

# Turning LVMs

# Into MVPs

# Part 3



## Introducing new analytics tools to support vending optimization – plus, the case for cashless.

### In Case You Missed It

**Part 1** in this series explores how data and analysis from IGT’s national Retail Market Insights™ (RMI) database can be applied to drive LVM optimization, and how the company’s new Lottery Data Cloud brings more dimension to data for use by lotteries and retailers. (PGRI May/June 2024)

**Part 2** dives into optimizing the instant product and portfolio mix with space-to-sales analysis, approaches to keeping LVMs full and available, and Walmart’s end-to-end efforts to reduce out-of-stocks. (PGRI July/Aug 2024)

Lottery vending machine (LVM) optimization is a powerful strategy lotteries can use right now to increase player convenience and ensure the most appealing products are available, ultimately driving engagement and play.

Parts 1 and 2 in this series explored a gamut of tools and approaches to help lotteries make the most of their LVM networks. As revealed in the following pages, there’s even more happening now in the realm of analytics.

“By leveraging IGT’s Lottery Data Cloud, our internal, cloud-based, advanced analytics platform, and augmenting that with the skill of our data scientists and analysts, we have developed some new-to-the-industry tools and services specifically to support LVM optimization,” says Paul Riley, IGT Vice President Retail Innovation and Partnerships. “We’re excited to share a look at what’s available and what’s on the horizon for use by lotteries and retailers.”

### Price Point Index: “National Report Card”

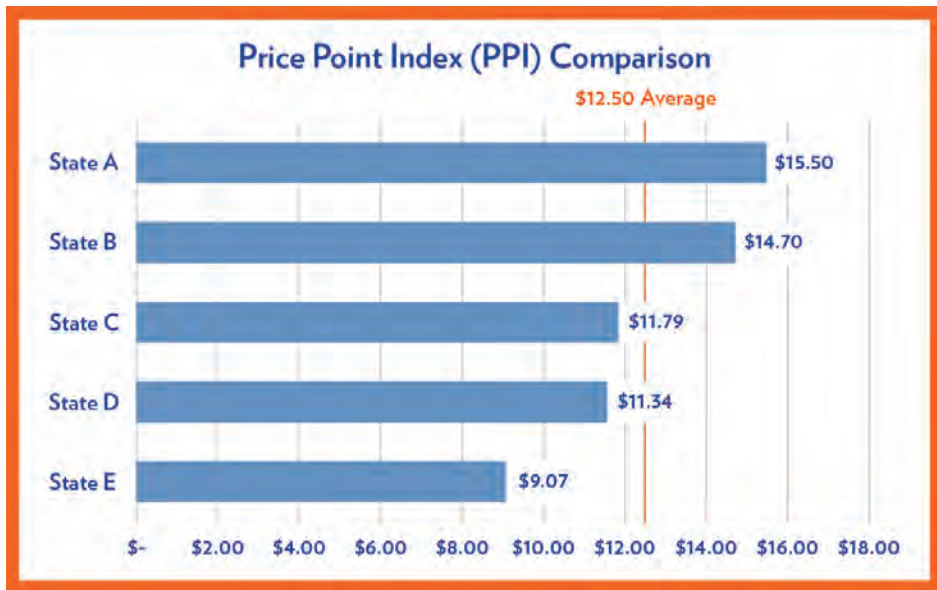
IGT’s Price Point Index (PPI) can be thought of as a report card on how LVMs are stocked by price point. It aims to

provide a national price-point average that lotteries and retailers can use for benchmarking.

The Index originated when one U.S. lottery that is a leader in LVM penetration reached out to IGT seeking further ways to optimize its execution. In response, IGT analysts looked for a new key performance indicator (KPI), effectively “another way to measure how vending machines are managed — beyond sales and out-of-stocks — to help lotteries determine if they’re stocking the right price points,” explains Tim Kriger, IGT Manager, Data Analysis.

Within a jurisdiction, analysts produce a “snapshot” of the price points stocked in each bin on IGT self-service equipment at a given moment in time — based on data sourced directly from the site — to calculate the average price point per bin (empty bins are excluded).

