Progress Report:
In-Lane Sales

Led by Texas and Arizona, American lotteries continue their retail in-lane rollouts and pilots, while v3.0 of the NASPL API is nearing completion.

By Patricia McQueen

There's a lot of work going on in the lottery industry under the banner of "in-lane sales," although the conversation has really morphed beyond one of the key initial goals – reaching new types of retailers for the first time. Now, it's not only about reaching those new retailers but also about creating additional points of sale that don't require a dedicated lottery terminal, wherever they may be located. Instead of just one lottery terminal in a store, for example, a single store might have a dozen or more non-lottery terminals selling lottery tickets. That's many, many thousands more points of sale than previously possible, especially in a state like Texas, one of the pioneers in this area.

Just look at H-E-B. The big Texas grocery chain has been an enthusiastic supporter of Receipt Ticket, an innovation that prints Powerball and Mega Millions tickets on plain paper through its cash registers.

The rollout began in the summer of 2020, first at service centers and now through regular checkout lanes at more than 300 stores – in total, more than 5,000 new points of sale for the Texas Lottery.

Then there's Dollar General, plus stores in the Kroger and Albertsons families, choosing the QUICKTICKET or QUICKCARD route (depending on jursidiction), also giving consumers the ability to play Powerball and Mega Millions as they proceed through the checkout lane.

The advantages of these new developments for lotteries? "We don't have to deploy additional equipment, so we're saving money, we're reaching new customers and getting incremental sales," said Ryan Mindell, Director of Lottery Operations at the Texas Lottery. Combine that with the enthusiasm shown by these retailers, and it "really is a win-win situation."

Sure, it has taken a lot of hard work to get to this point, and there's a lot more to be done,

especially with the Holy Grail of lottery waiting in the wings – finding a great in-lane solution for selling instant tickets. But the progress so far in a few states is setting the stage for a bigger and brighter lottery future for everyone concerned.

The NASPL API is the underlying engine facilitating these recent initiatives, and a new 3.0 version is expected to be released by the end of February. The NASPL API working group, chaired by Mindell and including representatives from the major vendors involved in the process, has been finalizing additions to the specification.

Key new features include formal support for QUICKTICKET/QUICKCARD products; validation of other lottery products that allows for redemption of instant tickets and other draw games besides just Powerball and Mega Millions; and other items learned from actual experiences in the market so far. Most significant among those is something as simple as printing the security number twice on each ticket to help in cases where a ticket fades or is otherwise damaged.

Redemption is important. Mindell noted that H-E-B stores in Texas now do almost all of their redemptions – for draw and instant games – through their own registers, not through a dedicated lottery terminal. It is faster and more efficient for the retailer, and while redemption is currently done primarily at the service centers, it saves valuable time to use the cash register up front instead of the lottery terminal at the back. The only tickets (within the retail cashing range) that can't be validated through the register are those which offer a free ticket as a prize.

Still Expanding in Texas

H-E-B and Dollar General are only two of Texas' success stories. The Texas Lottery gets a side benefit to the work with Dollar General – that retailer's incredibly fast expansion. At launch there

Albertsons and Safeway are the newest chains to sell QUICKCARD in Arizona.

in late 2019, Dollar General had about 1,520 stores in Texas. That number is now up to 1,700 stores. "Generally they are growing four to six new stores a month here," noted Mindell. "It's very unusual for a chain of any size to grow that many stores each year. The growth adds up to something significant."

Texas' rollout of QUICKTICKET to more than 210 Kroger stores last October is one of the exciting new developments. It utilizes the Texas Lottery's integration with Blackhawk Network. Although the product availability came in time to capture increased jackpots in both national games, jackpot signs weren't included in the initial rollout. A pilot with the signs started in January, and the Lottery expects to add jackpot signs everywhere during the coming weeks. "No matter what in-lane products you are talking about, having customer awareness is a big part of the problem to solve," said Mindell.

This spring, Texas expects to launch QUICKTICKET in about 200 Albertsons Companies stores, primarily Albertsons

> **"No matter what in-lane products you are talking about, having customer awareness is a big part of the problem to solve."**
>
> **- Ryan Mindell**

and Safeway, using the InComm Payments integration that was originally done for the Dollar General rollout.

These initial projects have uncovered issues that do need to be addressed by any lottery interested in moving forward. For example, some lotteries will require the retailer to accept split tender when lottery tickets can't be purchased with debit and/or credit cards. That's not always a challenge, though. "Most retail environments do have processes for these, because you have things that require split tender today," explained Mindell, like EBT and flexible spending cards. There also has to be an age gate, but again, most retailers are familiar with that given alcohol and tobacco products. "Lottery is like some products in some areas, and other products in other areas, so it's just a matter of making sure that we have it all lined up with the retail partner."

