

Retail strategies of global lotteries differ significantly

Article by Martin Oelbermann

MECN's new benchmarking report offers unique insight into the retail strategies of global lotteries

London/Munich, November 9, 2007: Lotteries are increasingly interested in benchmarking and success factors. And as the retail channel still dominates the global lottery market, retail benchmarks and success factors are the ones many eyes are foremost turning to. Key results of MECN's new lottery benchmarking study: retail strategies differ significantly and many European lottery monopolists employ a much less aggressive retail strategy than is sometimes alleged.

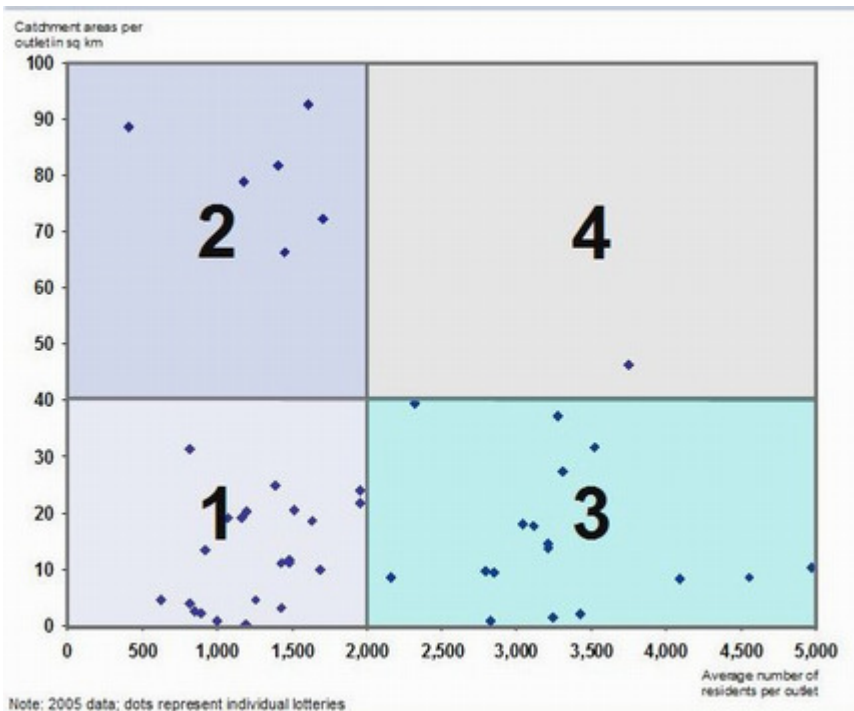
Wide variations in regard to retail density

Although the interactive channels are catching up, the retail channel is still by far the dominant sales channel for lotteries. But the retail density among the lotteries varies widely. For example, the number of residents per retail shop ranges from more than 6,000 residents per outlet to less than 500, with the overall average number of residents per outlet hovering around 2,000.

Retail strategies in comparison

In our analyses we found that lotteries pursue very different retail strategies. The best way to characterise these strategies is to compare the average number of residents per outlet and the catchment area per outlet – the result is a 4-field matrix based on the following basic strategic approaches:

Exhibit 1: Retail strategies in comparison



1. **Absorption and penetration strategy** – Lotteries whose retail outlets have only a small catchment area and also a low average number of residents per outlet, as a rule, are primarily focusing on increasing their overall sales. This aggressive absorption and penetration strategy might potentially be problematic in the eyes of some initiatives for responsible gambling.
2. **Large area strategy** – Particularly lotteries serving sparsely populated large states, such as Atlantic Lottery and Norsk Tipping, face massive challenges in defining their retail strategies. In field 2 of our matrix we find lotteries for which the low number of potential customers per outlet is not an indication of maximum absorption of buying power, but rather the consequence of a sparse settlement pattern.
3. **Pinpoint strategy** – Many lotteries want their retailers to have a potential customer base of more than 2,000 customers. So instead of increased absorption, these lotteries are betting on moderate penetration and a responsible approach to supplying customers with lottery products without stimulating excessive gambling.
4. **Conservative strategy** – Some lotteries could, according

to our analysis, even increase the number of their outlets without hurting their retailers' bottom line and without risking criticism for creating incentives for excessive gambling.

Many European lotteries employ a rather moderate retail strategy

In the recent conflicts, critics have often cited the size of the retail networks of European lotteries as an indicator of their excessive expansion strategy. According to our analysis, only few European lotteries pursue such an expansive strategy. Most of them – among them the German WestLotto and the Dutch De Lotto – instead pursue a moderate pinpoint strategy (as described in point 3).

New lottery benchmarking report

The information above is taken from MECN's latest report "Lottery Benchmarking and Success Factors" – a unique benchmarking report analysing data from more than 150 lotteries for the years 2005 and 2006. The report analyses, among other things, sales benchmarks, sales channel benchmarks, operating expenses benchmarks, and marketing benchmarks as well as success factors and best practices.

The study can be obtained at:
<http://www.lottery-benchmarking.mecn.net>