This calculation differs from space-to-sales, which typically looks at what percentage of sales are coming from the corresponding percentage of facings. “It’s another way to look at the picture, and it can complement space-to-sales analysis,” says Kriger. “The Index can also be useful when a lottery doesn’t have all



In this example of IGT’s new Price Point Index, States A and B are performing above the \$12.50 average found among five peer states.

the data needed for typical space-to-sales analysis.”

A composite Index based on IGT LVM lotteries will provide a national price-point average, updated periodically, which jurisdictions can then benchmark against. Based on an individual lottery’s needs, users can analyze the Index in various ways, including by retailer style, retail chain, or even by a particular area of a state. IGT analysts are now incorporating further chain-specific data and peer-state comparisons in preparation to share the Index with the industry.

“Because each jurisdiction has its own unique planogram, with some price point differences, the tool can filter to include only the relevant price points for the jurisdiction being analyzed,” explains Kriger. In addition, the PPI can be calculated for different bin capacity LVMs to “normalize” the index and provide more actionable data.

“Lotteries routinely look at KPIs such as sales, penetration, out of stocks, and new game activations,” notes Riley. “The Price Point Index has the potential to be another very useful KPI by identifying variations within top chains or trade styles, which can be used to address underperformance and refocus on optimized planograms.” For example, in two jurisdictions with similar price point offerings and similar LVMs, the jurisdiction with the higher PPI will be outperforming its peer — which can trigger analysis as to why.

### Market Basket Analysis: “What Games Are Purchased Together at an LVM?”

IGT’s Market Basket Analysis tool uses session purchase data from individual LVMs to enable another entirely new type of data query on LVM performance: What games are purchased together at a machine?

This session data, processed through IGT’s Lottery Data Cloud, enables a wide

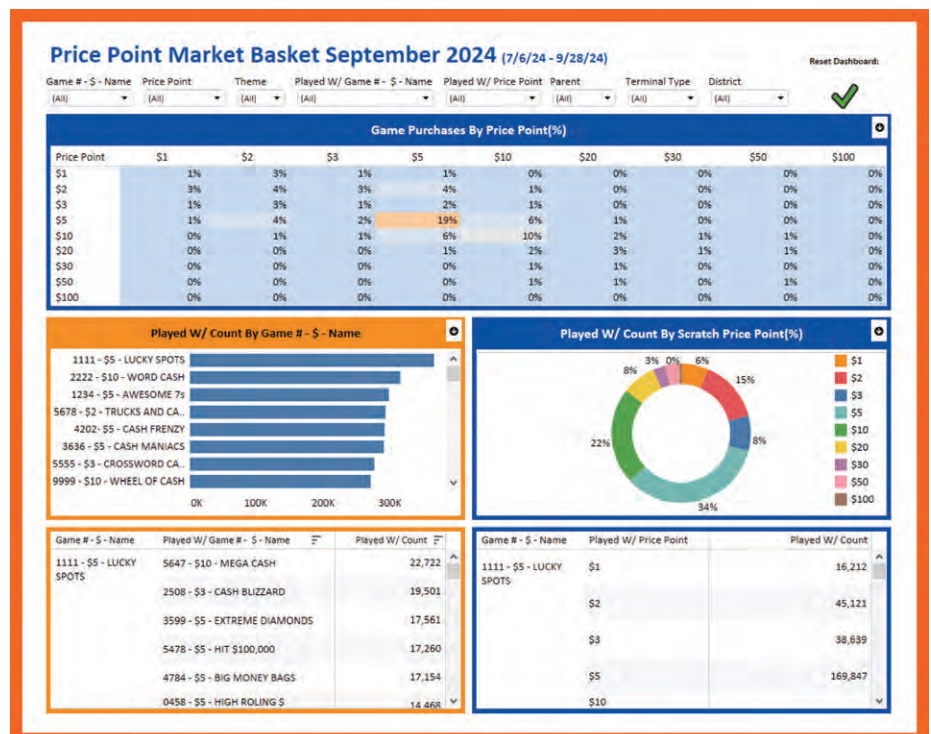
array of data queries on its own — and when fed into IGT’s newly developed Market Basket Analysis dashboard (see figure), it allows users such as lottery instant product managers and sales reps to easily see what games are purchased with other games within the same session at a given LVM — as well as sales by price point, by quantity, by retailer, and more.

