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Efficiency Review Recommendations for the Kansas Lottery

The Efficiency Review recently completed by Alvarez & Marsal recommended the Kansas Lottery be allowed to invest in and install electronic dispensers (also known as Instant Ticket Vending Machines or ITVMs), estimating it would increase the state transfer by \$6.147 million in FY 2017 and then by \$9.544 million in subsequent fiscal years.

As an industry best practices standard, 38 U.S. lotteries, including competitive neighbors Missouri, Oklahoma and Colorado, already use electronic dispensers to deliver and sell their existing lottery products.

The Kansas Lottery is frequently asked by lottery retailers if such dispensers are available in Kansas because they want a better way to track inventory and sales as well as reduce customer wait times and specifically labor costs. Lottery retailers who have locations in other states where electronic dispensers are used report their sales increased by 30% to 50% and have cut their lottery labor costs in half.

Once fully implemented, conservative estimates by the Lottery project Kansas would increase sales by \$25 to \$30 million annually, increase retailer commissions by \$1.3 to \$1.5 million annually, and increase transfers to the state by \$8 to \$10 million annually.

Implementation Plan

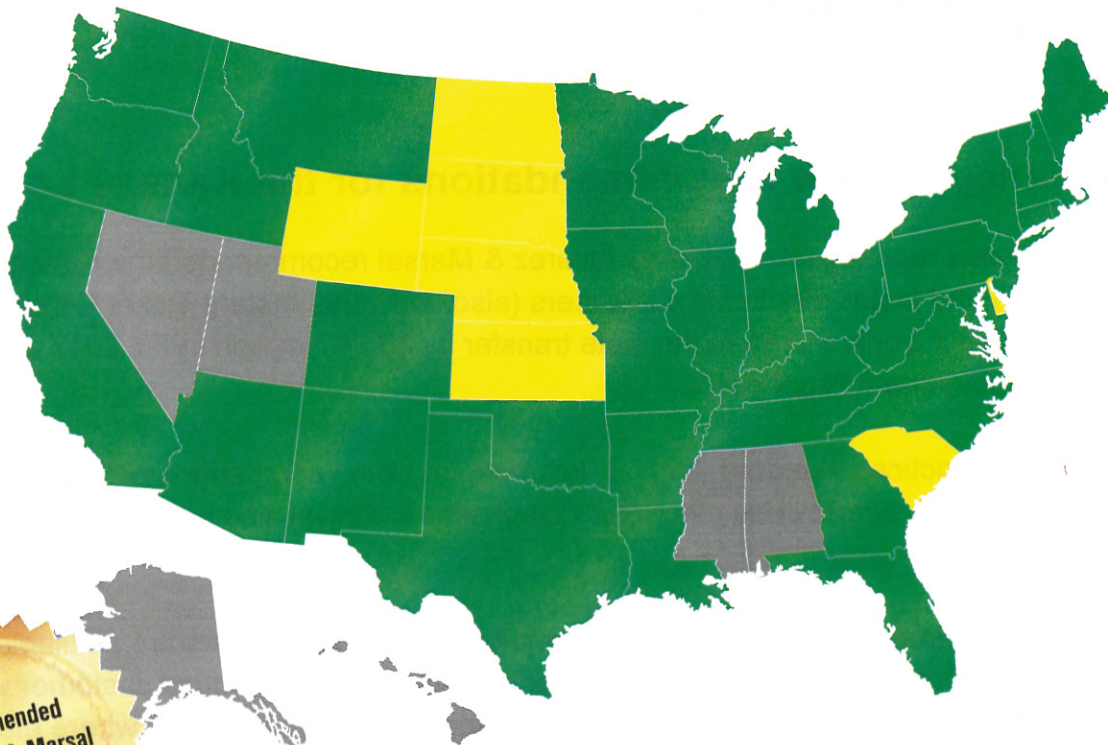
With about 1,760 lottery retailers across the state, the Lottery proposes positioning approximately 325 electronic dispensers at mainly grocery stores and convenience stores or about 18% of the lottery retailer base. The machines would be located within direct line of sight of the customer service counter so retailers could monitor the machines.

Potential Costs

- Estimated cost for new machines between \$23,000-\$25,000
- Estimated cost for refurbished machines \$4,000-\$5,000
- Implementation 4-6 months, depending on bid process
- Lottery could purchase, lease or add to existing vendor contract

KANSAS LOTTERY ELECTRONIC DISPENSERS

Electronic Dispensers are an Industry Best Practice utilized in 38 U.S. Lotteries.



Recommended
in Alvarez & Marsal
Efficiency Review

■ States with Self-Service Electronic Dispensers
■ States with No Self-Service Electronic Dispensers (DE, KS, ND, NE, SC, SD, WY)
■ Non-Lottery States (AK, AL, HI, MS, NV, UT)

STATE BENEFITS:

Estimated increase of \$30 Million in annual lottery sales
Estimated additional \$8-\$10 Million in annual transfers to the state

RETAILER BENEFITS:

Increased \$1.3 - \$1.5 million in retailer profit annually
Increased player attraction
Responsible age verification controls
Reduced lines, labor, and loss
Enhanced retailer inventory controls and accounting

PLAYER BENEFITS:

Player convenience
User-friendly and secure



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