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INSIGHTS

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FOCUS ON: RETAIL



A RETAIL TRANSFORMATION IN ILLINOIS

The new private manager of the Illinois Lottery is gearing up for a complete retail store makeover, with all new permanent point of sale to be installed this spring after a technology upgrade this winter.

By Patricia McQueen



Sample of a current Illinois Lottery retailer counter.

It's a new day in Illinois. On January 2, 2018, Camelot Illinois took the reins as the Illinois Lottery's new private manager, with a new level of excitement and anticipation in the air. Although the company has been hard at work since then, the time is now for some of the big things taking place. Part of its first full year business plan,

which began last July 1, was to make two major retail investments, to refresh and modernize the retail environment.

One was the implementation of a whole new suite of retail technology, and the new system provided by INTRALOT was expected to be installed in February. The other is the introduction of all-new permanent point

of sale equipment, and that is on target for a spring rollout.

"We talk a lot here about delivering a modern lottery experience," said Camelot Illinois General Manager Colin Hadden, adding that although digital channels are important for the future, the fact is that retail "remains a very, very important channel for us. We are



Artist's rendering of the same counter with the new PPOS.

committed to really refreshing the retail look and feel," both functionally and visually.

The investment includes new retail terminals, vending machines, signage, ticket dispensers, play centers – everything needed to sell lottery at retail. Lotteries are used to technology upgrades; after all, every lottery goes through system conversions from time to time. Less often is a complete transformation of all the related in-store merchandising materials, especially permanent point of sale (PPOS) equipment.

Camelot has drawn on its experience with retail transformations in other markets, particularly in the U.K. and Ireland, to develop the new look, realizing that all jurisdictions are different. "We were really keen to do something that was right for the Illinois market."

THE DEVELOPMENT

To do that, Camelot took a user-centric process, combining its own experience with detailed local retailer feedback in Illinois that began in the very early stages. Initial concepts were

tested with retailers and based on that feedback, a prototype suite of PPOS was manufactured so everyone could see what it looked like and how it felt in order to receive further feedback. That was accomplished with both private viewings with retailers and a retail road show last September.

Three events were held – one in the Chicago area, one in Springfield covering central Illinois, and one in Collinsville for the southern market. Retailers were invited to enjoy a luncheon, hear about Camelot's plans for the Lottery's new direction, examine the prototypes and provide feedback on how the units would fit into their stores. In total, about 250 retailers attended the three events, from single-store independents to chains of all sizes.

"These events were a huge success – the feedback we got was fantastic" on both the equipment and the company's plans, noted Hadden. A survey was done at the end of each event, and at that point 88 percent of the retailers in attendance said they were ready to give counter space to the new terminal and instant ticket dispensers. And the orders for the equipment were coming in – about 2,200 just from these events. "We were very pleased."

The feedback on the equipment itself led to a modification of some of the designs. Perhaps not surprisingly, the retailers felt the units were a little too big and clunky. "I completely understand that," said Hadden, adding that there is almost always a challenge between what lotteries want to place on retail counters and what amount of space retailers are willing to give up. "So we went back to the drawing board to adjust and trim down the equipment – it went on a diet!" The end result was sleeker with a significant reduction in the footprint. "We were delighted with the final outcomes." All the units are now in production, with an expected rollout beginning this spring.

It was a lot of work, but with a ten year contract, Camelot really wanted to get it right. "It's also making a statement of how important we feel retailers are to the lottery business and its future. We've built some great relationships along the way; for a lot of the retailers it was really the first time they sat down and spoke with us." So in addition to providing the necessary feedback on the equipment itself, it was truly a valuable relationship-building exercise.

New Retail Promotion & Presentation Kit

Innovative new counter and store equipment will enhance and maximize sales performance



THE PIECES

As the suite of PPOS was designed, Camelot knew they needed three things. First was flexibility, because there can't be a one-size-fits-all solution. Second was the need to be integrated, so every piece of equipment looks like it came from the same family. And finally, it needed to be modular – going beyond flexibility to ensure that no matter what size and footprint was selected by each retailer, they still maintain the modern look and feel. Nothing is lost in design as the units are reconfigured.

The new INTRALOT terminals are the technology center; compact units that contain both the terminal and printer, with the media screen built into the terminal on the customer side. The instant ticket dispensers can be configured as small as 3x3 bins or as large as 8x8 bins. The “standard” size is a 28-bin unit. But regardless of the size, it still looks like an integrated unit and clearly presents any number of tickets. The blue and yellow color scheme was chosen for its visual impact, while

maintaining the colors in the Lottery's logo. “We call it the ‘maximum sales driver,’ affectionately known as the ‘maximizer,’” said Hadden.

Jackpot communicators are attached to the maximizers, either at the top if height isn't a concern, or along the side. The playslip stand, which includes an integrated ticket checker, can be either counter-based or a free-standing unit.

