



THE OMNI-CHANNEL PROGRAM RETAIL

INFORMATION PACK



Australia's Official Lotteries by





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(Please note: Changes discussed in this document, including changes to retailers' remuneration, remain subject to obtaining regulatory approvals)



Australia's Official Lotteries

Where we've been and where we're heading.

At the Lott, we're in the business of selling dreams. While our customers' dreams may never change, the way they play is always evolving. How our customers interact with our brand is more important today than ever before. As times change, so should the way we offer our service. To remain relevant, exciting and top of mind, we constantly strive to innovate how we deliver "dreams".

We've been listening to and learning from our customers to create the new Omni-Channel Program. This retailer information pack will explain how this new program is designed to benefit both the customer and retailer.

What's the Omni-Channel Program?

Through collaboration with key partners, we've evolved the way we provide a brand experience for our customers. The Omni-Channel Program is designed to offer a more seamless customer experience, while delivering great benefits for retailers too. Based on customer insights, the program acknowledges that the relationship between physical and digital retail environments is vital in enhancing customer satisfaction and returns for retailers.

We respect that you know your customers' in-store buying habits better than anyone. We hope by sharing what we know about how customers engage across channels, together we'll have a more holistic understanding of how we can ensure a consistent experience for customers at every touch point.

The future of retail is customer led

The shift in our service offering is about getting to know our customers and letting them call the shots. The more we know about what makes them tick, the better their experience with us will be.

Customer led retail is understanding that every customer is different in the way they engage with our brand. Whether they prefer only face-to-face or sometimes find comfort in playing from their couch – for so many of our customers, buying a ticket from their favourite retailer is all part of the experience. So, let's make sure that experience continues to be as memorable as possible.

What do we want to achieve?

We want to deliver a retail experience that's second to none, the Omni-Channel Program will help us achieve this by allowing customers to engage across multiple channels. We are providing options to help future-proof your business, our brand and our shared future. This new program has been developed to help us increase our customer base, repeat purchases, and ultimately achieve shared future growth.

The value of omni-channel customers

Gathering customer-experience insights gave us a clear indication that customers like having the choice to shop across multiple channels. They like to choose

how, when and where they engage with the brand. Our customer analytics suggest that customers are more valuable when they engage across all available channels.



“Let’s be there for every customer.”

What's in it for customers?

A seamless customer experience

Our research shows that our customers want two things – control and consistency. They want control in how they purchase their entry. Most only play in-store, others love the App, while some dabble in both. This isn't about pushing customers online, it's about giving them the freedom to move seamlessly between channels. Offering our products via multiple channels means we can provide customers with one consistent brand voice and experience no matter where they purchase.

We can't control how and when our customers choose to interact with our brand, but what we can do is stay top of mind by being there for them in every channel.

Free membership and so much more

It's great news for customers, as membership will now be free. This includes all memberships - expired, renewals and new. One of the obvious benefits of free membership is the potential to increase registered players. By having access to their membership both in the physical retail and online environments, registered players, are able to purchase anywhere, anytime. This means they have more ways to play their favourite games and therefore are generally more valuable than unregistered players.

Free membership provides more opportunities for us to better understand our customer base. These customer insights allow us to see how, when and where they interact with the brand, and design a better experience for customers based on this information. Changes to the membership program provide the following increased benefits for customers:

- The convenience of being able to access their membership in **the Lott App**
- Online and the App access to manage membership and favourite numbers
- The ability to use account funds to pay in-store
- Automatic entry into bonus draws for all registered tickets
- The ability to track spending

Win notifications

A new feature will enable retailers to enter an unregistered customer's mobile number on their terminal to register a customer ticket to receive an automatic win notification by SMS. This was a popular feature in customer research. The SMS notification service will also promote registration via the App or website. The win notifications means customers find out if they win and can collect their prize from you sooner. This gives you, the retailer, the potential to increase repeat visits to your outlet.

Digital Wallet

We are developing this new feature to bring the digital and in-store environments together for a seamless customer experience. Once the digital wallet is finalised customers will be able to use their digital account funds to make purchases in-store.

How it will work:

When customers join **the Lott**, they can choose to have prizes paid back into their account. Their account acts as a Digital Wallet where prizes paid back into the account can be used for another purchase. The funds will not only be available online, but can also be used in-store. It will be a simple process to setup and access funds within **the Lott App**.