The dashboard allows users to look at individual games and determine which is most popular; to look at all the different games that are bought with a particular price point; or to look at the data by theme or by specific family of games, leading to all-new insights on player behavior and preferences.

To offer a hypothetical example: A month’s Market Basket data might reveal that \$5 games are most often bought with other \$5 games across the LVMs in a jurisdiction; and that when one especially popular \$5 game was purchased, 54% of the time the player bought another \$5 game. The dashboard also reveals those other game titles.

The user can query what other price points are bought with a particular game and price point, and more. There is an option to filter results by specific terminal types as well.

By understanding these types of purchase patterns, a jurisdiction can identify cross-promotional opportunities: For instance, if



patterns indicate that consumers purchase additional draw products with \$5 scratch, a lottery can run a promo that offers a specific draw game product with the purchase of a \$5 scratch ticket. IGT is also looking to leverage these correlations between purchases to support the ability to generate next-best offer (NBO) recommendations on LVMs right at the point of purchase. This unique Market Basket Analysis tool is available to U.S. sites with connected IGT machines.

## Daily Out-of-Stock National Reports: Getting Actionable LVM Information to Retail Locations Faster

Data on LVM performance has long been available to lottery back-office employees, but it's the employees at individual retailer locations who can best take immediate action to ensure the LVMs are full and available.

The newest process to address out of stocks (OOS) leverages IGT's ability to deliver real-time data from the company's self-service equipment.

The automated Daily Out-of-Stock National Report is facilitated by and being piloted on IGT's Lottery Data Cloud, which captures the number of out-of-stock bins at each national retailer's location within a participating state. The report is designed in such a way that national retailers can share the OOS information immediately with managers at the individual store locations, enabling each location to take action and address any out of stocks.

The Daily Out-of-Stock National Report is already being used by 22 national and local retail chains in North Carolina, covering about 86% of the LVMs in the state. The Report logs information by each store's number, enabling retailers' staff to quickly convert it into an email and get the information directly out to the locations each morning.

"When it comes to out of stocks, immediacy counts," notes Steve Desautels, IGT Director Sales & Marketing Execution, who led the report's development along with Craig Hall, IGT Senior Manager Software Engineering and Data Strategy. "With the Report drawing on the remaining machine inventory, it's a real-time snapshot – retailers

