



# **Draft FY 2022-23 Business Plan**

Informational Item Presented to  
California State Lottery Commission  
May 26, 2022

# Presentation Outline

- Strategic Objectives as Background
- Highlights from the Business Review
- Proposed Objectives for the FY 2022-23 Business Plan



# Six Strategic Objectives

- Overall Goal: Surpass \$2 billion in contributions to public education
- Modify operations to ensure health and safety and to recover from depressed sales
- Revisit retail strategies to adapt to the new consumer preferences
- Grow Draw Game sales particularly Jackpot Games and Hot Spot
- Defuse the barriers to play by changing consumer perceptions
- Better inform the Public and Stakeholders about the Lottery
- Transform the Corporate Culture in the Lottery organization

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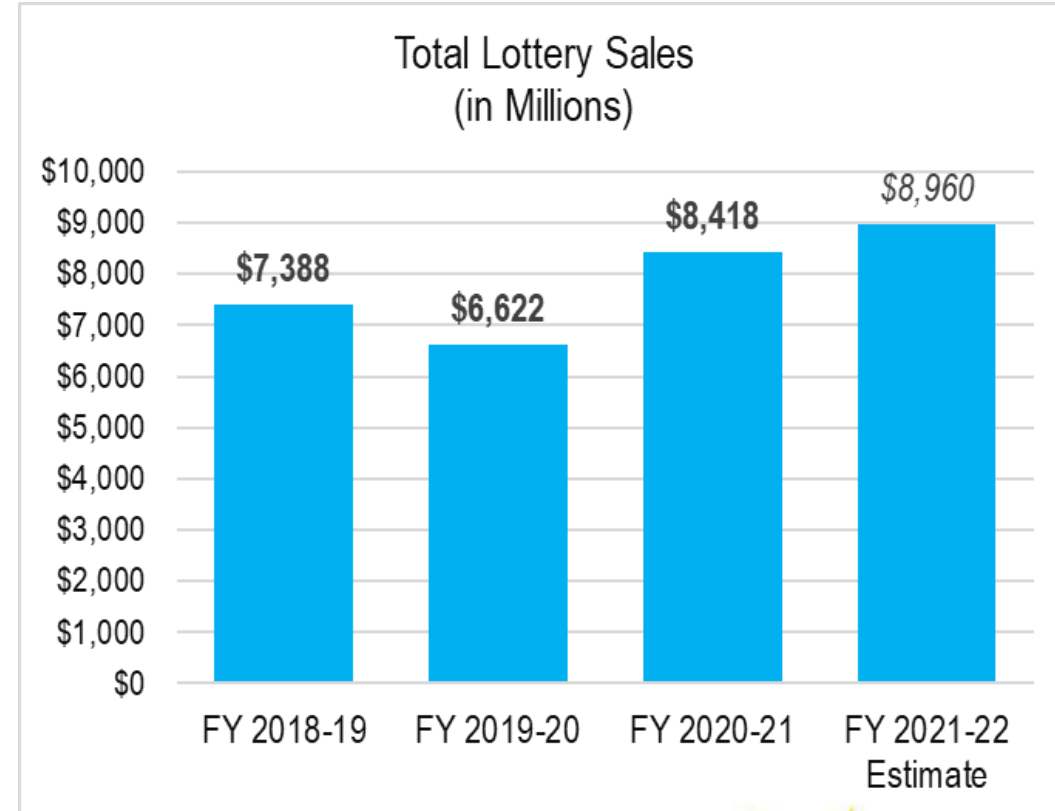
# Highlights from the Business Review

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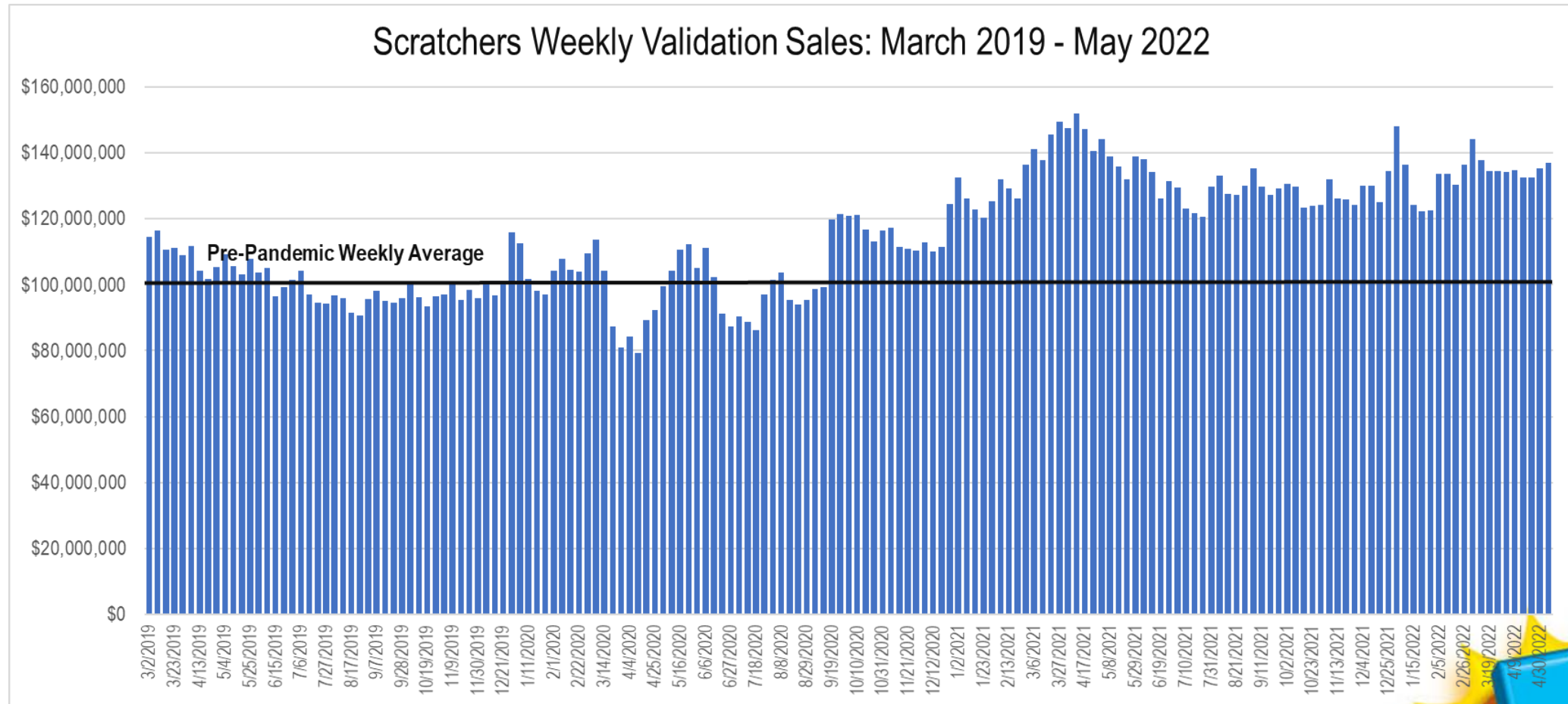


