



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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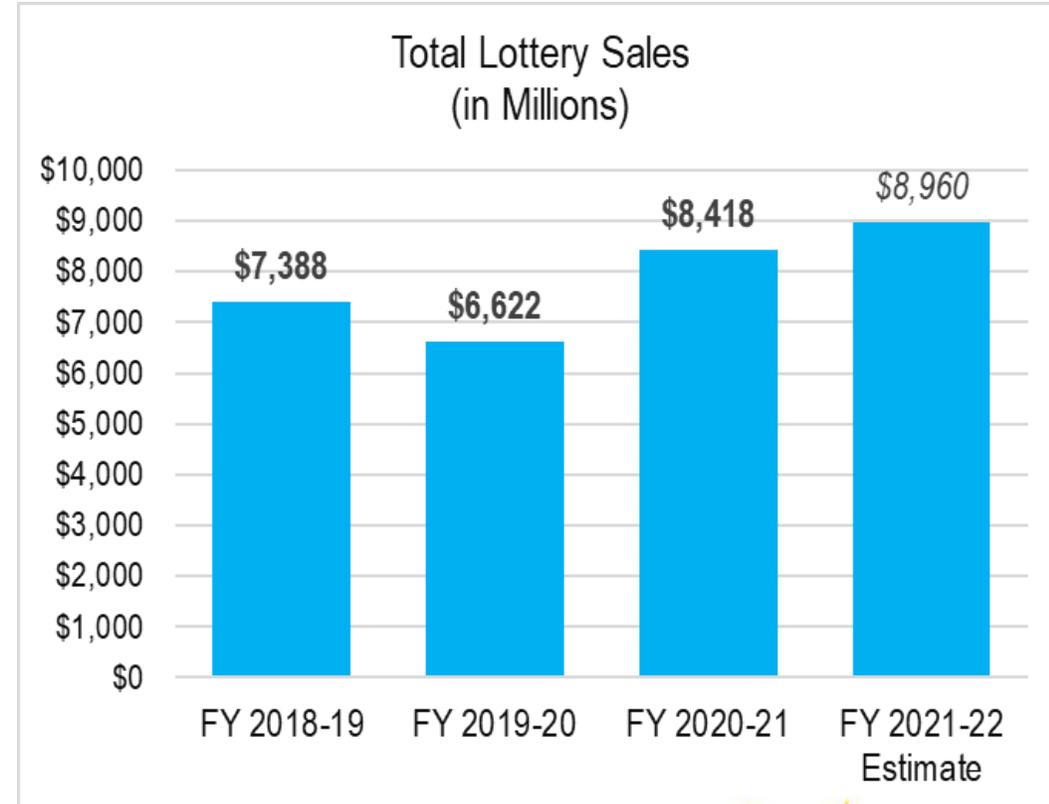
Highlights from the Business Review