Please note:

Cheque fees will be charged at a standard fee of \$3.30 across all jurisdictions. This will be introduced later in the year.

What's in it for retailers?

Setting you up for success

Retailers are at the core of our business. While we're focussing on making customer choice a priority, it's also about working closely with you to help provide an engaging experience for our customers.

This evolution is an indication of our commitment to growth and will help to future-proof retail. The Omni-Channel Program has been designed to not only benefit the customer but increase growth opportunities for your business. Supporting the omni-channel approach will help you expand opportunities to earn commission by offering customers multiple ways to purchase. This means you'll have multiple ways to be rewarded.

Performance-Based Remuneration

The program has been developed to help you and your business be successful today and into the future. To set your business with the best chance of success, we recommend being fully engaged with everything our franchise system has to offer. By meeting the below Performance Measures, not only will your business benefit, you will stay up-to-date and connected with the brand and the retail community.

What performance will be measured?

Every retail outlet will be assessed during each Site Survey cycle to determine a performance rating (Green, Amber or Red) based on each of the Performance Measures described below. These Performance Measures will form the basis for calculating the remuneration paid to retailers.

Performance Measures	Green	Amber	Red
Site Surveys	95% and above	Between 90% to 94.9%	Less than 89.9%
Retailers Web (weekly access)	95% and above	Between 90% to 94.9%	Less than 89.9%
What's Hot @the Lott (weekly readership)	95% and above	Between 90% to 94.9%	Less than 89.9%
Mandatory Training	Completed	Completed	Not Completed
Payment Defaults	No Defaults	No Defaults	1 + Defaults
Breaches (excluding Defaults)	No Breaches	No Breaches	1 + Breaches
Roadshow attendance	Attended	Attended	Did not attend
Site Survey Action Plan Completion	Within 5 days	Between 6 & 10 days	+ 10 Days
Registered vs unregistered share	1% or more	1% or more	Less than 0.9%

Please note:

The lowest result across the Performance Measures will determine the overall result for the outlet for that cycle. For example, one Amber and nine Greens will leave you with an Amber performance rating for the cycle.

What is the criteria for each Performance Measure?

Performance Measure	Criteria
Site Surveys	<p>The outlet's Site Survey score for each cycle.</p> <ul style="list-style-type: none"> • 95% to 100% - Green • 94.9% to 90% - Amber • Less than 89.9% - Red
Retailers Web (weekly access)	<p>Retailers Web must be accessed at least weekly.</p> <p>Weekly access will attract:</p> <ul style="list-style-type: none"> • 95% to 100%- Green (e.g. miss one week of an 18 week cycle) • 94.9% to 90%- Amber (e.g. miss two weeks of an 18 week cycle) • Less than 89.9%- Red (e.g. miss three weeks of an 18 week cycle) <p>Please note: Computer specifications required for the new Retailers Web on desktop devices, are the following desktop browsers:</p> <ul style="list-style-type: none"> • Google Chrome (preferred) • Safari • Internet Explorer version 11 or higher • Microsoft Edge - <i>Microsoft's newly renamed browser from Windows 10 onwards, replacing Internet Explorer</i> • Mozilla Firefox. <p>For mobile devices, the following mobile browsers:</p> <ul style="list-style-type: none"> • Google Chrome –Android (preferred) • Safari - Apple • Internet Explorer version 11 or higher – Windows 8 Phones • Microsoft Edge – Windows 10 Phones.
What's Hot @ the Lott (weekly readership)	<p>What's Hot @ the Lott must be read within seven days of publication.</p> <p>Retailers will be rated according to their readership as follows:</p> <ul style="list-style-type: none"> • 95% to 100% each cycle - Green (e.g. miss one issue of 18 issues) • 94.9% to 90% each cycle - Amber (e.g. miss two issues of 18 issues) • less than 89.9% each cycle- Red (e.g. miss three or more issues of 18 issues) <p>This also applies to any special editions.</p>
Mandatory Training	<p>Completion of the mandatory iLearn course for each cycle.</p> <p>Completed – Green</p> <p>Not completed – Red</p>
Payment Defaults	<p>A default is when the amount owing to Tatts indicated on the Settlement Report is not available in the nominated bank account at the designated time.</p> <p>Nil defaults – Green</p> <p>One default or more – Red</p>
Breaches of your Franchise Agreement (other than Payment defaults)	<p>Nil breaches – Green</p> <p>One breach or more – Red</p>
Roadshow Attendance	<p>Roadshow attendance or a live webinar attendance in each cycle.</p> <p>Attended – Green</p> <p>Not Attended – Red</p>