# Lottery Sales by Fiscal Year

- FY 2018-19 saw record sales and contributions to education
- FY 2019-20 had lower sales due to a combination of the pandemic and historically fewer big jackpots
- The last two fiscal years have seen tremendous growth – with sales totals far exceeding pre-pandemic levels
- Scratchers led growth but many other products also saw large gains in sales



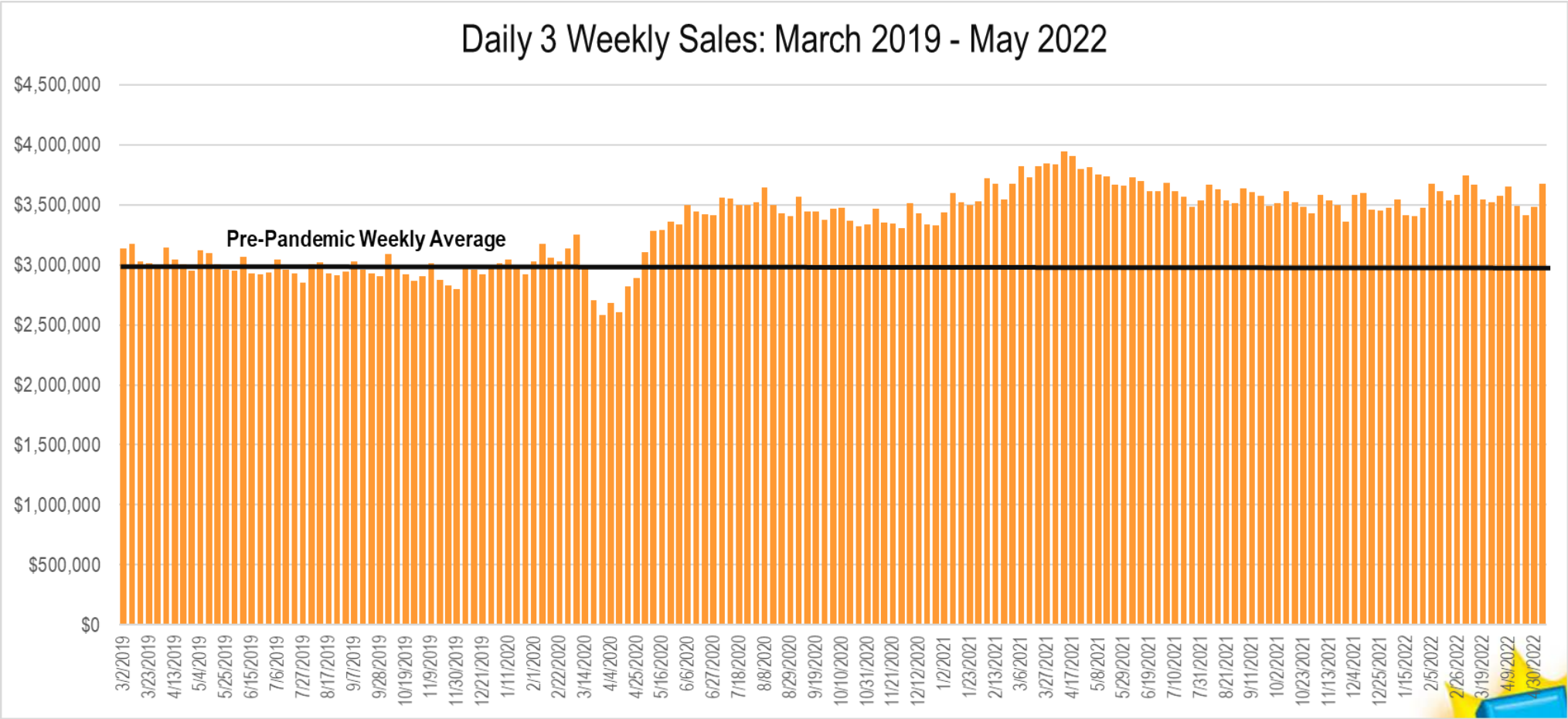
# Scratchers: Over \$20 MM drop in sales as pandemic starts; After Jan 2021 sales soar to new heights