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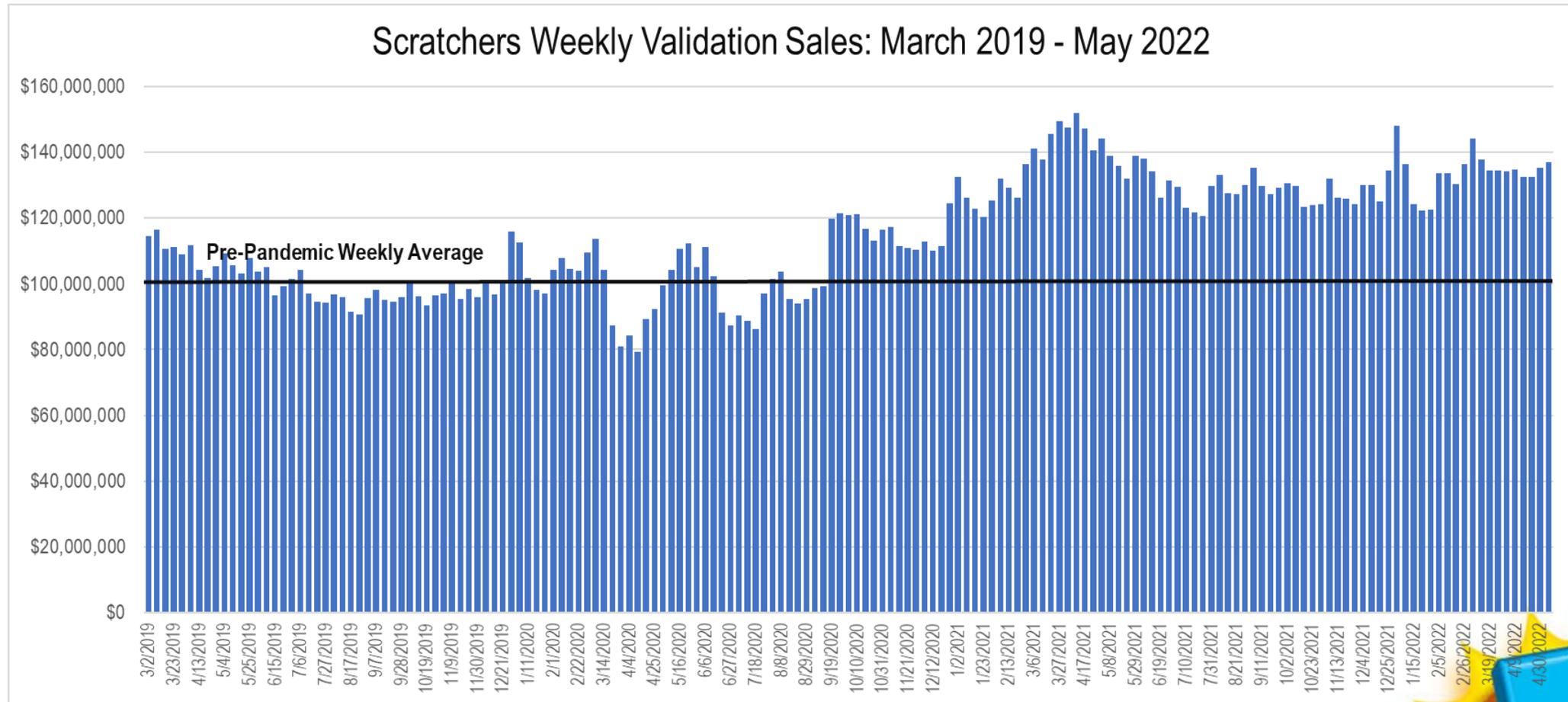