Site Survey Action Plan	<p>Number of days taken to complete the Site Survey Action Plans in each the cycle.</p> <ul style="list-style-type: none"> • Within 5 business days – Green • Between 6-10 business days – Amber • More than 10 business days – Red <p>Site Survey Action Plan completion will be a date calculation based on the date the Moment of Truth (MOT) report is distributed by GBW to the outlet.</p>
Increase of registered players vs un-registered share	<p>Increase percentage of registered players at the outlet by 1% in the cycle vs the immediately preceding cycle.</p> <p>Once 80% of the registered player share has been achieved, the outlet rating will remain Green unless the registered share falls below 80%.</p>

Please note:

Outlet ratings will be attributed to the Outlet ID, not to individual retailers. Please review the Outlet Procedure Manual (OPM) for further information regarding remuneration payment processes.

Any newly established site opening within a Site Survey cycle will be assigned a Green outlet rating and will be remunerated accordingly for their first cycle or part thereof. For the Performance Measure, registered vs unregistered sales, an outlet will receive a N/A on reports until a comparable trading period of 50% or greater is reached.

If there is an identified Fair Work Site Survey finding that has not been actioned, the outlet will be classified as Red for Site Survey Performance Measures regardless of your outlets actual score achieved in the relevant Site Survey.

When will it be measured?

For weekly based Performance Measures, performance will be measured each accounting week (Monday to Sunday). The remaining criteria will be measured per Site Survey cycle. The current plan for the Site Survey cycles are below:

Cycle	Start Date	End Date	Number of Weeks
Cycle 3 2018/2019	01/04/2019	30/06/2019	13
Cycle 1 2019/2020	01/07/2019	27/10/2019	17
Cycle 2 2019/2020	28/10/2019	01/03/2020	18
Cycle 3 2019/2020	02/03/2020	28/06/2020	17
Cycle 1 2020/2021	29/06/2020	01/11/2020	18
Cycle 2 2020/2021	02/11/2020	28/02/2021	17
Cycle 3 2020/2021	01/03/2021	27/06/2021	17

Further details of the Performance Measures and how we will assess the Performance Measures will be detailed in the Outlet Procedures Manual (OPM). We will determine whether the Red, Amber or Green rating will be awarded for each of the Performance Measures in the relevant Site Survey cycle.

What does remuneration look like?

The charge in respect to the sale of Lottery Products will be increased to 2% as part of the changes to the remuneration arrangements.

The charge in respect of the sale of Lottery Products (see the Schedule of fees and charges in your Franchise Agreement) will be adjusted by means of a Performance Adjusted Franchise Fee as follows depending on an outlet's performance rating:

- (a) Green: The charge in respect of the sale of lotteries products will decrease by 1%;
- (b) Amber: The charge in respect of the sale of lotteries products will decrease by 0.5%; and
- (c) Red: The charge in respect of the sale of lotteries products will not decrease at all.

	Current	New	
Commission	9.3%	10.3%	
Weekly Franchise Fee	1.0%	2.0%	
Commissions net of weekly franchise fee	8.3%	8.3%	
			<div style="display: flex; justify-content: space-around;"> Green Amber Red </div>
Performance Adjusted Franchise Fee	1.0%	1.5%	2.0%
Commission net of weekly fees	9.3%	8.8%	8.3%
Potential Net Benefit	+1.0	+0.5%	0.0%

We propose to reflect these changes in your Franchise Agreement and the Outlet Procedures Manual (OPM). We will provide further information about the relevant amendment in due course.

Changes to pricing

As part of introducing the new commission rate, the following products will have a retail price increase (subject to regulatory approvals):

- Saturday Tattslotto
- Monday and Wednesday Lotto
- Oz Lotto
- Powerball
- Set for Life
- Super 66

There are no changes to the current prices of Instant Scratch-Its and Lucky Lotteries games, therefore an increase in commission is not applicable to Instant Scratch-Its tickets and Lucky Lotteries.

