail commission and profit for the lottery. A digital pick slip is generated using the mobile app where a single barcode is generated and scanned by the retail clerk. Once the transaction has been completed by the clerk through the POS, the digital games are downloaded to the player's mobile device.

Ticket Validations

A natural progression is enabling both instant and draw game validation by scanning the winning ticket through the retailer POS. Grocery stores now have the capability of scanning winning tickets in-lane without requiring consumers to stand in line at customer service or taking their winning tickets to another retailer. In addition to creating sales churn, retailers will benefit from the increased revenue generated for grocery purchases.

Managing a complex environment

Data collection for both lotteries and retailers has been difficult to capture. Abacus Management Portal (AMP) is a value-added data portal that provides lotteries and retailers real time sales data by store, by lane, by date and time. With the support of the Lottery's gaming system provider, Abacus can provide both lotteries and retailers sales, inventory and transaction detail that includes sales through ITVM's, lottery terminal and in-lane. Data file can be provided to retailers in the format required such as store ID, lane, date, and other variables requested by the retailer and consistently formatted regardless of the state they do business in.

Expanding the sales channel

Abacus deliver all these services through multiple sales channels within the retailer ecosystem. The staple offering is through a staffed lane, however, with grocery retailers increasing the number of self-checkout lanes, Abacus has worked with POS providers to add lottery to self-service. Once the transaction is complete, the lottery draw game ticket is printed on register receipt paper. This technology can also be used in convenience stores who

are also moving to self-checkout solutions.

Abacus offers a fully functional lottery mobile solution that can be incorporated into the existing lottery and/or retailer app. The Abacus mobile platform allows players to select their own numbers on any draw game. Once in the store, the consumer simply selects the 'check out' function on their mobile device and a single barcode is generated, containing all lottery draw games selected. The clerk scans the barcode through the POS enabling the ticket purchase. Once the transaction is complete, tickets can be printed on register receipt paper or can be delivered digitally to the player's mobile device. App integration can also be developed to support retail clerk less checkout technologies so retailers can capture otherwise lost sales.

Taking the first steps

Taking those first steps to adopt innovative new solutions is always difficult. Will it work? How much will it cost? How long will it take? What is the return on my investment? These are all valid questions and can restrict expansion of the opportunity. Abacus is pleased to be working with the Iowa lottery to implement its in-lane solution across a number of major state retailers.

The '3-legged stool' partnership with the Iowa Lottery

Research indicates that only 5% of grocery customers visit the customer service centers or vending machines, leaving 95% of consumers that do not purchase lottery products while visiting grocery stores. Abacus' distribution model is designed to benefit the three legs of the stool.

1. Consumers - benefit by simplifying the lottery transaction by mirroring the lottery purchase to all other grocery products in their basket.
2. Retailers - Print-On-Receipt provides a new revenue stream and makes the lottery transaction intuitive and does not slow down the queue.
3. Lottery - benefits from capturing new sales and increasing the player base by making lottery products available where consumers shop.

In partnership with the Iowa Lottery, Abacus anticipates introducing its first US Print on Receipt solution this year. The solution is designed to

provide in-lane lottery sales to all registers in over 200 grocery locations.

The Iowa Lottery is developing a marketing program to support the initial launch and ongoing support with a focus on point-of-purchase materials and Jackpot awareness.

Through its management portal, Abacus will provide the Iowa Lottery with real-time sales and transactions data, by product, by day, by store, and by lane. This is a level of transactional detail and nimbleness that is largely lacking in traditional lottery product distribution channels. This powerful granular data will allow the Iowa Lottery and its retail partners the ability to analyze performance with real-time control and monitoring capabilities.

"We are thrilled with our partnership with the Iowa Lottery", said Simon Butler, Abacus CEO. We believe the Abacus gateway will provide on-going opportunities for the Iowa Lottery to increase sales, increase their player base and ultimately to increase the profits they return to the State of Iowa. Our partnership with the Iowa Lottery will benefit the lottery industry by opening a whole new distribution platform", added Butler.

"The Iowa Lottery is excited to partner with Abacus and the promise of a lottery sales solution that increases in-store lottery visibility, improves path-to-purchase convenience for players, and drives incremental revenue growth for our retail partners. A true win-win for not only those who sell lottery products but also those worthwhile state causes that benefit from lottery proceeds", said Jonathan Roth, Chief Revenue Officer, Iowa Lottery.

"As we continue to prepare for market launch of Print on Receipt Powerball and Mega Millions tickets in Iowa, we are also mindful of the future opportunities presented by expanding the range of lottery product offerings that may be sold in-lane through Abacus-integrated POS platforms. That is when we can drive significant revenue growth across multiple portfolio categories", added Roth.

Solving the puzzle

Putting the pieces of the Rubik's cube together can be challenging and does not happen overnight. Abacus can take the complexity out of providing a very robust product delivery. Abacus' experts work directly with the lottery, gaming system providers, retailers, and POS providers, to assemble the pieces of the puzzle. ■