



hoosier lottery™

## **RETAILER COMPENSATION**

### **Fiscal 2012 (July 1, 2011 – June 30, 2012)**

The Hoosier Lottery offers a number of ways in which retailers can benefit financially from selling the various products the Hoosier Lottery offers to the consumer public.

#### **1. Standard Compensation**

- Sales and Cashing Commissions
- Jackpot and Top Prize Bonuses

#### **2. Retailer Rewards Bonus Program**

- Designed to reward incremental sales growth over the previous year

#### **3. SPIF (Special Product Incentive Fund)**

- Promoting a specific Hoosier Lottery product for a given period of time in an effort to drive sales

# 1. STANDARD COMPENSATION

## INSTANT PRODUCTS

### Compensation on Sales and Cashing

- Retailers are compensated with a flat commission rate of five and one-half percent (5.5%) on the sale of all Scratch-off and Pull-Tab tickets.
- Retailers are further compensated with an additional one percent (1%) commission on the cashing of all valid prizes, up to and including five hundred ninety-nine dollars (\$599), paid at their location.

## DRAW GAME (TERMINAL GENERATED) PRODUCTS

### Compensation on Sales and Cashing

- Retailers are compensated with a flat commission rate of six percent (6%) on the sale of all Hoosier Lottery draw game tickets.
- Retailers are further compensated with an additional one percent (1%) commission on the cashing of all valid prizes, up to and including five hundred ninety-nine dollars (\$599), paid at their location.

### Jackpot and Top Prize Bonuses

In addition to retailer sales commissions and cashing bonuses, the Hoosier Lottery also awards jackpot and top prize bonus commissions to retailers selling the winning ticket(s) for the various draw games below:

- **Powerball® with Power Play®** - If an Indiana-established retailer sells the winning jackpot ticket to a customer in the multi-state jackpot game Powerball with Power Play, one hundred thousand dollars (\$100,000) will be awarded to the retailer as bonus.
  - Additionally, a retailer can earn a one percent (1%) bonus for selling a winning ticket that matches all five (5) white balls, but fails to match the red Powerball.
- **Mega Millions® with Megaplier®** - If an Indiana-established retailer sells the winning jackpot ticket to a customer in the multi-state jackpot game Mega Millions with Megaplier, one hundred thousand dollars (\$100,000) will be awarded to the retailer as bonus.
  - Additionally, a retailer can earn a one percent (1%) bonus for selling a winning ticket that matches all five (5) white balls, but fails to match the yellow Megaball.
- **Hoosier Lotto™** - If a retailer sells the winning ticket to a customer in the Hoosier Lotto game, one percent (1%) of the jackpot prize will be awarded to the retailer as bonus commission.
  - The maximum bonus a retailer can earn from the sale of a winning Hoosier Lotto ticket is one hundred thousand dollars (\$100,000).
- **Quick Draw** - If a retailer sells the top-prize-winning ticket to a customer in the Quick Draw game, one percent (1%) of the three-hundred thousand dollar (\$300,000) top prize will be awarded to the retailer as bonus commission.
- **Mix & Match** - If a retailer sells the top-prize-winning ticket to a customer in the Mix & Match game, one percent (1%) of the two hundred thousand dollar (\$200,000) top prize will be awarded to the retailer as bonus commission.

## STANDARD COMPENSATION OVERVIEW

CATEGORY	COMMISSION % PAID	<b>COMMISSION RECEIVED ON:</b>	MAXIMUM PAYOUT
Draw	6%	Sale of all draw games	N/A
Draw	1%	Cashing of valid prizes up to \$599	N/A
Instant	5.5%	Sale of all Scratch-off and Pull-Tab games	N/A
Instant	1%	Cashing of valid prizes up to \$599	N/A
PRODUCT	PAYMENT AMOUNT	<b>BONUS RECEIVED WHEN:</b>	MAXIMUM PAYOUT
Powerball	1% of the jackpot prize, up to \$100,000	Retailer sells the winning Powerball jackpot ticket matching 5 white balls and red Powerball	\$100,000
Powerball - w/out matching the red Powerball	1% of the top prize	Retailer sells the winning Powerball ticket matching 5 white balls, without matching the red Powerball	\$10,000
Mega Millions	1% of the jackpot prize, up to \$100,000	Retailer sells the winning Mega Millions jackpot ticket matching 5 white balls and yellow Megaball	\$100,000
Mega Millions - w/out matching the yellow Megaball	1% of the top prize	Retailer sells the winning Mega Millions ticket matching 5 white balls, without matching the yellow Megaball	\$10,000
Hoosier Lotto	1% of the jackpot prize, up to \$100,000	Retailer sells the winning jackpot ticket	\$100,000
Quick Draw	1% of the \$300,000 top prize	Retailer sells the top-prize winning ticket	\$3,000
Mix & Match	1% of the \$200,000 top prize	Retailer sells the top-prize winning ticket	\$2,000

## 2. RETAILER REWARDS BONUS PROGRAM

In addition to standard compensation, retailers have the opportunity to earn an annual bonus under the Hoosier Lottery's Retailer Rewards Bonus Program.

