

COMMISSION AGENDA ITEM

Item 9(d) – FY 2024-25 Business Plan



Date: June 27, 2024

To: California State Lottery Commission

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Director

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Subject: Item 9(d) – FY 2024-25 Business Plan

ISSUE

Each fiscal 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 Lottery's long-term strategic directions were approved by the California State Lottery Commission (Commission) in June 2023. The four objectives were:

- 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 fiscal year are outlined in the FY 2024-25 Business Plan. Through these efforts, the Lottery will be able to achieve its strategic objectives.

DISCUSSION

The FY 2024-25 Plan not only includes the four business objectives from the Lottery's strategic direction but also adds a fifth objective: "Complete planning and begin celebrating the Lottery's 40th Anniversary". All five objectives and their related tactics support financial objectives for the

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fiscal year that post the highest sales and largest contribution to education that have ever appeared in any Lottery budget. The Plan also includes initiatives that can continue this trend and help grow sales in future years.

Complete planning and begin celebrating the Lottery's 40th Anniversary

Although the Lottery began selling tickets on October 3, 1985, the Lottery will extend the celebration using the year 2025 to mark the occasion. At the end of January 2025, a 40th Anniversary Scratchers game will be launched to introduce the \$40 price point. In addition, a \$2 game will also have the 40th anniversary theme with sales starting at the same time as the \$40 ticket. During the year, other Scratchers games will be introduced periodically supporting the anniversary theme by bring back prior fan favorites. Other marketing initiatives for consumers along with tactics for Lottery retailers and other stakeholders will likely be planned for 2025.

Expand Scratchers sales by removing barriers to play among infrequent players

The successful Scratchers Category Repositioning Efforts will continue in FY 2024-25. This total program involves not just advertising but includes diversifying the product mix offered at retail and communicating the fun and play value of Scratchers across all touchpoints.

The upcoming year will include planning for a future pilot program that would enable a select number of self-service machines to accept debit card payments. Having cash as the only way to purchase tickets restricts play and is often cited by casual players as a barrier for buying lottery tickets.

Grow Draw Game sales particularly in Jackpot Games and Hot Spot

The Mega Millions consortium has been assessing modifications to its game, and a decision is anticipated soon so that work could begin in the upcoming fiscal year on that implementation effort. Analyses to review other Draw Games in the Lottery's portfolio will occur to identify enhancements that could generate additional sales while minimizing the impact to staff resources.

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

Retail recruitment efforts at growing the number of locations selling tickets and diversifying the type of stores in the network will continue in the upcoming year. For existing retailers, a key example of the work under this objective includes piloting the installation of new digital signage to improve the visibility and promotion of the Lottery at retail. Research has shown that many players (particularly infrequent ones) often make purchases of Lottery tickets after something triggers or reminds them to play when in a store.

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Continue to improve knowledge and perceptions about the Lottery

This important initiative to educate Californians about the Lottery and its mission will expand in FY 2024-25. The use of paid media vehicles began in FY 2023-24 to create a larger, coordinated effort that also continued to use owned media and earned media in the press.

Finally, in addition to all of the initiatives supporting these five objectives, there are dozens of projects to bolster the Lottery's infrastructure that need to support the growing sales volume and larger retailer network, to improve the player and retailer experience, and to make internal operations more effective and efficient.

RECOMMENDATION

Staff recommends that the Commission approve the Lottery's FY 2024-25 Business Plan.