Case Study

Addressing Sales Impacts

Strategies for Minimizing Out-of-Stock
at Lottery Vending Machines

IGT™

Key Takeaways

- Out-of-Stock percentage (OOS%) is a metric calculated based on the percentage of bins in lottery vending machines (LVM) that have run out of tickets.

- By tracking OOS%, lotteries can create plans for high-risk LVMs and limit lost sales due to empty bins.

- Through sales reporting, sales rep tactics, and retailer engagement, both Northstar New Jersey (NSNJ) and IGT Indiana have significantly improved key metrics and sales across the lottery vending segment.

- Although some of the metrics utilized by the different jurisdictions vary, the results are clear: If lotteries can keep their OOS% low, it has a direct, positive impact on sales.

By The Numbers

3.1%	**$250k**	**$150M**
OOS% across NJ Walmart stores in December 2023 ⭐	NSNJ per-week sales gained across LVMs in FY23 due to improved OOS%	Hoosier Lottery LVM sales growth from FY14-FY23

Overview

When a player approaches a lottery vending machine, there's a certain level of disappointment they may feel if the words **"OUT OF STOCK"** are covering their favorite game. Disappointment for the player might equate to a lost sale for the lottery. Over time, repeated occurrences could negatively influence a player's perception of the retailer and the lottery, possibly resulting in player disengagement.

In this study, we dive into two jurisdictions where lotteries have spent years perfecting the art of keeping LVM bins full, resulting in continued player engagement and sales growth.
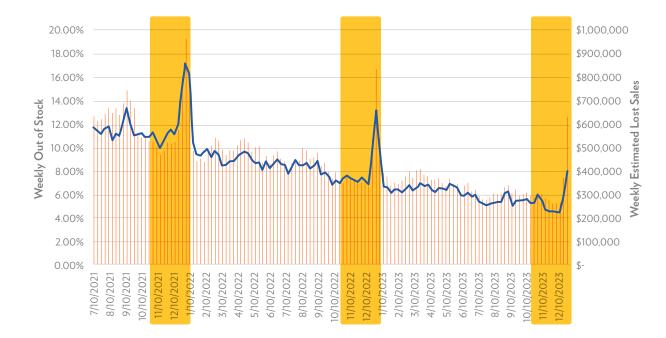
For IGT's newest LVM offerings, there is a constant stream of data being sent from the machine back to a lottery's central system, which includes near-real-time sales and bin data. This information is seamlessly integrated with IGT's insights and data tools, where lottery sales teams can review, interpret, and optimize their self-service vending strategy.

Northstar New Jersey's Approach

Northstar New Jersey (NSNJ), which provides marketing and sales support to the New Jersey Lottery, began tracking OOS% in 2021. Since then, there has been a dramatic improvement in keeping its LVM bins stocked, due to a number of factors. With this near-real-time data from its LVMs, NSNJ can directly obtain up-to-the-minute OOS% and estimated sales losses based on OOS tickets in bins across the state.

Between July 2021 and the end of 2023, this graph shows a consistent improvement in OOS%. The noteworthy areas marked in yellow indicate each year's holiday season, which provides its own difficulties keeping bins full due to higher instant ticket demand.

However, NSNJ found solutions to those challenges, and decreased OOS% in consecutive years, even during the holidays.

Holiday Challenges:

- All product sales spike, therefore, lottery may not be top of mind for retailers to refill.

- Delivery issues and order delays as shipping companies are grappling with increased retail and online orders.

- Vacations for lottery sales reps and instant ticket specialists.

- Difficulties predicting which games will see increased sales.

NSNJ Solutions:

- Sending additional inventory to retailers in early December, reducing the need for tickets to be delivered during peak holiday weeks.

- Taping multiple packs across top-selling bins, decreasing retailer personnel interventions to check bin inventory during stores' peak sales times.

- Corporate Sales Representatives utilizing reporting tools and reacting in a timely manner to ensure low inventory machines are well stocked.

The data captured in New Jersey for OOS equates to about 600 of the 2200 lottery vending machines across the state.

NSNJ has seen steady progress in improving OOS%, achieving the most significant reduction during the last week of each year. The OOS% declined from 17.4% at the end of CY21 to 13.2% for CY22 and further down to 7.9% by the end of CY23. This equated to a more than $250,000 per-week reduction in lost sales since 2021.

Outside of the holiday season, the improvement in OOS% has been steady, with non-holiday weeks seeing OOS% as low as nearly 4%.

> The tremendous sales growth we have seen in our vending machines is directly attributed to the reduction in out-of-stocks. We focused heavily on training stores to get better at operating their lottery vending machines - to keep them full, with less time and effort – the taping of packs is critical for success. Once we had our program in place – the reporting we get from IGT and its transparency into the vending operations enabled us to communicate proactively with stores to partner and drive down out-of-stocks. It has been a win-win for both the lottery and the retailer's profitability and customer satisfaction.
>
> Michael Murphy, Sr. Manager, Corporate Accounts, Northstar New Jersey

A GameTouch™ 20 in New Jersey, which reports near-real-time OOS% data.

