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# ARE RETAILERS NOW DRIVING LOTTERY MODERNIZATION? IF SO, WHAT CAN WE DO TO BE IN A BETTER POSITION OF PARTNERSHIP IN THE FUTURE?

**PGRI INTRODUCTION:** With more than 30 years in the lottery industry at three different lotteries, Mike Purcell’s perspective is informed by a wide variety of management experience and problem-solving challenges. But it is lottery sales where Mike has become the “go to” person in the industry and where vendors and lotteries alike can learn from his experiences.

Today, Mike is SVP of Sales and Marketing for the Kentucky Lottery. But his collective experiences, starting at the Virginia Lottery in 1988 and then Deputy Secretary of Sales at the Florida Lottery, have formed his views of where the lottery has been and where it is going.

Following is an edited transcript of the presentation by Mike Purcell at PGRI Lottery Expo in Miami in March, 2020.

**H**ave lotteries lost their edge? I raise this question because I look at how retail is modernizing at such a fast pace. Then I look at our apparent inability to keep up and to make those changes quickly. We need to look at few issues:

Why does that happen?

Our sales are better than ever but what should sales be? What opportunities are we really missing?

How much of the future have we already missed?

What products and games are going to die as a result of our inability to keep up?

How much of our footprint in the store are we going to lose because of our inflexibility?

What else are we going to lose because of our inflexibility?

Over the years, retailers have improved their operations. In 1964, convenience stores introduced self-service fueling and upgraded to pay-at-the-pump in 1982. Some 7-Eleven stores now have cashier-less shopping. You walk in, put your groceries in a bag, walk out without stopping at the counter, and get charged automatically for your merchandise.

But what has lottery changed significantly in the past 15 years? Scratch tickets are still primarily sold from plastic dispensers, credit cards can’t be used for transactions, lottery accounting can still be cumbersome.

The experience in supermarkets, another key lottery sales location, is not much better. After shopping, customers stand in line to pay and then stand in line again to buy our product. Making the buying process easier is critical – according to Supermarket News, 87% of supermarket customers prefer to shop

in-store. So, despite mobile apps and other technological advancements, the consumer still wants to shop in the stores.

I look at the Walmart near my house in Kentucky and there are 30 checkout lanes, and only eight use a cashier. They have two vending machines which feature great technology, but lottery doesn’t truly integrate with how they do things. We’ve been discussing in-lane for many years, and some lotteries are beginning to try different options, but this is certainly a missed opportunity at this important retail location.

Another issue I see is the sheer speed of retail operations. C-stores, for example, ideally want customers in and out of the stores in two minutes (currently the customer average is just over three minutes). But the lottery industry is one factor in keeping retailers from reaching that goal, as we’ve moved from a few lottery games offered at retail to more than 80 facings in some stores.

I should reiterate that we’ve done many, many things right. Some might argue that our record sales are proof that we continue on the right track and should be cautious about changing course.

But perhaps we should give a second look at doing things like offering draw games add-ons in an attempt to revive a struggling product. Perhaps we should be partnering with our retailers to understand their five-, ten- and 20-year technology needs and plans.

Yes, we have record sales. But are we doing enough?

Moving forward, I see several areas where we can make ourselves more relevant as retailers continue their modernization and technological advancement. Number one – brick and mortar is not going away so we must continue our support of that critical sales avenue. Number two is that app-based ordering is going to continue to expand and lotteries must be a part of this trend.

For retailers, it is important that we understand their different needs. What is important to C-stores isn't necessarily important to supermarkets. If we're treating them all the same, we're missing opportunities to truly help improve lottery operations

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(issued by the WLA SRMC to facilitate the execution of WLA-SCS certification assessments in times of crisis). With such measures we aim to provide WLA members a 360-degree view of what is happening now and what we can learn from it to better prepare for the future.

### **Has the impact of the global pandemic been profound enough to cause a re-imagining of the fundamental mission and purpose of the WLA?**

**L. ESPOSITO:** Absolutely not. If anything, the impact of the global pandemic has confirmed our purpose as a global trade organization of state lotteries and has given added meaning our mission of advancing the interests of our members around the globe. We will always be there for our members, especially in times of crisis. We will remain close to our members throughout this ordeal and for as long as we exist as an association.