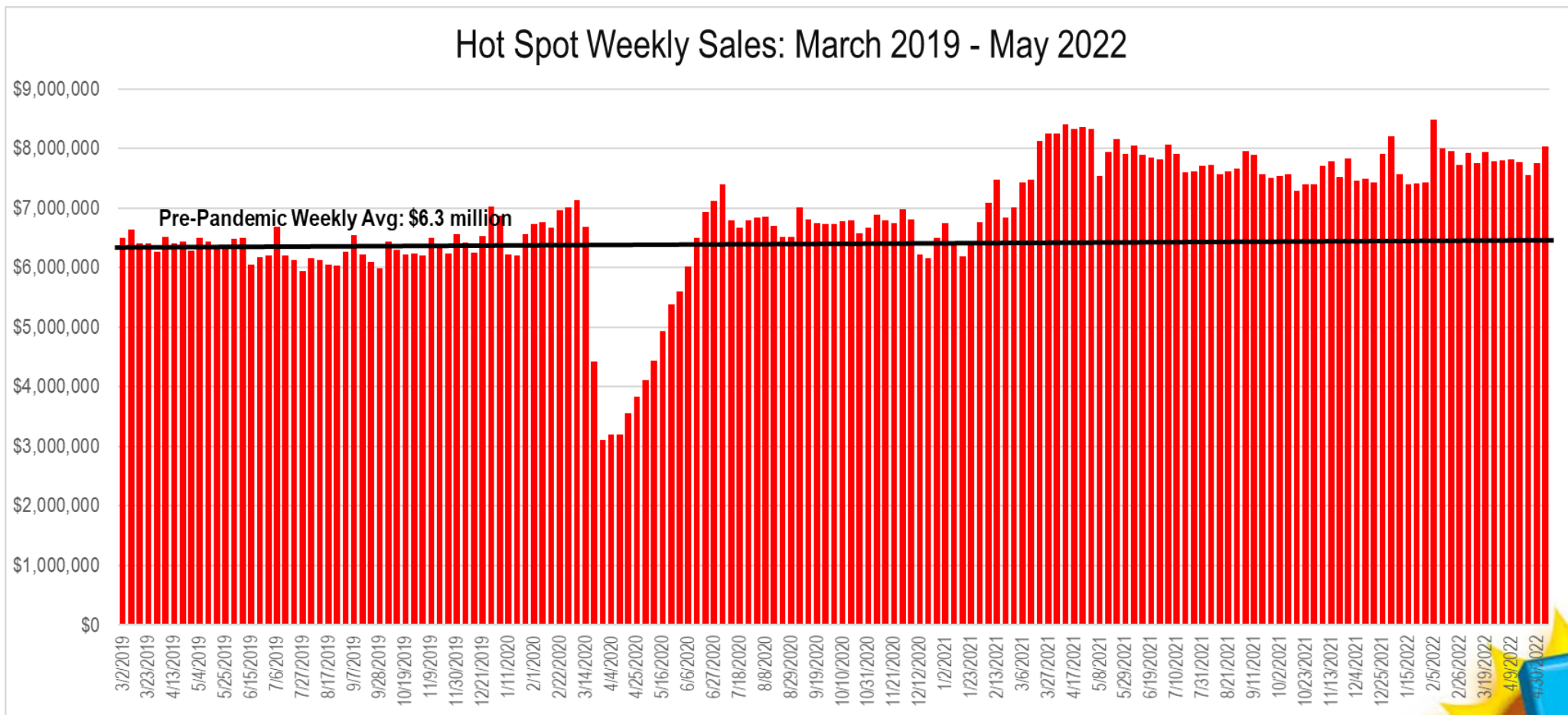
Source: Validation Sales from BIBA

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# Daily 3: Quick recovery to sales decline