Retailer No.	Retailer Name	Store No.	Terminal No.	Address	City	No. Bins OOS	In Stock %
915002	XYZ GROCERY #91	91	9150029	Retailer Address	Greensboro	8	71%
915036	XYZ GROCERY #104	104	9150369	Retailer Address	Morrisville	6	79%
915067	XYZ GROCERY #178	178	9150679	Retailer Address	Salisbury	6	79%
915129	XYZ GROCERY #353	353	9151299	Retailer Address	Wake Forest	6	79%
915143	XYZ GROCERY #395	395	9151439	Retailer Address	Wake Forest	6	79%
915031	XYZ GROCERY #90	90	9150319	Retailer Address	Raleigh	5	82%
915049	XYZ GROCERY #138	138	9150499	Retailer Address	Cary	5	82%
915084	XYZ GROCERY #223	223	9150849	Retailer Address	Chapel Hill	5	82%
915131	XYZ GROCERY #212	212	9151319	Retailer Address	Carthage	5	82%
915161	XYZ GROCERY #003	3	9151619	Retailer Address	Charlotte	5	82%
915003	XYZ GROCERY #158	158	9150038	Retailer Address	Wilmington	4	86%
915015	XYZ GROCERY #57	57	9150159	Retailer Address	Winston Salem	4	86%
915046	XYZ GROCERY #129	129	9150469	Retailer Address	Indian Trail	4	86%
915066	XYZ GROCERY #175	175	9150669	Retailer Address	Kill Devil Hills	4	86%
915075	XYZ GROCERY #202	202	9150759	Retailer Address	Concord	4	86%
915101	XYZ GROCERY #274	274	9151019	Retailer Address	Mooreville	4	86%
915108	XYZ GROCERY #306	306	9151089	Retailer Address	Greensboro	4	86%
915125	XYZ GROCERY #422	422	9151259	Retailer Address	Raleigh	4	86%
915126	XYZ GROCERY #441	441	9151269	Retailer Address	Wilmington	4	86%
915135	XYZ GROCERY #472	472	9151359	Retailer Address	Charlotte	4	86%
915153	XYZ GROCERY #92	92	9151539	Retailer Address	Harrisburg	4	86%
915010	XYZ GROCERY #76	76	9150109	Retailer Address	Raleigh	3	89%
915012	XYZ GROCERY #29	29	9150129	Retailer Address	Absardeen	3	89%
915027	XYZ GROCERY #68	68	9150279	Retailer Address	Concord	3	89%
915062	XYZ GROCERY #171	171	9150629	Retailer Address	Charlotte	3	89%
915065	XYZ GROCERY #174	174	9150659	Retailer Address	Charlotte	3	89%
915079	XYZ GROCERY #210	210	9150799	Retailer Address	Wilmington	3	89%
915119	XYZ GROCERY #345	345	9151199	Retailer Address	Burlington	3	89%
915134	XYZ GROCERY #471	471	9151349	Retailer Address	Davidson	3	89%
915138	XYZ GROCERY #393	393	9151389	Retailer Address	Fayetteville	3	89%
915144	XYZ GROCERY #366	366	9151449	Retailer Address	Charlotte	3	89%
915005	XYZ GROCERY #257	257	9150059	Retailer Address	Cary	2	93%
915007	XYZ GROCERY #11	11	9150079	Retailer Address	Charlotte	2	93%
915009	XYZ GROCERY #25	25	9150099	Retailer Address	Fayetteville	2	93%
915026	XYZ GROCERY #66	66	9150269	Retailer Address	Charlotte	2	93%
915044	XYZ GROCERY #122	122	9150449	Retailer Address	Charlotte	2	93%
915045	XYZ GROCERY #127	127	9150459	Retailer Address	Winston Salem	2	93%
915077	XYZ GROCERY #208	208	9150779	Retailer Address	Charlotte	2	93%

IGT's Daily Out-of-Stock National Report informs each participating chain retailer of the number of bins out of stock at their individual retail sites each weekday morning, so they can quickly be addressed. In the anonymized example shown here, IGT added the right-hand column displaying the in-stock percentage to emphasize the retailer's positive goal of being 97% or higher in-stock.

can see the true out-of-stock status of the machines, share that information, and take action. It's a huge step forward that other retailers and lotteries can now take advantage of — and yet another reason for a lottery to be in cloud.

"For years, retailers have had access to historical out-of-stock data and lost-sales estimates, but this new Report helps them to prevent lost sales in the first place," adds Desautels. "Lottery category managers at the national level, who might be responsible for 2,000 or 3,000 stores, can't get insight on every location. Until now, there's been no way to do that — especially given that each jurisdiction has its own calculation for what it considers 'out of stock' to mean, and both chain retailers and lotteries have their own preferences for how data is formatted and reported."

By simply focusing on "Is that bin empty right now?", the matter becomes a simple yes or no question, and the Report allows retail locations to fill those bins and be ready for the day's business.

"Our group within IGT is dedicated to forging partnerships with retailers and lotteries to help identify opportunities that will increase operational efficiencies at both the national and store level," says Gina Easley, IGT Senior Manager National Retail Accounts. To that end, IGT's Daily Out-of-Stock National Report provides consistent formatting across jurisdictions for ease of use by executives such as lottery category managers.

IGT has been tracking the Report's effectiveness in addressing out of stocks and improving sales following implementation in North Carolina. The trend data from recent months shows that the retailers sending the report out to the locations daily — and using the information to change behaviors — are seeing decreases in the number of out of stocks each day, which should help increase sales while improving consumer satisfaction.

## Cashless Payment

No discussion of LVMs would be complete without a consideration of cashless payment, which, where permitted, is another important aspect of optimization because it provides consumers with the convenience they expect. A cash usage survey in September 2024 conducted by IGT with more than 2,000 adults residing in the U.S. found that 45% of consumers in the study carry less than \$20 cash when shopping and 28% of the total sample carry no cash at all — a lost opportunity for any sale where cashless is not an option.