### Retailer Requirements for Eligibility

#### New Retailers

- New retailers must be in business for a full 12 months (one year) to become eligible for participation.
- If a retailer meets their one year anniversary during the 2012 fiscal operating year, they will be qualified to participate on a pro-rated basis on the first day of the month following such anniversary.
  - The Hoosier Lottery's 2012 fiscal operating year is July 1, 2011 – June 30, 2012.
  - Example for Retailer X:
    - Retailer activation date: October 18, 2010
    - One year anniversary date: October 18, 2011
    - **Eligibility Date: November 1, 2011**
      - Retailer X would be qualified to participate from November 1, 2011 – June 30, 2012, accruing a bonus for 8 of the 12 months.

#### Change of Ownerships

- In the instance of a change of ownership, sales history from the previous (most recent) owner will transfer to the new owner, establishing program eligibility after 12 full months of sales have accrued for that retail location.
- The new owner must become an active Hoosier Lottery retailer, selling both instant and draw products, within 60 days of the previous owner to be considered a change-of-ownership.
  - If the transition takes more than 60 days, the retailer will be considered a New Retailer and must be in business for a full 12 months (one year) before becoming eligible for participation.
- If the ownership transition creates a gap in Hoosier Lottery sales for 1-2 months, the following year's bonus calculation will be based on an annualized sales average.
  - No less than 10 months of sales history from the previous owner will be used to determine the annualized sales average.
- Example:
  - Bill owned Max's Place from November 15, 2010 to July 20, 2011
    - Approximately 8 months
  - Ken buys Max's Place, effective July 21, 2011
  - On November 15, 2011, 12 months of sales will have accrued.
  - **Eligibility Date: December 1, 2011**
    - Max's Place would be qualified to participate in the FY12 program from December 1, 2011 – June 30, 2012, accruing a bonus for 7 of the 12 months.

#### ITVM-Only Retailers

- Locations that only sell Scratch-off products from a ITVM (Instant Ticket Vending Machine) are defined as ITVM-only retailers. These retailers are ineligible to participate in the Retailer Rewards Program.
- The placement of acrylic dispensers on the front selling counter could upgrade a retailer from ITVM-only to traditional status, thus making them eligible for participation.
  - To qualify for participation, dispenser additions must be in a Hoosier Lottery approved display size.
    - Approved display sizes consist of 12, 16, 18, 20, 24, 28 or 32 dispensers.

- If a retailers chooses to upgrade from ITVM-only to traditional status during the fiscal year, they will be qualified to participate on a pro-rated basis on the first day of the month following such additions.
- Retailers shall make payments to the Hoosier Lottery in full on a weekly basis pursuant to a regular weekly settlement schedule and pay fees associated with delinquent payments as set forth in the "Governing Laws" and "Retailer Contract for the Sale of Lottery Products" to maintain eligibility.

### Program Details

- Retailers will receive a bonus of 15% on FY12 incremental instant (Scratch-off and Pull-Tab) sales over prior year. Draw game sales are excluded.
  - Example for Retailer X:
    - FY11 instant sales = \$500,000
    - FY12 instant sales = \$550,000
    - Incremental sales = \$ 50,000
    - **Annual Bonus = \$7,500** (\$50,000 x 15%)

### Reporting and Payment

- The Hoosier Lottery will publish quarterly bonus tracking reports to each participating retailer and chain, which will include FY11 and FY12 instant sales and the sales variance.
  - The final calendar day for each of the Lottery's fiscal operating quarters is September 30, December 31, March 31 and June 30, for quarters 1, 2, 3 and 4 respectively.
- The bonus will be paid annually, after the close of the Hoosier Lottery's fiscal operating year (June 30, 2012).