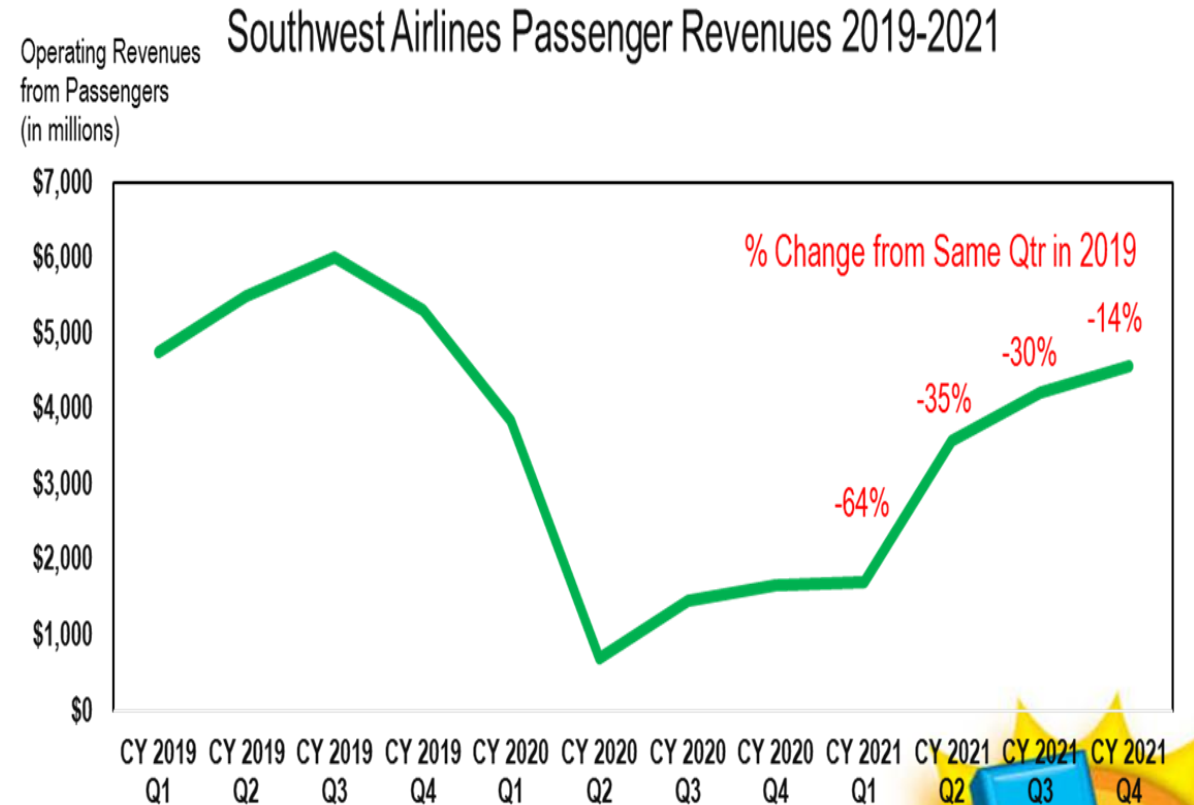
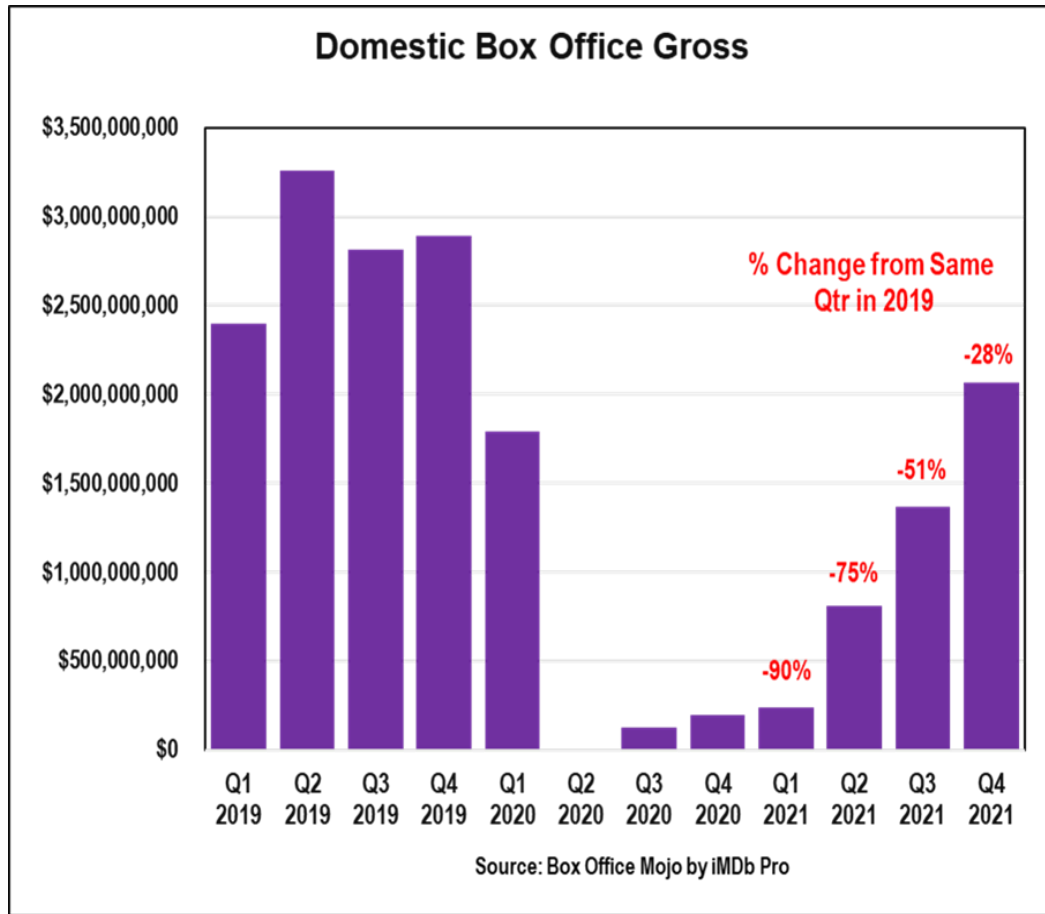


