



17<sup>th</sup> of November 2016

Hon Colin Barnett MEd MLA  
Premier; Minister for Tourism; Science  
1 Parliament Place  
WEST PERTH WA 6005

**RE: Lotterywest Retail Design & Signage plan – Retailer Concerns**

By Email: [Isobella.Clarke@dpc.wa.gov.au](mailto:Isobella.Clarke@dpc.wa.gov.au)

Dear Premier,

The Australian Newsagents' Federation (ANF) has recently rebranded as the Australian Lottery and Newsagents' Association (ALNA). As the peak national body, we represent some 3500 local community newsagents and lottery agents across Australia. Approximately 2.4 million Australians shop in our stores every day.

In Western Australia there are over 600 Newsagents and Lottery agents who combined contribute approximately \$500 million annually to the WA economy. We employ some 2000+ people in WA and are trusted retailers located in almost every rural town, regional centre, urban and metropolitan shopping centre in WA.

**Lotterywest Retail Transformation Project (RTP)**

As the Minister, responsible for Lotterywest, we thank you for your correspondence dated 20<sup>th</sup> of September responding to our request in July for your urgent assistance with gaining access to information we have sought from Lotterywest to help our members.

The information we are seeking, as outlined in our previous letter, relates to work we have been completing on behalf of members to determine their likely return on investment (ROI) from the significant outlays required to complete new shop fits as part of the Lotterywest Retail Transformation Project (RTP).

Lotterywest's response to our request (re-confirmed in your letter) is that the specific information we have requested relating to projections for growth and the underlying assumptions on which growth projections are made, is commercial in confidence and will not be provided.

Our members are very disappointed by this response. Given that Lotterywest has no major competitor in WA, it is difficult to understand why this information could not have been provided to us as an agent of your retail partners, especially as it could have been done in accordance with a non-disclosure agreement. It is also difficult to understand why further transparency could not be provided to business partners who are required to make multi-million dollar investments in the Lotterywest brand?

As I am sure you can appreciate, the non-disclosure of this information makes it almost impossible for us to now make accurate assessments about whether members can achieve a suitable ROI on RTP investments. We believe it is irresponsible to require small business owners to invest this much money without a proven ability to achieve an acceptable ROI. Fundamental to this issue, is the overall cost of the RTP and the following

questions? Is the final cost suitably matched to the retail partner's revenue, and is it in fact appropriate, or necessary, for it to cost this much to achieve the stated aim of modernising the retail network?

We have highlighted for you in the below chart, examples of the stark variances between Lotterywest's disclosure to our members of estimated costs, and the actual costs our members are experiencing in the marketplace after Lotterywest's contribution.

Retailer Scenario	Lotterywest Estimate of overall Cost	Lotterywest Contribution if completed prior to September 2018	Estimated Agent Cost if completed prior to Sept 2018	Quoted Avg Cost of Fit Out - After Lotterywest Contribution (Figures Net of GST)	Variance +/-
Retailer Scenario F 1 Terminal Outlet (Approx. 300 Retailers)	\$10,000	\$3,050	\$6,950	\$21,000	+\$14,050
Retailer Scenario G 1 Terminal + Gablet Outlet (Approx. 50 Retailers)	\$11,668	\$4,718	\$6,950	\$35,000	+\$28,050
Retailer Scenario J 3 Terminal + Gablet Outlet (Approx. 100 Retailers with 2 & 3 Terminals)	\$28,268	\$10,218	\$18,250	\$42,500	+\$24,250
Retailer Scenario E 4 Terminal + Gablet Kiosk (Approx. 30 Retailers with 2 to 4 terminals)	\$44,218	\$20,818	\$23,400	\$105,500	+\$82,100

As you can see, our members are being asked to make substantial and potentially unrealistic investments in new retail shop fit designs without adequate disclosure, or a clear analysis of likely sales improvements to recoup those costs. They are doing so with a back drop of 18 new outlets being rolled out this year and potentially 60+ more over the next few years.

While we recognize that there has been little change in overall numbers of Lotterywest sites in previous years, the reality is this is now occurring at the same time as retailers are being asked to make substantial investments. It is a recognized fact that this will to some degree re-distribute sales and may cannibalise sales in



some outlets who are at the same time trying to recover the substantial costs of their shop fits.

Members have been told that this is simply “part of business”! To provide an example, the reality for our members is that some are being asked to spend \$50k+ on a shop fit, only to potentially lose maybe \$12-\$18k in commission income to new sites opening in the same year.

You indicated in a letter to a member recently, which we appreciate, that you: *understood Lotterywest has been working to keep the direct costs to retailers minimised through a number of initiatives, ranging from the materials and fixtures used, to the deployment schedule and financial incentives.* While our members certainly recognize Lotterywest’s contribution to the costs, they are not content with what has been achieved so far to more realistically minimise those costs. Some of the materials being used are unnecessarily expensive and not essential to achieve the aims of the strategy.