Game Effective: 1/7/2019	CURRENT		NEW	
	Agent Commission (Subject to regulatory approval)	Charge in respect of the sale of Lottery Products.	Agent Commission (Subject to regulatory approval)	Charge in respect of the sale of Lottery Products.
Saturday Tattslotto	9.3 %	1.1418%	10.3%	2.1418%
Mon & Wed Lotto	9.3 %	1.1418%	10.3%	2.1418%
Oz Lotto	9.3 %	1.1418%	10.3%	2.1418%
Powerball	9.3 %	1.1418%	10.3%	2.1418%
Set for Life	9.3 %	1.1418%	10.3%	2.1418%
Super 66	9.3 %	1.1418%	10.3%	2.1418%

Digital Commission: what's in your pocket?

Our new digital commission and Performance-Based Remuneration model work hand-in-hand to reward retailers who are fully engaged with the franchise system. Digital commission is based on the engagement of customers who shop across multiple channels – in-store, online and via the App.

How it works:

If a registered customer buys a digital Lottery Product, then also buys a Lottery Product from your retail outlet in the same cycle, your outlet will be eligible to participate in the omni-channel digital commission. This is a key reason why you'll want to drive membership registration.

Your performance rating (Green, Amber or Red) will determine the rate of omni-channel digital commission applied, along with your share of retail sales for the jurisdiction in which you operate. Here's how your rating applies to the calculation of digital commissions:

If Performance Rating is Green

- Player makes a purchase in a retail outlet and online within the same Site Survey cycle
- Total available digital commission pool calculated based on omni-channel digital sales in qualifying products for the jurisdiction
- Digital Commission Rate 2.0% payable for omni-channel digital purchases based on the outlets sales contribution to the total jurisdictions retail sales

If Performance Rating is Amber

- Player makes a purchase in a retail outlet and online within the same Site Survey cycle
- Total available digital commission pool calculated based on omni-channel digital sales in qualifying products for the jurisdiction
- Digital Commission Rate 1.0% payable for omni-channel digital purchases based on the outlets sales contribution to the total jurisdictions retail sales

If Performance Rating is Red

- Player makes a purchase in a retail outlet and online within the same Site Survey cycle
- Total available digital commission pool calculated based on omni-channel digital sales in qualifying products for the jurisdiction
- Digital Commission Rate 0.0% payable for omni-channel digital purchases based on the outlets sales contribution to the total jurisdictions retail sales

Digital commission: how much can you potentially earn?

The total revenue pool consists of 2% of all digital sales from all retailers' omni-channel customers in each jurisdiction within the measurement cycle.

Here's an example of how much digital commission you could potentially earn as a retail outlet ('Outlet A'). Let's say the total digital sales from all retailers' omni-channel customers in your jurisdiction are \$1,000,000 for the relevant cycle.

'Outlet A' retail sales represents 6% of all retail sales in their jurisdiction, so 6% of \$1,000,000 is \$60,000.

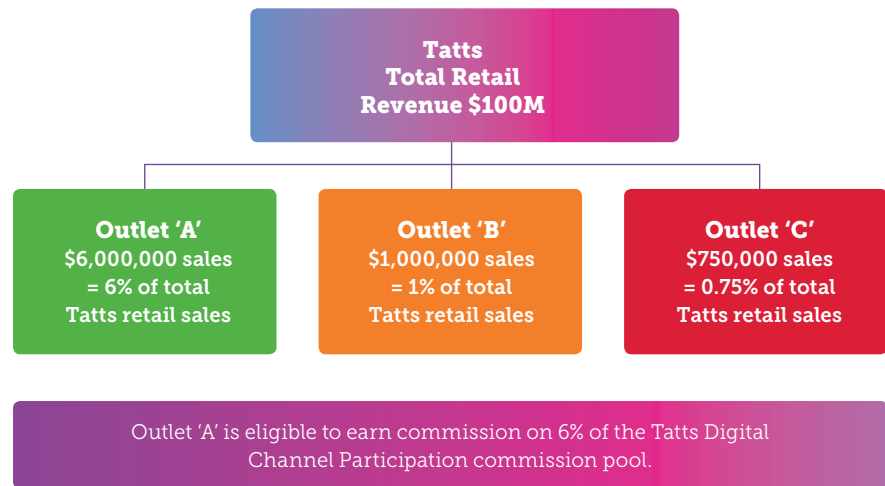
- If 'Outlet A' is Green (at the time of calculation) they will receive 2% of \$60,000 for the relevant cycle, which is \$1,200.
- If 'Outlet A' is Amber they will receive 1% of \$60,000 for the relevant cycle, which is \$600.
- If 'Outlet A' is Red they will receive 0% of \$60,000 for the relevant cycle, which is \$0.