# Hot Spot: Most severe pandemic-related decline but recovered by late June



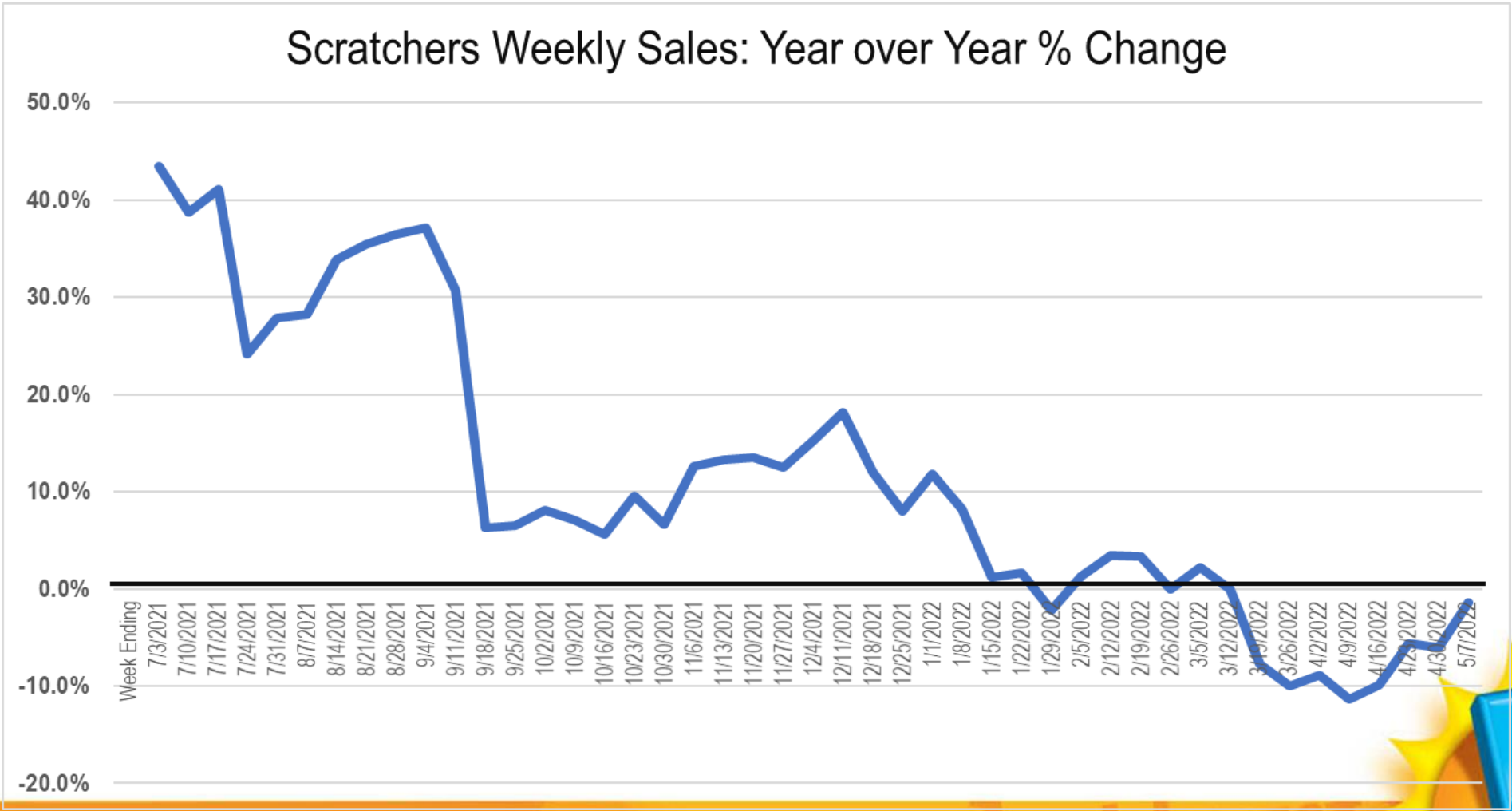


# Revenue in other Leisure and Entertainment categories saw sharper declines and longer recoveries



Sources: Southwest Airlines Condensed Consolidated Statement of Income from their website and Box Office Mojo by IMDb Pro

# As the pandemic subsides and consumers feel comfortable returning to certain leisure activities, Lottery sales fall below 2021 levels

