Naspl 2000

The EDI/XML Opportunity

How to Take Costs Out of Handling Lottery Products
Introduction

- Workshop Panel Members
- Joe Seeley, New York Lottery
- Tony Molica, California Lottery
- John Eul, Business Solutions
- John Hervey, NACS
Workshop Topics

- Business Focus
- State of the Convenience Industry
- What is XML
- Recommendations
- Summary
New Business Focus

- Lottery Industry is changing
- Marketplace is changing
- Vendor community is changing
- New challenges require change
What needs to change

- Team up with our partners to improve the business
  ➔ Retailers and Vendors
- Position ourselves to take advantage of opportunities
Lottery - Incentives

- $50 to process paper based transactions (PO’s, Invoices, etc.)
- $2.50 using EDI
- $1.25 projection using Internet-base EDI/XML

Source: Steven Bell, Forrester Research April 6, 1998 InfoWorld
Business Case 1: Large Convenience Chain

- 1,200 locations in California
- 2,500 pages of statements mailed weekly
- $92+ per week mailing costs reduced to less than $1
- 24 hours of chain accounting staff time required to enter data reduced to 1 hour of processing time
- Cycle time of receiving the information on Wednesday improved to Monday morning.
Business Case 2: Large Chain

- 390 locations in California
- 1,000 pages of statements mailed weekly before EDI
- $25 + per week lottery mailing costs reduced to less than $1
- 16 + hours chain accounting staff time required to enter data reduced to 2 hours
- Cycle time of 3 days reduced to 5 minutes
Additional Benefits

- Retailers can create ad hoc reports using the EDI files without Lottery assistance.
- Chains download Lottery data into their own formats, including their specific week endings.
- Daily product activity can be provided for better field inventory and cash control.
Everyone Wins

- Win/Win proposition for the Lotteries and retail business partners.
- Framework for the future: Leverage this successful cost reduction strategy
Internet Technology Impact

- Transforming the way all industries do business
- Revolutionizing the way we exchange information
State of the Convenience Store Industry
Industry Update - Agenda

- State of the Convenience Store Industry
- NACS Technology Standards Project
- NACS EDI Lottery Foundation Model
- Lottery Opportunities
State of the Industry - The Present

- Device integration standards proposed
- EDI/XML standards are defined
- Payment system standards are defined
- Biometric ID standards are being developed
- POS back office interfaces are proposed
- UPC/RFID standards are being developed
NACS Technology Standards Project

- History/Background
- NACS Commitment
- Areas of Concentration
  - Point-of-Sale Back Office
  - Device Integration
  - Payment Systems
  - EDI
NACS EDI Efforts

- History/Background
- NACS EDI Standards Committee
- UCC & UCS Endorsement
- Accomplishments
NACS EDI Foundation Model

Lottery
NACS EDI Foundation Model

Lottery

• Transaction Sets
• Functional Profiles
• Business Examples
EDI Update

- Electronic Commerce Approaches
  - Traditional EDI
  - Web based EDI
- Focus today is on business process & transaction sets.
Lottery Transaction Sets / Functional Profiles

- Invoice (810)
- Product Activity (852)
- Price Information (879)
- Item Maintenance (888)
NACS Study

- Lottery customers spent more and visited more frequently than non-lottery customers
- Lottery customers bought a more margin rich shopping basket of goods than non-lottery customers
- Average transaction cost for handling a lottery transaction is higher than a non-lottery transaction
## Shopping Basket Info.

### Average total costs of processing

<table>
<thead>
<tr>
<th></th>
<th>Non-Lottery Customer</th>
<th>Lottery Customer(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Avg Customer Purchase</strong></td>
<td>3.46</td>
<td>6.38</td>
</tr>
<tr>
<td><strong>Avg Cost of Product</strong></td>
<td>2.59</td>
<td>5.25</td>
</tr>
<tr>
<td><strong>Avg Gross Profit per purchase</strong></td>
<td>0.87</td>
<td>1.13</td>
</tr>
<tr>
<td><strong>Gross Margin %</strong></td>
<td>25%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Low Process Costs</strong></td>
<td>0.18</td>
<td>0.28</td>
</tr>
<tr>
<td><strong>Avg Process Costs</strong></td>
<td>0.68</td>
<td>1.07</td>
</tr>
<tr>
<td><strong>High Process Costs</strong></td>
<td>1.48</td>
<td>2.73</td>
</tr>
<tr>
<td><strong>Best Experience</strong></td>
<td>0.69</td>
<td>0.85</td>
</tr>
<tr>
<td><strong>Avg Experience</strong></td>
<td>0.19</td>
<td>0.06</td>
</tr>
<tr>
<td><strong>Worst Experience</strong></td>
<td>(0.61)</td>
<td>(1.60)</td>
</tr>
</tbody>
</table>