Lottery Sales by Fiscal Year

- 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



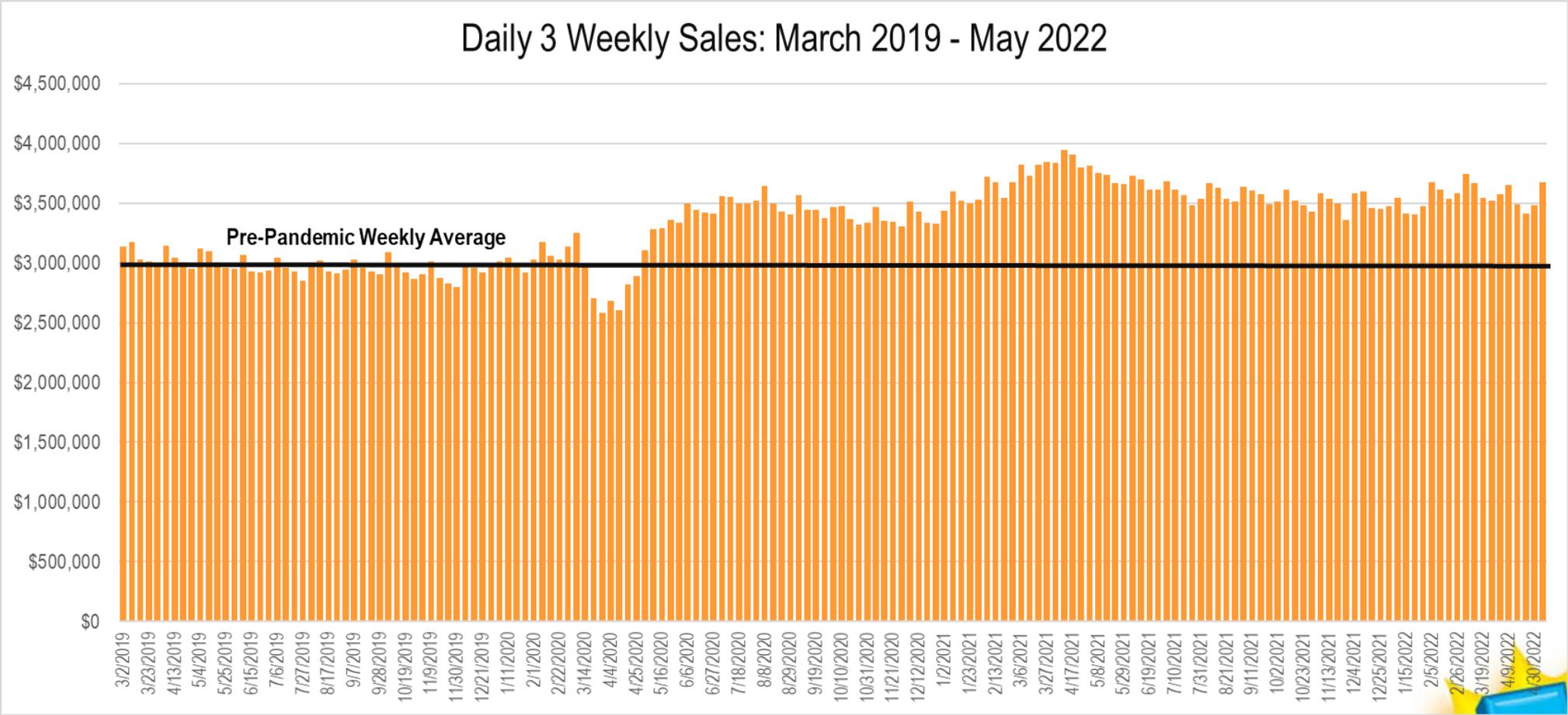
Scratchers: Over \$20 MM drop in sales as pandemic starts; After Jan 2021 sales soar to new heights