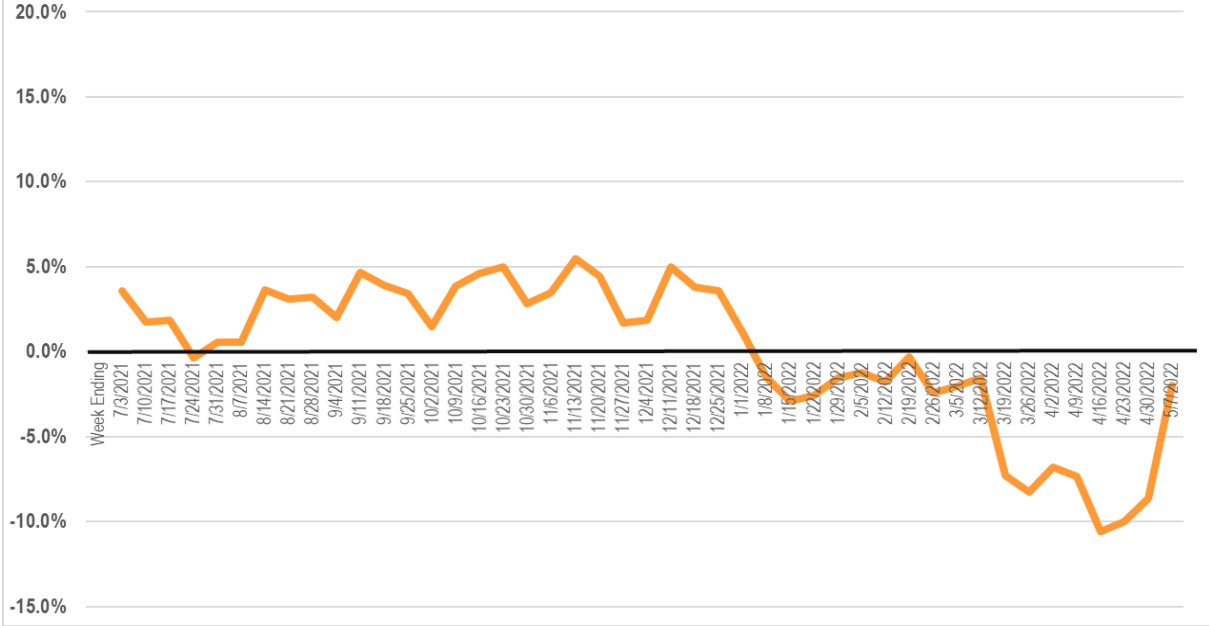


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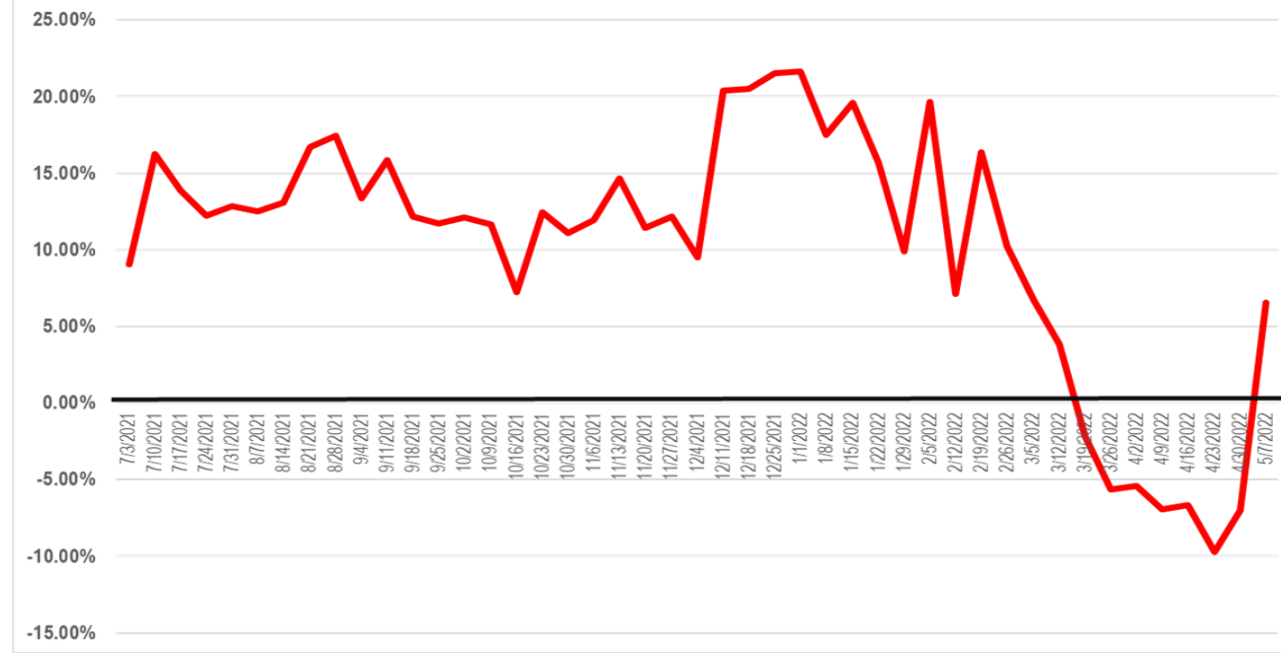