(1) Source: Lottery shopping basket analysis

(2) Includes frequent and infrequent lottery customers
Recreating the Lottery

- New products and services
- New methods of delivery
- New reward & loyalty programs
- New Application of technology
- Don’t compete… change the rules
XML (new option)

- Delivery time in hours or minutes
- Structured electronic data
- Easy to understand
- Internet ready
- Lower costs
What is XML

- eXtensible Markup Language (XML) is the universal format for structured documents and data on the Internet
- Universal and open Web standard
It’s not XML v. EDI

- Traditional EDI (X12/EDIFACT) isn’t going away
  - Tried & True technology
  - Heavy investment
  - 20+ years of experience
It’s XML & EDI Together

- Bringing the benefits of paperless business document exchanges to both large and small companies
Why is XML/EDI Necessary?

- Small to Mid-sized companies
  - Non-existent or small IT staff
  - Lack the financial resources
  - Are dependent on solution providers who won’t make the investment in translators
  - The investment & on-going charges would make it unprofitable to do business
What Does XML Provide?

- Lowers cost of entry and on-going costs
- Software vendors willing to invest in XML
- Simpler to use
- Flexible
- Separates business rules from the document
- Provides easier means of extending and changing document content
- Designed for the Internet
XML Is

- Vendor Neutral
- Platform Neutral
- Universal in scope
- Easily Learned
- Simple
- Extensible
XML Has

Every major vendor behind it

- IBM, Sun, Microsoft, Oracle, Intel, etc.
XML Basics

- What is “markup”?  
- What is a “tag”?  

<LotteryID>California</LotteryID>
Delimited Data Vs XML

- Delimited Data
  510*323-7042*

- XML
  <phonenbr>
    <areacode>510</areacode>
    <localnbr>323-7042</localnbr>
  </phonenbr>
EDI Option

- Defined rules
- Widely used by large retailers
- Start up costs could exceed $100,000
- Conversion capable for using Internet

- Cast in concrete
- Most Lottery Key Accounts use EDI
- Server, EDI Software, EDI skilled resources
- EDI vendors will include Internet interfaces
XML Option

- Defined rules
- Can be used by all retailers
- Does not require EDI skilled resources
- Internet Enabled

- Easy to understand
- Not just a solution for the very large
- *Lowers cost to implement*
XML & EDI

- Building on the foundation of traditional EDI NACS & NASPL members are now moving to XMLify business processes.

The Vision
- Make it easier to exchange data electronically
- Lower the cost of entry

The Result
- The benefits that have been touted for 20+ years will now be realized by even the smallest of trading partners.

Large EDI capable companies will get out of the paper handling business
What do we gain?

- Faster speed of implementation
- Lower the cost of handling lottery documents
- Make it possible for the SME to get the benefits
- Make it possible for the lotteries to get all of their trading partners exchanging documents electronically
Retailers and lotteries must agree on the schemas.

Can’t do it alone! NACS and NASPL together are creating a standard.

Standards benefit everyone.
- Lowers the costs for multi-state retailers
- Gives states have a marketing tool

Standards don’t mean everyone need to it exactly the same.
Pilot Project

- Team effort
- Objectives
- Recommendations
Team Effort

- NASPL, NACS, Lotteries, Business Partners
Our Objective

- It’s not about technology.
- It’s not about XML v. EDI.
- It’s about integrating businesses electronically to lower costs, improve efficiency, and increase profitability.
Recommendations

- NACS guidelines
- Select business partner(s) for pilot
- Gain agreement on the information to be exchanged
- Keep the pilot simple
NASPL/NACS Pilots