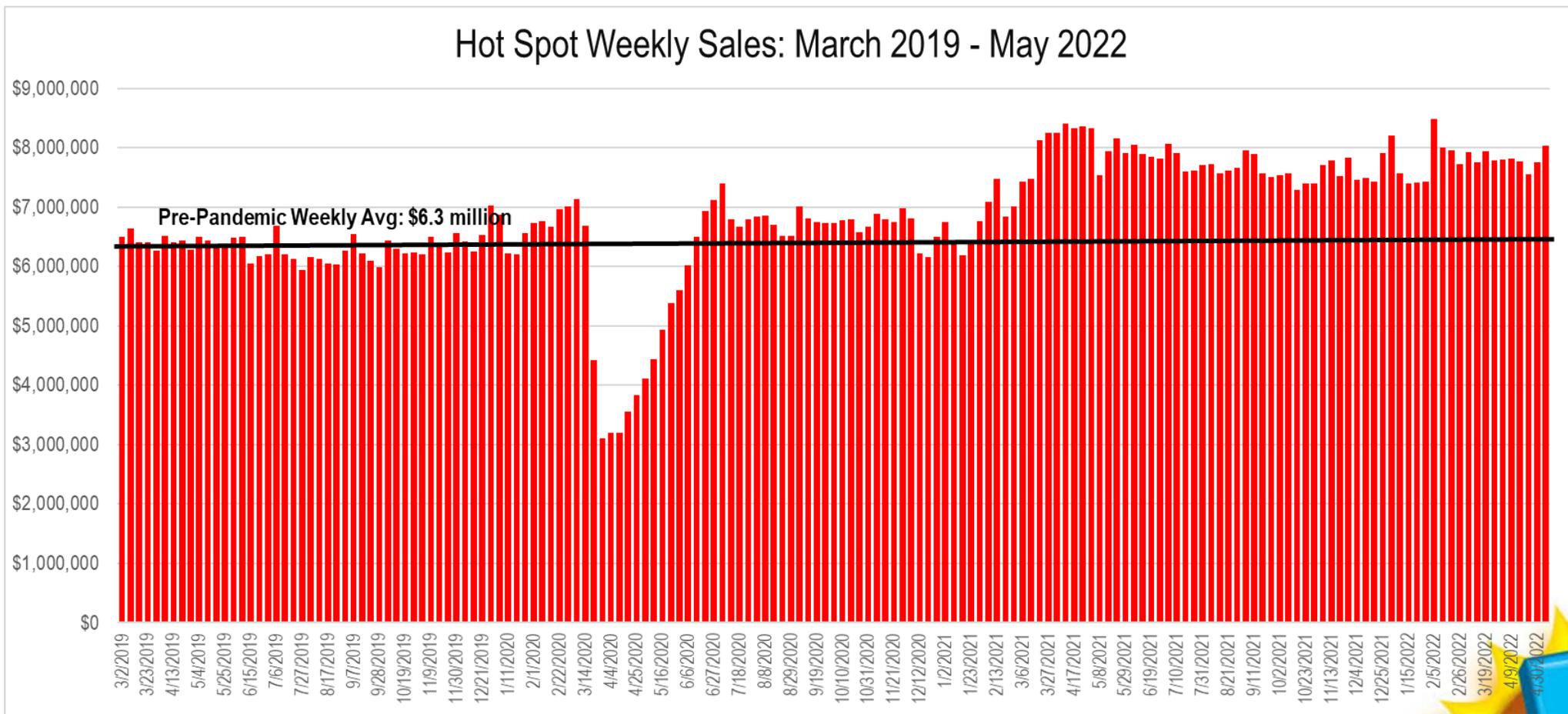
Source: Validation Sales from BIBA

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