But the benefits of cashless go beyond consumer payment choice. LVM cashless functionality also allows a lottery salesforce to obtain more data that they can use to make better business decisions related to product offerings, promotional opportunities, and more.

IGT's Connected Play solution, which allows a player to pay for their lottery purchases with their lottery eWallet,





supports cashless payment with the additional benefit of also associating a player's unique identity with LVM transactions.

For national chain accounts, cashless functionality is important from a relationship standpoint, showing a retailer that the Lottery values the relationship. Beyond optimizing convenience for players who shop with the retailer, it helps to bridge the gap in some jurisdictions that don't offer a vending-only model as another way to sell lottery.

becoming abundantly clear that lotteries that offer a cashless option on their LVMs are capturing more impromptu sales. Because, more often than not, core players are taking the extra time to get cash back or preemptively carrying cash for purchases. But new or occasional players who want to try a game could be limited by not having cash on hand and pass by the opportunity."

Implementation of cashless LVMs will look different in each jurisdiction. IGT's lottery vending machines support all major card

"Every retail report, every consumer payments report, points to the expansion of cashless payments," says Paul Riley. "Adoption is increasing, and while not all lotteries can offer cashless, more options are available to those that can." Adds Tony Kirkland, IGT Director of U.S. Strategic Retail Sales Development, "It's

brands for payment using Swipe, Chip and Tap. And Tap payment methods can be by card and mobile/eWallet.

Cashless transactions also open the door to additional analysis and investigation: for example, learning whether cashless transactions correlate to the purchase of higher-price-point scratchers.

LVM optimization helps retailers sell lottery, helps players access the games they enjoy, and helps lotteries make more of the investments they've made in equipment.

In addition to the tools and approaches covered in this three-part series, IGT's specialized teams can also support customers with in-store placement, retailer and salesforce training, promotional strategies, and post-execution monitoring.

*To learn more about how IGT teams and tools can help you derive more business value from lottery self-service networks, contact your IGT representative.*



## Translating Data into Actionable Insights

Dana Bennett is IGT's Director of Market Analysis, North America Sales Development. His career spans more than two decades in data management and analysis, including long tenures with retailers including Staples and CVS.

In 2021, he joined IGT, where, together with Tim Kriger, he directs retail performance analytics and the Retail Market Insights™ (RMI) industry database, ensuring data quality and conducting analyses to support lottery and retailer business decisions.

"My whole career has been in data analysis," says Bennett. "Having been exposed to data analytics in my undergraduate classwork, I found the topic interesting enough to know I wanted a career in it — long before any schools created degrees called "data analytics," or anyone had coined the terms Data Science and Big Data." He became one of the first to enroll in and complete a new Master of Science in Business Economics program at Bentley College, a precursor to current data analytics degree programs.

Bennett's work is focused on finding sales opportunities through the analysis of retailer chains. He has led significant projects such as developing retail-related decision-making models for IGT lottery customers and developing analytics solutions for specific needs, such as retailer prospecting. He also works directly with customers to train on RMI and other software.

"We're always doing more behind-the-scenes," he says, having recently delivered a significant enhancement to the RMI tool based on feedback from one user-group that called for a new set of filters on the monthly reports. Whether related to lottery or retailer needs, he's focused on, "What can we make better for the end user? And what can we do better on our end?"



**Dana Bennett**  
IGT Director of Market Analysis,  
North America Sales Development

Tim Kriger, Senior Data Analytics Manager, directs IGT's proprietary RMI database and tool with Dana Bennett, and leads analyses based on retailer data regarding games, game penetration, retailer density, retail optimization, and more.

Kriger is a seasoned expert with over two decades of experience in technology and advanced data analytics. In a former role with multinational tech company EMC, he worked with all facets of customer data and analytics. Following EMC's acquisition by Dell, he continued to expand his expertise into customer-experience and voice-of-the-customer data and analytics.

In 2019, Tim joined IGT as the RMI product owner. Since then, he has successfully expanded the program while introducing innovative tools such as the Consolidated Chain Reports and Vending Analytics.

Tim is also dedicated to empowering lotteries and internal teams by providing training on the use of RMI dashboards and data sets, ensuring that all stakeholders can leverage the full potential of the available data.



**Tim Kriger**  
IGT Senior Data Analytics Manager