He has one other big piece of advice – make sure all the parties involved are talking the same language. Some of the terms used in discussion mean different things to different entities. "Sometimes we've gone down discussion paths only to realize, 'Oh wait, we're not talking about the same things.'"

Expanding Outlets in Arizona

The Arizona Lottery is another that has made a lot of progress in these areas, first introducing QUICKCARD (similar to QUICKTICKET) in September 2020 at Dollar General stores. CVS and Fry's (a Kroger brand) followed suit by the end of 2020, and Circle K stores started selling QUICKCARD in April 2021. The newest additions to the list of Arizona retailers selling the product are stores under the Albertsons Companies brand, Albertsons and Safeway, which began selling in January.

In total, more than 1,025 retail locations are now selling QUICKCARD in Arizona.

The Lottery is also testing Scientific Games' SCiQ InLane instant ticket solution, with a pilot program launched in 17 Fry's stores last August. It was a good time to introduce the product, as it included the all-important holiday season. Sales increased each week leading up to Christmas – sales that week were double the previous week, and the highest since the pilot began. Since then, sales have declined – as is typical for instant games in the post-holiday season across retail stores.

Four instant games are offered, and the selection is rotated about every 10 weeks. While the lower price points ($1 and $2) are appealing as impulse purchases, the higher price points ($5 and $10) are the better-selling games. Approximately 1.45 tickets are sold per transaction, and customers appear to be comfortable adding the games to their basket at checkout.

Learning in Oklahoma

For lotteries more recently starting the process, the pandemic has had an impact beyond some underlying shifts in retail – ongoing staffing shortages affecting many businesses. The Oklahoma Lottery introduced QUICKTICKET at some 480 Dollar General stores early last summer, and has learned a great deal since then.

The fast-growing retail chain has its own way of doing things, and the QUICKTICKET implementation through an InComm integration has also meant that lotteries have to adapt. "There's definitely an opportunity for growth by presenting lottery in a non-traditional retail format, but lotteries have to be open to changing the mindset," said Mary Martha Ford, the Oklahoma Lottery's Director of Sales.

With Dollar General in particular, that means understanding the retailer's use of third-party installers to set up the stores and understanding the need for new types of retailer agreements that rely more on others than on the Lottery's own team. For example, some of the challenges that have arisen

in Oklahoma have to do with setting up QUICKTICKET displays. It may be that the Lottery needs to communicate on a more regular basis at both the corporate level and with the in-store management to achieve more consistency from store to store, but staffing shortages have certainly had an impact in getting to that point.

Regardless, it has been a great learning experience. "The addition of Dollar General has increased our total retail footprint by about 25%, and that provides a great opportunity for us to break out of traditional channels," said Ford. "In these and other potential locations, we just need to continually adapt our approach to present our products in a way that meets our brand standards. There's more than one way to sell lottery tickets!"

Eye on the Prize

The big nut yet to crack is selling instant games in-lane, and there are numerous pilot programs out there trying to come up with a good solution. While Mindell thinks the solutions currently being tested have their drawbacks, these pilots are providing valuable data about customer acceptance and sales potential, workflow and ticket flow.

For example, a Texas pilot involving H-E-B has a cashier "check out" a selection of scratch tickets in each shift, much like they take cash for their register drawer. Placed in a small in-lane dispenser, they are visible to customers and can be purchased simply by scanning their bar code. They are live, activated tickets, and remain that way until the end of the shift, when that cashier returns any unsold tickets for reconciliation, just like their cash drawer.

"Although it's been on a small basis, it is showing us the sales potential for scratch tickets in-lane," said Mindell. "It has been very robust." H-E-B has been enthusiastic about this pilot, which included 41 stores by late January; Alberstons is also interested and was up to 10 stores by the end of January.

Other lotteries are testing different ways of displaying and dispensing tickets in checkout lanes; some, like Arizona, are putting SCiQ Inlane through its paces. "My great hope is that with some of the information we are getting from these scratch ticket pilots, we can go back to the API and figure out what data needs to be addressed at the national level," explained Mindell. Once another version of the API incorporates useful information, then it's up to lotteries to handle the additional needs of their own jurisdictions – storing tickets, managing the ticket life cycle, and creating customer awareness.

One great aspect of all of these projects is that they have fundamentally changed the way these retailers view lottery. For some, they have shifted the conversation from lottery being a difficult product category to being a positive opportunity, one that can provide meaningful revenue growth. "That has definitely been true with Dollar General and H-E-B," said Mindell, and he hopes that Kroger, Albertsons and others will have the same experiences as they get further along. ■