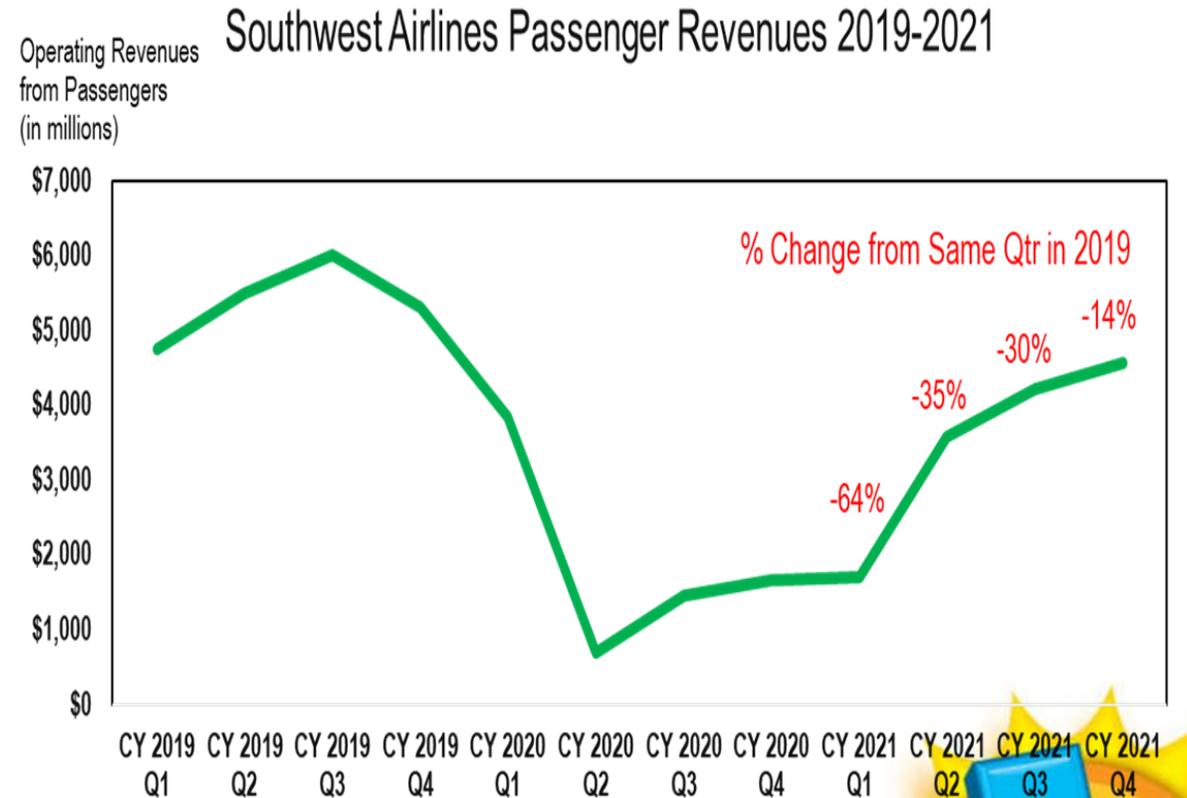
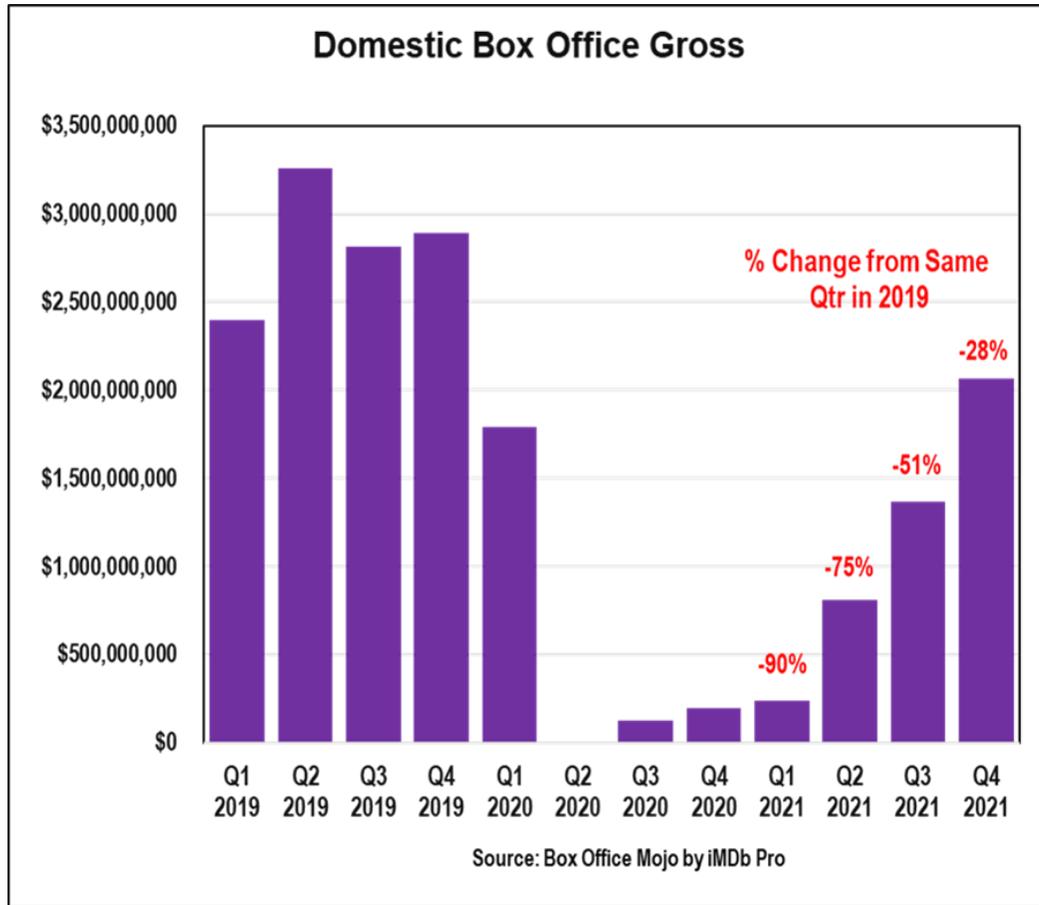
Daily 3: Quick recovery to sales decline