These examples are an illustration only and are designed to show how the calculation works. They are not a representation or forecast of either total digital sales in jurisdictions or percentages of sales individual outlets will generate. No guarantees can be made about future performance of either the retail or the online channel.

If you have any questions or concerns about this information or the way in which the commissions will be calculated, please discuss with your Business Development Manager (BDM).

[1] Total Revenue enables calculating the share for which each retailer is eligible.

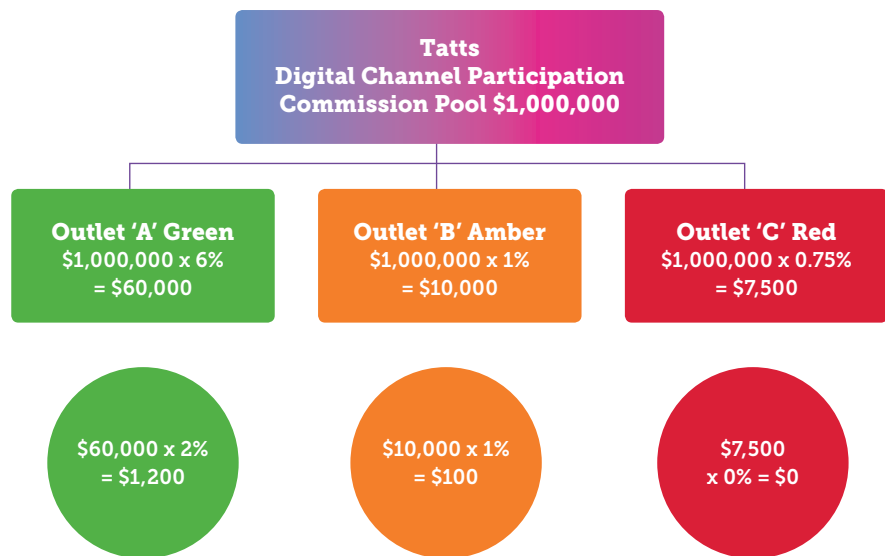
[2] Outlet share is calculated for each retailer in that jurisdiction



[3] Total Digital Revenue by omni-channel customers in Tatts Lotteries

[4] Revenue share per Retailer calculated

[5] Commission earned per retailer calculated





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The omni-channel customer sign up bonus

Even more good news for retailers. You'll receive a 1% bonus commission on digital purchases of Lottery Products made by customers who have signed up digitally after being activated by your outlet. This bonus continues for future digital purchases of Lottery Products by these customers while you remain the outlet owner. The bonus payment arrangements are personal to each retailer and will not be transferred to subsequent outlet owners.

How it works

The bonus commission will be calculated based on a link between a customer and your outlet when you sign up an unregistered customer to receive an SMS win notification. If the customer joins online or via the App within four weeks of providing their mobile number in your outlet, and you are the last outlet where they signed up for SMS win notifications, you'll receive an ongoing bonus for future digital purchases of Lottery Products by that customer. The customer only has to make one digital transaction within a year for this to be activated.

The bonus commission payments associated with relevant customers will cease in the event that the relevant customer does not make further digital purchases of Lottery Products within a rolling 52 week period.

DigiPOS fee removal

DigiPOS has had a significant role in driving improved revenue outcomes as well as reducing the space and costs within the retail image area. This year we look forward to bringing this value to more retail outlets.

From 1 July 2019, DigiPOS screens (hardware only) will be considered, like the Lottery Terminals, as Lottery Property. Tabcorp will pay for ongoing reasonable maintenance and the 0.05% DigiPOS fee will cease to apply with effect from 1 July 2019. Any DigiPOS fees incurred up to 30 June 2019 will remain due and payable.

Please note: Tabcorp will retain ownership of the DigiPOS equipment at all times and retailers must not transfer equipment to another person at any time. The DigiPOS equipment must not be used for anything other than its intended purpose.

This approach will help ensure customers have a consistent brand experience, and will continue to standardise and maintain DigiPOS across the retail network with fresh new content.

What's the potential saving for retailers?

Approximately:

- \$8,000 for two screens
- \$6,000 for one screen
- Removal of 0.05% DigiPOS fee
- All ongoing reasonable maintenance costs

If you've already installed DigiPOS, we've got good news for you too. Tabcorp plans to buy back DigiPOS hardware already installed in the network, based on the cost price paid (as per the supplier invoice). Further details including the timing of this will be confirmed at a later date. Once bought back, the DigiPOS screens will remain installed, but will be treated as Lottery Property under the Franchise Agreement.

