




M E M O R A N D U M

Date: June 29, 2023

To: California State Lottery Commission

From: Alva V. Johnson, Director 

Prepared by: Jim Hasegawa, Deputy Director
Business Planning and Research

Subject: Item 9(b) – Fiscal Year 2023-24 Business Plan

ISSUE

The California State Lottery (Lottery) operates on a July 1-June 30 Fiscal Year (FY). Each year, the Lottery develops a Business Plan (Plan) that encompasses the objectives and tactical details for the upcoming year that are aligned with our strategic direction and needed to support the sales goals in the fiscal year budget.

BACKGROUND

The strategic directions presented in agenda item 9a include:

- Expand Scratchers sales by removing barriers to play among infrequent players
- Grow Draw Game sales particularly in Jackpot Games and Hot Spot
- Explore new ways to expand and utilize the Lottery's strong retail network
- Continue to improve knowledge and perceptions about the Lottery

The proposed tactics and programs that will be executed during the upcoming year are outlined in the FY 2023-24 Plan. Through these efforts, the Lottery will be able to achieve its strategic objectives.

DISCUSSION

The objectives in the FY 2023-24 Plan are the same four business objectives outlined in the strategic direction. These objectives are supported by a combination of multi-year projects and new tactics proposed for the upcoming year.

The Plan includes a few programs tied to revenue growth in the upcoming fiscal year while other initiatives occurring in FY 2023-24 are the first steps in a multi-year effort that will enable sales growth in the future.

While examples of the long-term efforts were outlined in the Strategic Directions discussion, the specific items to illustrate the progress that will be made in FY 2023-24 towards achieving these objectives will be presented here.

Expand Scratchers sales by removing barriers to play among infrequent players

The Scratchers product plan for FY 2023-24 will again include 53 new games being introduced over the 12 months. A mix of themes to appeal to the various Scratchers player segments will continue. This includes some special games designed particularly for the casual player that include the use of licensed properties.

At the May meeting, the positive impact of the marketing efforts to reposition the Scratchers category was presented. In the upcoming year, the Plan continues the marketing effort with new executions being developed to continue evolving the campaign.

The upcoming year will include developing a feasibility study for a pilot program that would convert a select number of self-service machines to accept cashless payments, such as debit cards. One of the key aspects to this pilot is the assessment of the program's financial implications such as estimating the incremental sales generated along with debit card use that merely replaces existing sales but adds costs through the transaction fee. The pilot would ensure that a statewide rollout would maximize contributions to education.

Grow Draw Game sales particularly in Jackpot Games and Hot Spot

A key initiative under this objective will be completed in the first half of the upcoming fiscal year. This involves enhancements to the Hot Spot prize structure. These changes are projected to increase the game's sales by \$25 million next fiscal year. This modification to the Hot Spot prize structure will be presented for the Commission's consideration as agenda item 9f at this meeting.

The multi-year project to sell Draw Game tickets in the lane of a supermarket or other large, multi-lane retailer will begin in FY 2023-24. The first phase to implement this in-lane solution involves integrating the application programming interface developed through a coordinated effort by lotteries and all vendors with the Lottery's gaming system. The first phase will also involve a retail component, which will be described under the Plan's third objective.

The Mega Millions consortium has been researching a change to the game, and a decision is anticipated soon so that work could begin in the upcoming fiscal year on that implementation effort.

Explore new ways to expand and utilize the Lottery's strong retail network

As part of phase 1 of the In-Lane project, a retail partner is slated to be identified. This partner will have the first locations offering ticket sales through this new solution. The retail partner must be identified before phase 2 of the project can begin since the Lottery must understand the retailer's point-of-sale system in order to develop the scope of work associated with this phase.

As part of a separate retail initiative, one step slated for the upcoming fiscal year is to identify the key barriers hindering retailers from joining the Lottery retail network and begin to develop potential solutions to overcome these barriers.

Continue to improve knowledge and perceptions about the Lottery

The ever-important initiative to communicate to the public and key stakeholders about the Lottery will continue. This includes expanding efforts to add paid media vehicles along with owned media as part of the coordinated effort to educate Californians about the Lottery and its mission and operations.

RECOMMENDATION

Lottery staff recommends that the California State Lottery Commission approve the proposed FY 2023-24 Business Plan.