Everything is designed to be low profile, so clerks have line of sight with customers – something very important to many retailers. “They don't like to be buried behind a mountain of jackpot screens, media screens and plastic boxes. We really worked hard to make the most of that space and to give the retailer flexibility.”

Interestingly, the jackpot signs are designed to max out at \$999 million. Three years ago, lotteries were scrambling to deal with billion-dollar jackpots on signage, but sticking to millions on the new signs is a deliberate decision. “The consensus among our retailers here is that \$999 million is more

impactful, more impressive than \$1.3 billion,” explained Hadden. That's what the retailers wanted, so that's what they will get.

All of the new PPOS items are of course designed to have the most positive impact on the retailers themselves. “We are very conscious that our equipment sits in someone else's shop,” so it was important to make retailers happy, to give them something they will be proud to have in their stores. That said, by providing this modern look and feel, the additional goal is that store customers will pay attention to the eye-catching, consistent and inviting designs. “We hope that it will also attract players – that our core players will be pleasantly surprised, and for our light and lapsed players, it will give them an opportunity to reconsider what lottery is all about.”

BUILDING RELATIONSHIPS

In addition to the development of fresh new PPOS materials, Camelot has also been working hard with its



lottery sales staff to change the way they interact with their retail partners. Rather than focus on simply taking orders, pack activation and pack returns, there is a new emphasis on working with the retailer on a consultative basis, to develop strategies and plans to help them grow sales. “We want them to be trusted growth partners” instead of just sales reps.

Part of that is using data effectively to easily compare one retailer to others that sell lottery in the nearby area. For example, if one retailer’s sales are just 50 percent of the average in the area, that’s an important piece of information that can be used to help that retailer do things to improve sales. “We are encouraging our LSRs to have those selling conversations with retailers, which hasn’t traditionally been done,” said Hadden. “You can never get perfection, but we feel it’s important to change the dialogue.”

Camelot is also working closely with some of its biggest corporate accounts, which historically have been vending-only lottery retailers. With a presentation called the “Power of Lottery” as part of its sell-in package, the company can show these big chains, in a very concise manner, two key points.

First, why lottery is important to retailers – what it actually does for

their bottom line. After all, it’s more than just selling lottery tickets; lottery brings more people into the stores. And second, how important lottery positioning is in-store. It’s no small feat to overcome questions about space and labor issues, but it can sometimes be done. “It is easy to forget the basics of why lottery is important for retailers. Although it took time, we’ve been very successful in persuading a couple of our larger chains that actually placing lottery on the counter was a good idea.” He’s excited about adding counter sales to previously vending-only locations.

Camelot jump-started its relationship building with a very successful MLB promotion last summer involving both the Chicago White Sox and the Chicago Cubs. Both consumers and retailers benefitted from the promotion, which provided a VIP experience for the grand prize winners and an afternoon at the ballpark for the most successful retailers. “It was a great day for everyone, and great for building those relationships.”

NEXT STEPS

Completing the retail transformation with technology and PPOS is, of course, just the first major step in Camelot’s Illinois journey. Once provided with the

equipment, retailers still need to follow through, and Camelot has in mind ways they can consistently implement the “perfect store.” “We know that well presented, well positioned and planogram-compliant execution is what is key to consistently selling and consistently growing sales,” said Hadden. A work in progress at this writing was developing the right incentive programs to encourage that proper behavior and execution, not just sales.

For larger chains in particular, Camelot is exploring how other consumer products companies partner with and incentivize those big accounts, and looking at ways to work with and provide content for those chains’ own loyalty schemes. “We are working on quite sophisticated CPG-like engagement with these retailers so they can make the most of the lottery category.”

Camelot has also undertaken a thorough geo-mapping exercise to examine retail potential throughout Illinois, helping to ensure that regions and trade styles are properly served, while identifying areas that are underserved. Surprisingly, they discovered that lottery was underserved in the Chicago area; not so surprisingly, grocery trade styles are also underserved.

As a result, Camelot has been in discussions with two or three big chains, and is also looking how to appropriately push recruitment in underserved areas. “We’ve taken a scientific approach to it, which should, we believe, lead to a more qualitative growth in retailers, rather than just a volume-driven gain.”

With the launch of a new website and app expected in February, Camelot is moving forward on the digital front as well. “Evidence shows that if we have a good digital offering, it brings in the tide of all boats,” emphasized Hadden. “Market after market after market has shown that retail doesn’t suffer. There are smart ways that you can make the digital channel work with retail, and retail work with digital. The real power is in how those two work together, rather than how they work apart. We see them as complementary.”

All in all, it’s an exciting new day in Illinois. “Our job here in many ways has just begun, but we’ve made a good start.” ■

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