### **Lotterywest Signage Strategy**

Another important issue impacting our members in relation to RTP, is the Lotterywest minimalist signage strategy that is also being rolled out as part of the RTP plan. ALNA has been contacted by, and met with several retailers from Lotterywest concept stores and new outlets who have had the new minimalist signage strategy installed. The purpose of these inquiries has been to discuss customer complaints about the new strategy.

Consistent feedback stores have received from their customers include:

- ***‘What are the jackpots?’***
- ***‘Why don’t you have any jackpot signage up?’***
- ***‘Are we supposed to stand here and wait for the TV screen to run through the list of Lotterywest adverts to see what the jackpots are?’***

Some new stores have even had customers ask them: ***‘If they sell lotto?’***

One member told us: ***“Customers think we have given lotteries away because there is no signage outside anymore. Sales are definitely down and the new signage strategy is seriously impacting on this business.”***

We have provided feedback to Lotterywest and explained that our retailers are extremely concerned about what this will mean for overall sales in their outlets. Lotterywest have made some limited changes based on this feedback so far, however our members report that the changes are not adequate to properly address their and customers concerns.

Our members are strongly of the view that the signage policy as it stands, is not adequate in a competitive retail environment. They are of the view that while the retail image and signage may be more contemporary, responses from customers bring into question whether it was rigorously researched before implementation and if the minimalist strategy can ultimately be effective? The signage strategy needs to better address customers’ needs.

We have provided examples below of the new minimalist strategy and a new The Lott (Tatts Group) outlet by way of comparison over the page.

AUSTRALIAN LOTTERY AND NEWSAGENTS’  
ASSOCIATION

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Lotterywest outlet



Lotterywest outlet



The Lott (Tatts Group) outlet

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### **A more structured partnership moving forward**

We appreciate the concern you have expressed in your letter that a productive and professional partnership is maintained between ALNA and Lotterywest. For our part, as the peak industry body we are committed to continuing to work in a productive way with business partners and to provide both professional and respectful representation to partners of our member's concerns on their behalf, as is our role.

We note in your letter Lotterywest's intent to discuss a more structured partnership arrangement with us. While this was not ultimately discussed in the meeting on August 30<sup>th</sup> due to time restraints, we are happy to have better understanding on both sides of our respective objectives and the scope of engagement.

To this end, I have taken the lead from your letter and written to Maree Brown, General Manager, Lottery Operations at Lotterywest yesterday about improving understanding between the parties and fostering a stronger partnership moving forward with Lotterywest. To achieve this, we believe it would be beneficial for the Australian Lottery and Newsagents' Association to add Lotterywest as a counterparty to our ACCC collective bargaining agreement, as we did when we included Tatts Lotteries (*The Lott and collective brands*) with their consent in 2015. This will allow for there to be a clearer structure and better understanding by both parties as to what we are seeking to achieve through our advocacy. We hope you will be supportive of this more structured approach.

### **Next steps**

Our members, along with most small businesses in WA are experiencing a moderate downturn in the economy after the mining boom. They need to ensure they are prepared, strong and sustainable and able to ride out any extended downturn. We are assisting them to ready their businesses, and the Government and Lotterywest need to be their partners in this too by ensuring this process doesn't disadvantage them at a time when they can least afford it.

As we have outlined, our members have serious concerns about the impact on their small businesses of proceeding with the Lotterywest RTP process and the minimalist signage strategy as they stand, given the implications of these on their ongoing viability.

Lottery retailers do not believe that there has been appropriate recognition of their overall concerns on these issues, as there does not appear to be an appreciation of the need to set more realistic limitations on the required investments they are making for the RTP process, or to better position the signage strategy to meet customers' needs.

Due to these concerns, we have suggested to members they consider deferring any planned shop fits until these issues can be more fully resolved. This is of course a suggestion only and it will be up to each member to make their own decision on that issue.

As outlined, our members have a range of issues and have asked for us to raise these with you directly to ensure appropriate outcomes.



In summary:

- The overall cost of the RTP strategy is excessive and needs to be reviewed in relation to achieving the desired outcome and its affordability for retailers, especially when there is no guarantee that there will be a sufficient increase in retail sales growth to ensure that retailers breakeven.
- The minimalist signage strategy also needs to be reviewed to ensure it adequately meets customers' needs and has the necessary impact our members require in a competitive retail environment.

Consequently, our members have asked us to request from you that the RTP process and signage strategy be suspended temporarily, and that we invite you as Minister responsible, with Lotterywest management, to meet WA lottery agents on Tuesday the 1<sup>st</sup> of February at Crown Perth – Astral Room at 10:30am, to respectfully discuss solutions to these challenges.

Our members genuine desire is that the RTP can ultimately be achieved with realistic investments by our members and a more effective signage program and that we can all quickly move forward.

We look forward to your positive response.

**On behalf of ALNA members in Western Australia**

Yours sincerely,

**Sarah Garvey**

**WA General Manager**

Australian Lottery and Newsagents' Association

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**NOTE:** *The Australian Lottery and Newsagents' Association (ALNA) is a recent rebrand and refresh of the Australian Newsagents' Federation (ANF) identity.*

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