I was impressed to see how our member lotteries endeavored to support their beneficiaries despite the lockdown-imposed austerity that they endured. In some cases, participant lotteries additionally donated revenue to help fight the coronavirus and to help protect the most vulnerable during the crisis. Lottery staff also provided valuable community outreach services, as in the case of FDJ employees who donated over 1,400 leave days – the equivalent of EUR 300,000 – in support of medical staff and persons of need afflicted by the crisis.

Likewise, the Hong Kong Jockey Club (HKJC) set up an HKD 100 million emergency fund during the COVID-19 pandemic and donated 100,000 mobile Internet data cards to underprivileged students who may not have Internet access at home.

and, ultimately, sales.

Technological integration is critical. Last year, millennials placed 622 million app-based orders for delivery. Wouldn't we like to be a part of that trend? In Kentucky, we have seen a direct link between our digital media activity and visits to retail. In fact, in 2019, we found that our digital media spend during the first six months drove 1.8 million visits to Kentucky retailer. Needless to say, this digital activity will only continue to grow.

So how will these retail changes impact the long-term plans of lotteries? This question can only be properly answered if lotteries and retailers are working together towards the

La Marocaine des Jeux et des Sports (MDJS) also allocated MAD 100 million to a special fund established to support the costs of upgrading medical devices and to help support the national economy weather the impact of the crisis.

And in the UK, the National Lottery directed around GBP 600 million toward charities and organizations to help alleviate the impact of the pandemic.

These and other efforts by our members show the true spirit of the world lottery community, and give credence to the mission of the WLA.

### **It must be hard to plan for a future that is so uncertain. How do you do that when we do not know how external circumstances and conditions will evolve? Without knowing when the pandemic will be eradicated, how can we know when in-person educational seminars, conferences, and trade-shows will resume? And will they resume in a fashion similar to what they were pre-COVID-19?**

**L. ESPOSITO:** The future, in any case, is uncertain. It is important that we remain proactive as an association and not sit passively by while the situation unfolds. As I mentioned previously, we currently have a solution for the seminars. Webinars will play a vital role in the WLA's educational program throughout the pandemic and will remain an essential educational tool post pandemic. More challenging will be the WLA's flagship event the World Lottery Summit (WLS), which is slated to be held in Vancouver, Canada in October 2022. But that is still two years down the road and I am optimistic that the coronavirus will be brought under control by then.

same goals. And that means communicating with each other. We can't do everything at once. Neither lotteries nor our vendors have unlimited resources. The answer is to prioritize our activities and projects and start working on those projects that will have the greatest impact.

I'll end where I started – have lotteries lost their edge? We are certainly behind in implementing technology to match what is taking place in retail. But with open communication between lotteries, retailers and vendors, we can develop plans that are based on the needs of all us as we work towards our common goals. ■

Besides, working together with our friends at NASPL and BCLC, I am certain the we will, in any case, find a solution for WLS 2022 that will indeed make it an historical and memorable event.

### **In what ways will the methods of operation, services provided by WLA, be more permanently changed or impacted by the current crisis?**

**L. ESPOSITO:** I believe that the pandemic crisis has taught us a few lasting lessons. I think state lotteries around the globe have come to see online gaming as an essential tool for business continuity in the face of a pandemic lockdown. It is clear from our research that lotteries and sports betting operators that have robust online gaming platforms in place, were better able to weather the pandemic than those that do not. I believe that the WLA can play a vital role in promoting online gaming throughout the industry. The WLA and the whole world lottery community must do all that they can to help convince regulators in countries with online-gaming restrictions that online gaming is mission critical for lotteries in their quest to raise fund for good causes.

We also need to continue collecting and analyzing data on how the pandemic has affected the industry in order to prepare for the future. We need to continue finding out what some of our members have done to endure the crisis in order to learn what worked and what didn't. And we need to work closely with our associate members to find out, from a supplier's perspective, what can be done to withstand another lockdown should one occur in the near future. ■