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

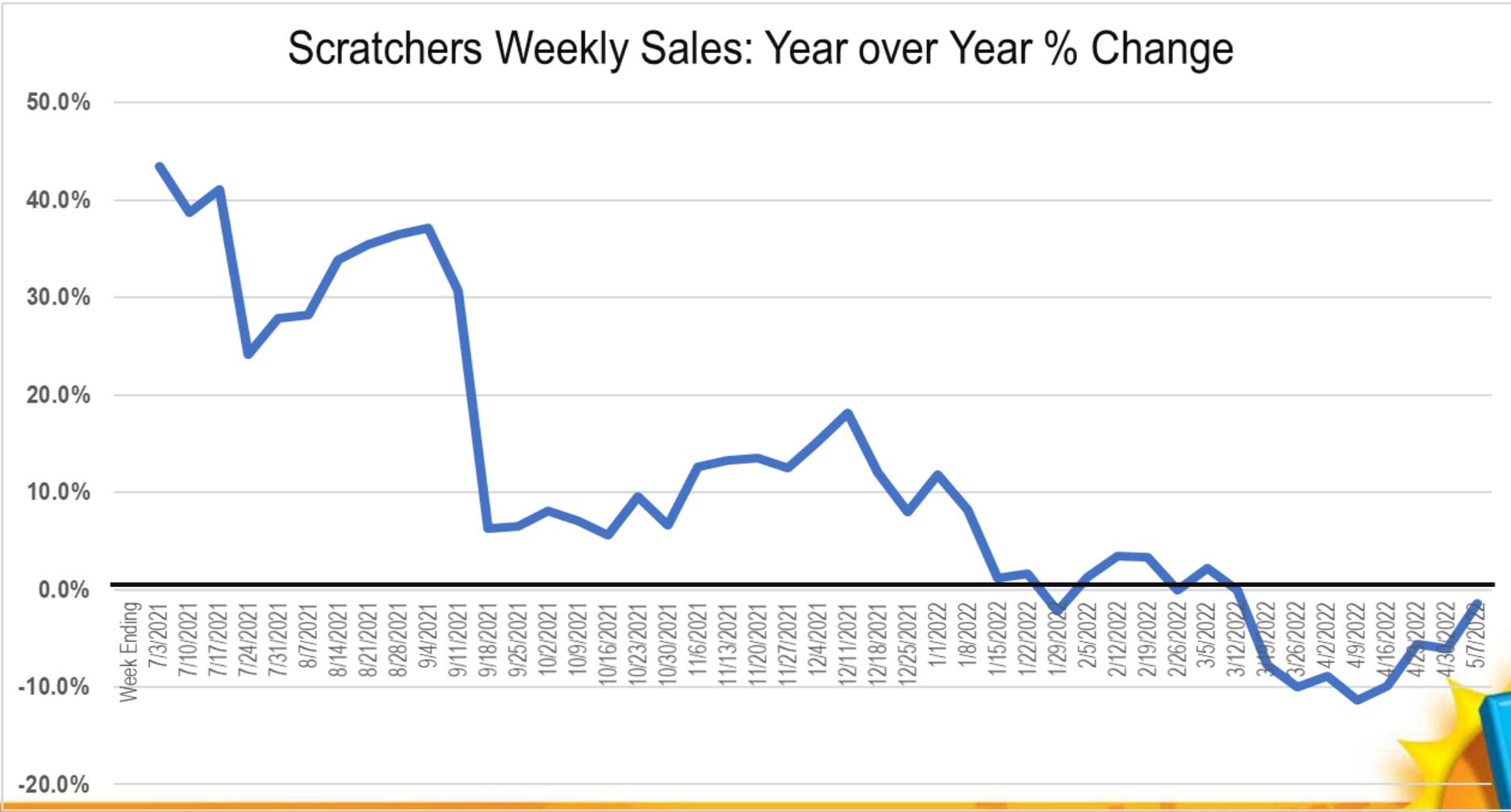


Revenue in other Leisure and Entertainment categories saw sharper declines and longer recoveries

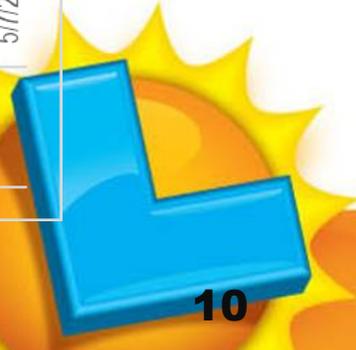