### Terms and Conditions

- Retailers must be active on the final day of the Hoosier Lottery's operating fiscal year (June 30, 2012), in order to collect an annual bonus payment.
- Bonus payments awarded to retailers belonging to a chain account will be made in one payment to the chain headquarters, as a sum of the payments earned by each individual location within the chain. Individual store bonus earnings will be supplied to the chain's headquarters and made available to each corresponding store within the chain.
- Any additional terms, definitions and conditions set forth in the Hoosier Lottery "Retailer Contract for the Sale of Lottery Products", Hoosier Lottery rules and Indiana Law apply to this Retailer Rewards Bonus Program.
- A retailer's bonus payment, either in full or in part, may be withheld if the retailer is found to be in violation of any portion of the Hoosier Lottery "Retailer Contract for the Sale of Lottery Products."
- Any unique situations outside of the parameters of the existing program will be considered and evaluated by the Sales Management Committee.
- The Hoosier Lottery reserves the right to adjust the Retailer Rewards Bonus Program as deemed necessary and will give notice 30 days prior to the implementation of any alterations or modifications to said program.

### 3. SPECIAL PRODUCT INCENTIVE FUND (SPIF)

In addition to all other compensation, periodically, the Hoosier Lottery may offer a SPIF to our retailers. A SPIF will promote a specific Hoosier Lottery product for a given period of time in an effort to drive sales. Retailers would be rewarded for their sales performance on that product. Retailer compensation for SPIF performance shall be paid after completion of the promotion.

- SPIF Examples:
  - From 11/1 - 12/31, retailers will receive \$5 for every complete pack sold of game #0000.
  - From 4/1 – 4/30, retailers who increase their Power Play sales percentage over prior year will receive:
    - 1% or greater = \$2,000
    - .75% - .99% = \$1,500
    - .50% - .74% = \$1,000
    - .25% - .49% = \$800
    - .01% - .24% = \$500

## BEST PRACTICES & SALES TIPS

Below are recommended best practices and sales tips to increase your Hoosier Lottery sales and maximize your earning potential:

- **Feature Scratch-off games in a block display on the front selling counter.**
  - 24 minimum bin set recommended.
- **Activate and place out for sale all new Scratch-off games as soon as possible on launch day. Many customers eagerly await new product.**
  - At a minimum, new Scratch-off games are launched on the first Thursday of every month.
- **Keep dispensers and vending machines full. Our product is like every other product in your store. Tickets can only be purchased when they're available.**
  - Re-order games when inventory gets low, *before* depletion, by calling (800) 955-6886.
    - Generally, orders placed before 3:00 p.m. Eastern, Monday-Thursday, should arrive the next business day.
  - Have back stock accessible for 2<sup>nd</sup> shifts and weekends.
  - Double-tape packs of tickets together in the ITVM. If you don't know how, your LSR (Lottery Sales Representative) will be happy to show you.
  - Train multiple sales associates on how to load the ITVM and PTVM (Pull-Tab Vending Machine).
  - Call immediately for service if your vending machine is out of order.
    - ITVM and PTVM repair number: (800) 328-7821.
- **Follow the Hoosier Lottery recommended Plan-o-gram.**
  - The plan-o-gram is designed to ensure your Scratch-off assortment contains the best selling games by price point, arranged in the most shoppable format for your customers.

- **Suggestive Sell**
  - Encourage sales associates to ask every customer if they would like to purchase a Hoosier Lottery product.
  - Be aware of the jackpot amounts and use them as a selling tool for the Big Jackpot Games; Powerball with Power Play, Mega Millions with Megaplier and Hoosier Lotto and Tag 6.
    - Communicate the benefits of purchasing Power Play, Megaplier and Tag 6 to your customers.
  - Cross-sell: suggest a different lottery product to also consider purchasing, which could introduce a customer to a new experience.
    - If a customer is purchasing a draw game ticket, suggest they also try the new \$5 Scratch-off game that recently launched.
    - If a customer is purchasing a Scratch-off ticket, inform them of the Powerball jackpot amount and suggest they buy a Powerball with Power Play ticket.
  - Understand how each game is played to educate your customers.
    - New or infrequent customers can be intimidated by games they haven't played before. If sales associates can easily and effectively explain our games to customers, this may encourage them to make a purchase.
  - Be aware of current Hoosier Lottery promotions (2<sup>nd</sup> chance drawings, etc.) and communicate these to your customers.
  
- **Post appropriate signage; winner awareness, jackpot signs and campaign specific POP.**
  - Customers are encouraged to make a lottery purchase when made aware your store has winners.
  
- **Keep sufficient cash on hand to redeem winning tickets.**
  - Always ask the customer if they would like to purchase another ticket with their winnings.
  - When customers have cash in-hand, they will be more apt to make an additional purchase in your store.