# More examples from Daily 3 and Hot Spot

Daily 3 Weekly Sales: Year over Year % Change

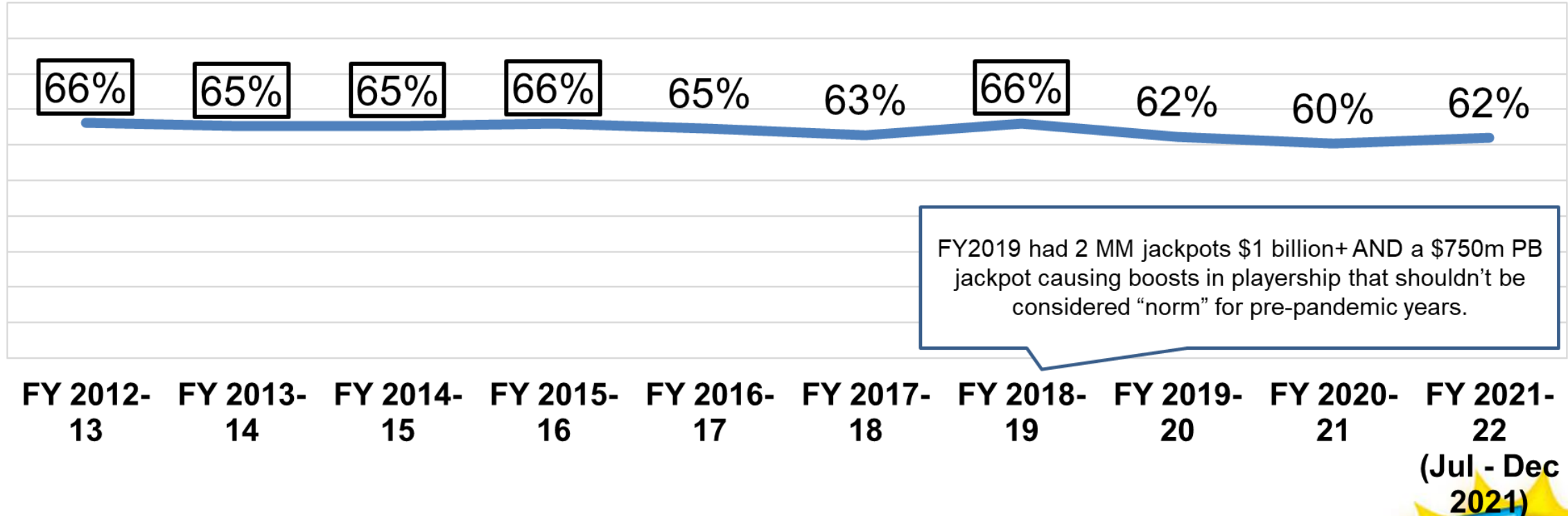


Hot Spot Weekly Sales: Year over Year % Change



# Overall Lottery Playership Rebounds

% of Past Year Lottery Players (Any Game) by FY

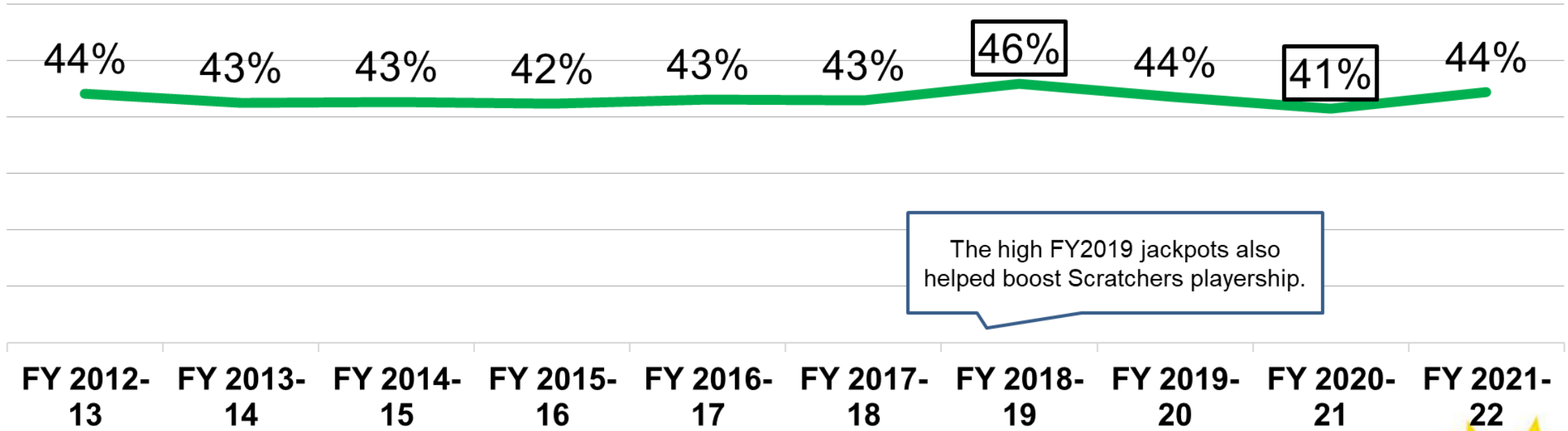


Source: Communications Effectiveness Tracking Study



# Scratchers Playership Increases to Pre-Pandemic Levels

Scratchers Playership Over Time



The high FY2019 jackpots also helped boost Scratchers playership.

(Jul - Dec 2021)

Source: Communications Effectiveness Tracking Study

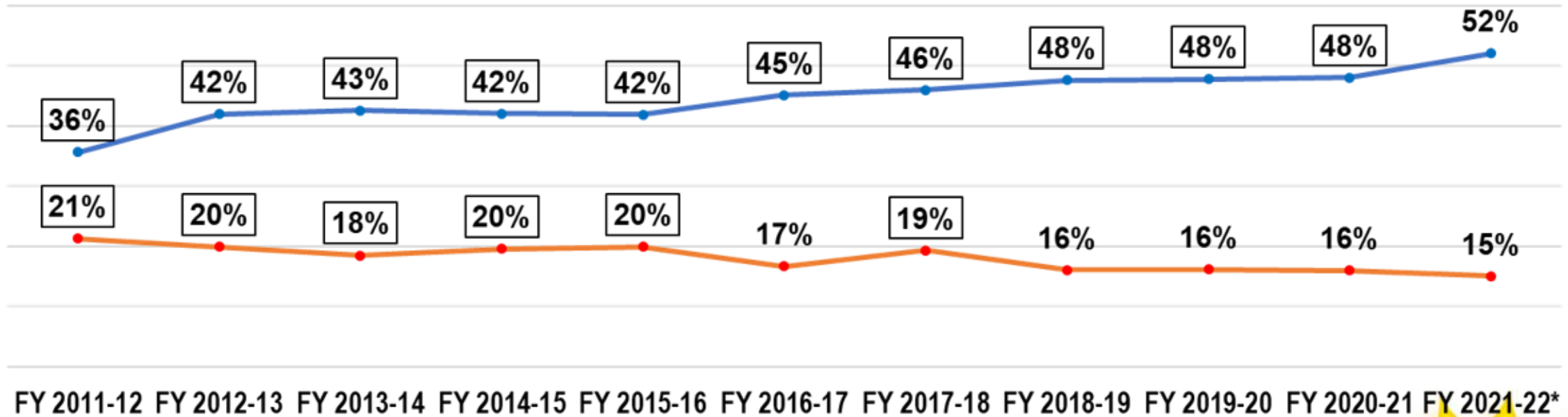


# Overall Perception Has Improved

## Yet Only Half of All CA Adults have Positive Impressions

Overall Perception of the Lottery Has Improved

Very/Somewhat Positive    Very/Somewhat Negative



\*\*FY 2021-22 data is only from July –Dec 2021

Source: Communications Effectiveness Tracking Study, multiple years

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# Assessment of Key Programs in FY 2021-22