- Lottery states actively participating (as of 9/15/00)
  - Arizona (traditional EDI only)
  - California (traditional EDI and NAXML)
  - Georgia
  - Indiana
  - Iowa
  - Minnesota
  - Missouri
  - Oregon
  - Texas
  - Washington (traditional EDI only)
## NASPL/NACS Pilots

- **Retailers actively participating (as of 9/15/00)**

<table>
<thead>
<tr>
<th>7-11</th>
<th>RaceTrac</th>
</tr>
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<tbody>
<tr>
<td>Express Mart</td>
<td>Rutter’s Farm Stores</td>
</tr>
<tr>
<td>Family Express</td>
<td>Sac N Pak</td>
</tr>
<tr>
<td>Flash Foods</td>
<td>Spectrum</td>
</tr>
<tr>
<td>Holiday Stations</td>
<td>Sheetz</td>
</tr>
<tr>
<td>Quik Trip</td>
<td></td>
</tr>
</tbody>
</table>
NACS Technology Info.

- Meeting schedule
  - Providence, RI – November 8, 2000
  - No cost to attend
  - Open to lotteries, retailers and solution providers.
Summary

- Strength in numbers - as a team we can improve our business
- Pilot projects are important and need our support
- Everyone Wins
- Thank you
Web Site Information

- www.calottery.com
Reference Links

- www.w3.org/xml
- www.xml.org
- www.nacsnet.org
- msdn.microsoft.com/xml
- www.oasis-open.org
- www.ibm.com/developer/xml
# Sample Web View

## Web Enabled Accounting View

**Pilot Test Week Ending 01/08/2000**

<table>
<thead>
<tr>
<th>Qty</th>
<th>Document #</th>
<th>Transaction Description</th>
<th>Amount</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>000105-50-01145</td>
<td>Game: 199 SETTLED= 0 REMAIN= 3</td>
<td>$00.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>1</td>
<td>000106-23-06760</td>
<td>MID TIER CR 031-0427764</td>
<td>$-200.00</td>
<td>$-200.00</td>
</tr>
<tr>
<td>1</td>
<td>991113-21-00001</td>
<td>LOW TIER: NBR TKTS=76</td>
<td>$-310.00</td>
<td>$-310.00</td>
</tr>
<tr>
<td>1</td>
<td>000104-50-15301</td>
<td>Game: 201 SETTLED=1 REMAIN=8 CONFRMED=9 01/07/2000 ASV/145809</td>
<td>$235.00</td>
<td>$235.00</td>
</tr>
<tr>
<td>1</td>
<td>000104-50-15401</td>
<td>Game: 203 SETTLED=3 REMAIN=2 CONFIRMED=5 01/08/2000 ASV/130872</td>
<td>$705.00</td>
<td>$705.00</td>
</tr>
<tr>
<td>0</td>
<td>000104-50-15501</td>
<td>Game: 122 SETTLED=0 REMAIN=5</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$430.00</td>
<td></td>
</tr>
</tbody>
</table>

**Invoice #12345, for store: Palm Springs Corner Store 2513**

<table>
<thead>
<tr>
<th>Qty</th>
<th>Document #</th>
<th>Transaction Description</th>
<th>Amount</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>000108-80-00001</td>
<td>Super Lotto Plus</td>
<td>$110.00</td>
<td>$110.00</td>
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<tr>
<td>1</td>
<td>000108-80-00002</td>
<td>DAILY DERBY</td>
<td>$57.00</td>
<td>$57.00</td>
</tr>
<tr>
<td>1</td>
<td>000109-00-00003</td>
<td>FANTASY5</td>
<td>$96.00</td>
<td>$96.00</td>
</tr>
<tr>
<td>1</td>
<td>000108-80-00004</td>
<td>DAILY3</td>
<td>$47.00</td>
<td>$47.00</td>
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<tr>
<td>1</td>
<td>000108-80-00005</td>
<td>HOT SPOT</td>
<td>$2955.00</td>
<td>$2955.00</td>
</tr>
<tr>
<td>1</td>
<td>000108-81-00000</td>
<td>CANCELS</td>
<td>$-220.00</td>
<td>$-220.00</td>
</tr>
<tr>
<td>1</td>
<td>000108-83-00000</td>
<td>COMMISSION</td>
<td>$-152.25</td>
<td>$-152.25</td>
</tr>
</tbody>
</table>