

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

	Non-Lottery Customer	Lottery Customer(2)
Avg Customer Purchase(1)	3.46	6.38
Avg Cost of Product	2.59	5.25
Avg Gross Profit per purchase	0.87	1.13
Gross Margin %	25%	18%
Low Process Costs	0.18	0.28
Avg Process Costs	0.68	1.07
High Process Costs	1.48	2.73
Best Experience	0.69	0.85
Avg Experience	0.19	0.06
Worst Experience	(0.61)	(1.60)
(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

What's it going to take?

- 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 mean that 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)

7-11	RaceTrac
Express Mart	Rutter's Farm Stores
Family Express	Sac N Pak
Flash Foods	Spectrum
Holiday Stations	Sheetz
Quik Trip	

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.nacsnets.org
- msdn.microsoft.com/xml
- www.oasis-open.org
- www.ibm.com/developer/xml

Sample Web View

D:\My Documents\MYDATA1\Projects\EDI1\EDI\NACS\PILOT1\pilot3.xml - Microsoft Internet Explorer provided by MSN

File Edit View Favorites Tools Help


Back Forward Stop Refresh Home Search Favorites History Mail Print Edit Messenger




Address  D:\My Documents\MYDATA1\Projects\EDI1\EDI\NACS\PILOT1\pilot3.xml  Go  Links  Best of the Web  Channel Guide >>

Web Enabled Accounting View

Pilot Test Week Ending 01/08/2000

Qty	Document #	Transaction Description	Amount	Total
Invoice #12345, for store: Palm Springs Corner Store 2513				
0	000105-50-01145	Game: 199 SETTLED= 0 REMAIN= 3	\$00.00	\$0.00
1	000106-23-06760	MID TIER CR 081-0427764	\$-200.00	-\$200.00
1	991113-21-00001	LOW TIER: NBR TKTS=76	\$-310.00	-\$310.00
1	000104-50-15301	Game: 201 SETTLED=1 REMAIN=8 CONFIRMED=9 01/07/2000 ASV/145809	\$235.00	\$235.00
1	000104-50-15401	Game: 203 SETTLED=3 REMAIN=2 CONFIRMED=5 01/08/2000 ASV/130872	\$705.00	\$705.00
0	000104-50-15501	Game: 122 SETTLED=0 REMAIN=5	\$00.00	\$0.00
				<u>\$430.00</u>
Invoice #12345, for store: Palm Springs Corner Store 2513				
1	000108-80-00001	Super Lotto Plus	\$110.00	\$110.00
1	000108-80-00002	DAILY DERBY	\$57.00	\$57.00
1	000108-80-00003	FANTASY5	\$96.00	\$96.00
1	000108-80-00004	DAILY3	\$47.00	\$47.00
1	000108-80-00005	HOT SPOT	\$2955.00	\$2,955.00
1	000108-81-00000	CANCELS	\$-220.00	-\$220.00
1	000108-83-00000	COMMISSION	\$-152.25	-\$152.25

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