Retailer benefits: a snapshot

There are a lot of changes being implemented this year, but what's exciting for retailers is that each change is an opportunity to help grow your business and your bottom line.

Here's a snapshot of the benefits to you:

- Performance Adjustment to Franchise Fee of up to 1% based on your outlets performance rating
- Potential to earn digital commission on omni-channel customers

- Potential to earn a bonus for your customers signing up to the Lott Membership program
- Removal of DigiPOS 0.05% fee
- Tabcorp to provide its DigiPOS hardware. (up to \$8,000 in savings for two screens)
- Tabcorp to maintain DigiPOS equipment

Below is an example of an outlet that had average weekly sales (AWS) of \$22,000 in FY18 and shows what would have occurred at that time if the model had been operational.

1. COMMISSION BASED GAME PRICE RISE Subject to regulatory approval	Retailer will receive a 1% increase in commission (to 10.3%) on retail sales for all games (except, Instant Scratch-Its and & Lucky Lotteries)			
2. OUTLET PERFORMANCE RATING & FRANCHISE FEES	The Charge in respect of the sale of Lottery Products, excluding Player Cards will increase to 2.0% The Green retailer will receive a Performance Adjusted Franchise Fee of 1%, orange 0.5% and red 0%	\$10,110	\$4,712	- \$686 Due to loss of player card commission
3. OMNI-CHANNEL DIGITAL COMMISSION	Commissions will be paid to the retailer for the digital sales of their omni-channel customers. Figures modelled based on current omni-channel customers	\$1,490	\$745	No Commission
4. OMNI-CHANNEL SIGN UP BONUS	Retailers which activate a customer to sign up to become a member will receive 1% commission on all digital purchases that customer makes for as long as the retail owns their outlet.	\$19	\$19	\$19
5. DIGIPOS	The 0.05% DigiPOS fee will be removed annually Tabcorp will buy back DigiPOS hardware (once off) Tabcorp will provide ongoing maintenance at no charge	\$576pa \$5900 one of buyback	\$576 \$5,900	\$576 \$5,900
NET BENEFIT TO THE RETAILER	Average net benefit to the retailer Shown as a % increase over current state	\$12,195 +10.3%	\$6,052 +5.1%	-\$91

This table and the figures used within are provided for illustrative purposes only and they are not a representation or forecast of benefits for individual outlets. These are estimates only and actual benefits may vary across retail outlets. No guarantees can be made about future performance of either the retail or the online channel. We recommend individual retailers

use their actual historical sales data to calculate the potential impact of the changes.

If you have any questions or concerns about the potential financial benefits of the Omni-Channel Program, please contact your Business Development Manager (BDM).



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Partners helping us lead the way

At **the Lott**, we know our program's success depends on the strong collaborations with businesses and associations. We'd like to thank them immensely for their contribution and support in bringing this exciting program to life.

- Australian Lottery and Newsagents Association (ALNA)
- Lotteries Retailers Associations (LRA)
- The Victorian Associations for Newsagents (VANA)
- GBW

***SA Outlets**

This program is unable to be introduced to SA retailers at this stage. We are currently working with the regulators and government to define the approach so that South Australian retailers may be included in the future. We encourage all South Australian retailers to understand the Omni-Channel Program and find out how to prepare for future success.



IMPORTANT INFORMATION

Regulatory Approval

Various components of the Omni-Channel Program (including changes to product prices and commission rates) remain subject to various regulatory approvals being obtained. Accordingly, while our intention is to deliver the Omni-Channel Program in the format detailed in this presentation, it is possible that changes to some or all of the proposals may be required. We will continue to keep you updated as we progress our engagements with regulators.

Franchise Agreements

The changes contemplated by the Omni-Channel Program (including remuneration and DigiPOS) will require an amendment to your Franchise Agreement. We will be in contact following the Omni-Channel Program Launch to provide you with further details about these amendments to your franchise arrangements.

Disclaimer

This presentation may contain certain 'forward-looking statements'. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, financial position, performance, and possible benefits are also forward-looking statements. Any forecasts or other forward looking statements contained in this presentation are subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance or benefits and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Tabcorp, that may cause actual results, remuneration levels or benefits to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward looking statements.

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