## 3 Draws per week for Powerball:

- Weekly sales averaged a 23% increase (when jackpots were under \$250 million)
- With larger jackpots, weekly sales increased just 3%, on average
- Jackpots can roll to meaningful levels more quickly
- There does not appear to be any negative impact on Mega Millions sales



# Assessment of Key Programs in FY 2021-22

**A LITTLE PLAY CAN MAKE YOUR DAY**

## Scratchers Brand Repositioning Campaign:

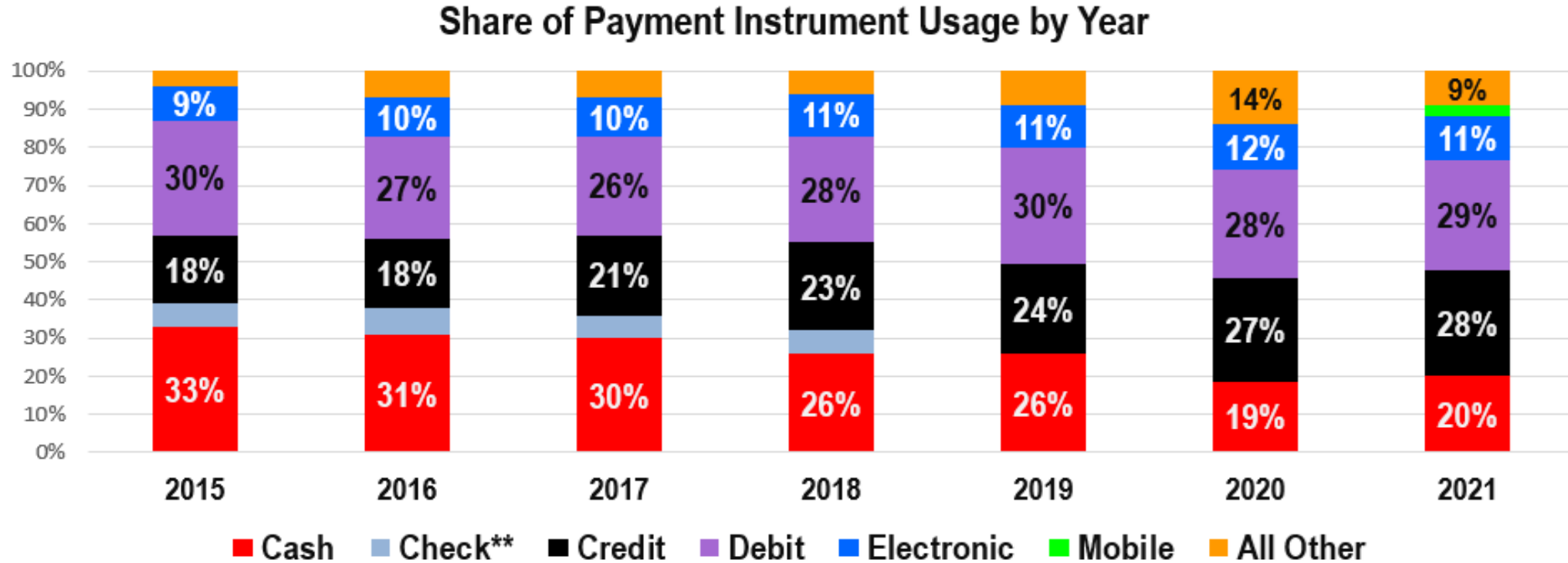
- 2 key measurement tools have been used to assess the effort
- Post-campaign testing found high levels of ad recall; and those remember the ad show positive impacts to their top-of-mind awareness, interest and perceptions of Scratchers.
- Key Brand perceptions in the Communications Effectiveness Tracking Study have not yet shown statistically significant gains; yet this was anticipated with only 5 months into this effort

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# About 80% of Consumer Payments don't use cash



Source: 2022, 2021, 2019 and 2018 Reports from the Diary of Consumer Payment Choice, Federal Bank of San Francisco

# The Outlook for FY 2022-23

- While work towards longer-term objectives and strategies is important, there is a need for more immediate action to help the Lottery compete for the entertainment dollar. This can help minimize any sales declines.
- As many priorities involve multi-year efforts, a need for better assessment of initiatives is required to determine which efforts maximize dollars for education. However, this must be a balanced approach so that the analysis doesn't paralyze the organization.

# Objectives for FY 2022-23

- Maintain Scratchers interest and play in view of increased competition for the entertainment dollar
- Focus efforts to reinvigorate retail
- Create opportunities to grow sales of Draw Games particularly Jackpot Games and Hot Spot
- Defuse barriers to play by continuing to improve knowledge and perceptions about the Lottery
- Transform and modernize the Lottery