Walmart Success

The success of NSNJ's OOS program was prominently displayed in its corporate accounts. The sales team worked with America's largest retailer to develop a Key Account Management and Communication Program in mid-2023 which included KPI daily monitoring and reporting. This program included daily reports to limit OOS, identify machine issues, and track and monitor instant ticket deliveries.

The launch of this program resulted in a significant reduction in downtime, a reduction in empty bins and OOS%, and improved handling and receipt of instant tickets.

During the holidays, there was heightened coordination between the retailer and the NSNJ team. Backstock was shipped by early December to cover the entire holiday period, which reduced delayed and lost shipments, and absolved the need for busy staff members to receive and put away orders during their busiest retail season.

There were weekly visits by Corporate Sales Representatives to all stores, with focus on zero OOS%, and keeping all LVMs stocked. There was also an incentivization plan for NSNJ sales reps based on obtaining this OOS% and sales growth.

To monitor empty bins and troubleshoot any machine issues, NSNJ set up a group text message program that facilitated direct contact with the stores and provided around-the-clock support.

Results:

The OOS% in December 2023 was 3.1%, which was down from 12.4% in 2022, yielding a 32% YoY increase for scratch-offs sales. New Jersey was the number one state in the country for average weekly sales per Walmart store in December.

A NSNJ Corporate Sales Rep optimizing inventory in a GameTouch™ 20 in Walmart.

IGT Indiana's Approach

IGT Indiana, responsible for Hoosier Lottery marketing and sales support, also identified an opportunity to boost self-service sales by addressing empty bins in LVMs. It measures success through the Full and Available percentage (F&A%) metric; where 0% is ideal for OOS, 100% is the target for F&A. To achieve this, IGT Indiana implemented a series of strategic initiatives.

Firstly, it integrated self-service revenue as a fundamental pillar across the organization, while also incentivizing the sales team based on F&A% performance. Additionally, IGT Indiana prioritized field service support for LVM repairs and developed advanced reporting tools for better insights. Leveraging network connectivity, it obtained near-real-time data on machine performance and enhanced LVM features to provide retailers with actionable inventory information. Moreover, IGT Indiana targeted high-volume retail locations for support and collaborated closely with sales reps and analytics teams to optimize LVM placement and maximize capital investment.

These efforts collectively resulted in significant improvements in self-service sales and operational efficiency for IGT Indiana and the Hoosier Lottery.
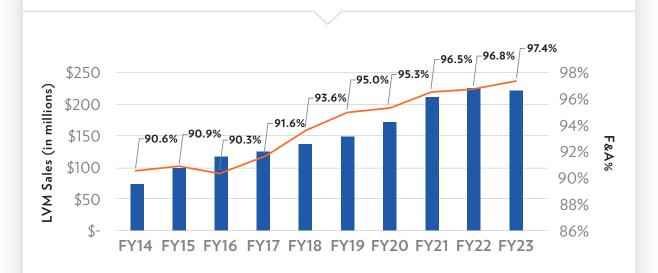
> *By offering players a more convenient and accessible way to purchase tickets, lottery vending machines have become an integral part of our retail sales program. Their ease-of-use benefits both the player and the retailer. We will continue to optimize and update our self-service equipment to ensure growth for our retail partners and beneficiaries.*
>
> Sarah M. Taylor, Executive Director, Hoosier Lottery

Results:

Since IGT Indiana began tracking self-service data in FY14, its total self-service scratch-offs sales has tripled, jumping from $74m to $222m in FY23, with self-service growing on a consistent basis every year.
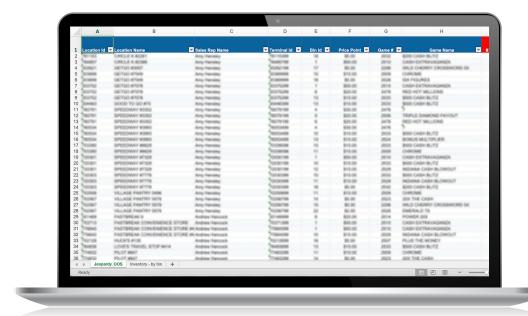
In FY16, self-service machines had an F&A% of 90.6%, which equated to more than $10m in potential sales lost to empty bins. From FY16 to FY23, the average yearly F&A% has risen to a record 97.4%.

The data captured in Indiana for F&A% equates to 100% of the 1588 lottery vending machines across the state.

Jeopardy Report

A major influence in IGT Indiana's ability to address some high-risk LVMs is through a weekly jeopardy report. This report, generated on Thursdays, provides the sales team insights as to which self-service machines are in jeopardy of running out of tickets in given bins during the upcoming weekend. This allows sales reps to proactively address high-risk bins by visiting specific machines before the end of day on Fridays and ensuring that products within those machines will last through the weekend.

What's Next:

In jurisdictions where IGT provides marketing and sales support, these implementations of self-service technology as part of our sales strategy have both optimized our efficiencies and increased sales. For larger retailers, IGT strives to integrate with their retail technology architecture as an effort to provide frictionless analytics and reminders to improve on metrics such as OOS% and F&A%.

Using analytics to create actionable reporting provides insight for the Sales Team to predict and capitalize on anticipated customer demand. This tool has been instrumental in driving our F&A% and sales to record heights.

Jeremy Sivis, Director of Sales Operations, IGT Indiana