Sources: Southwest Airlines Condensed Consolidated Statement of Income from their website and Box Office Mojo by IMDb Pro

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

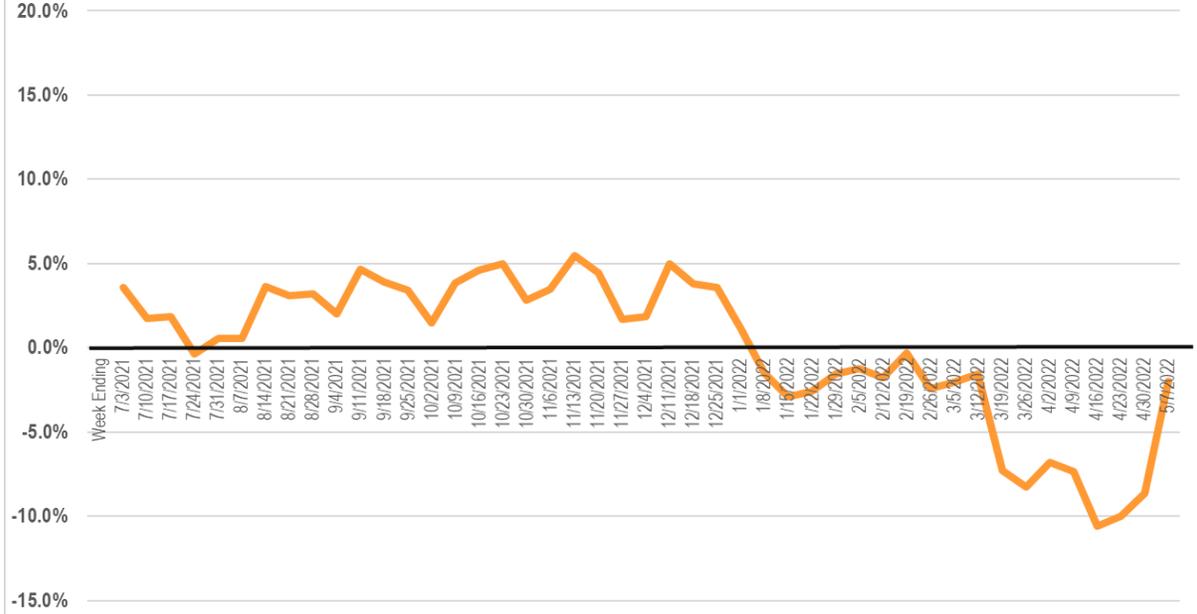


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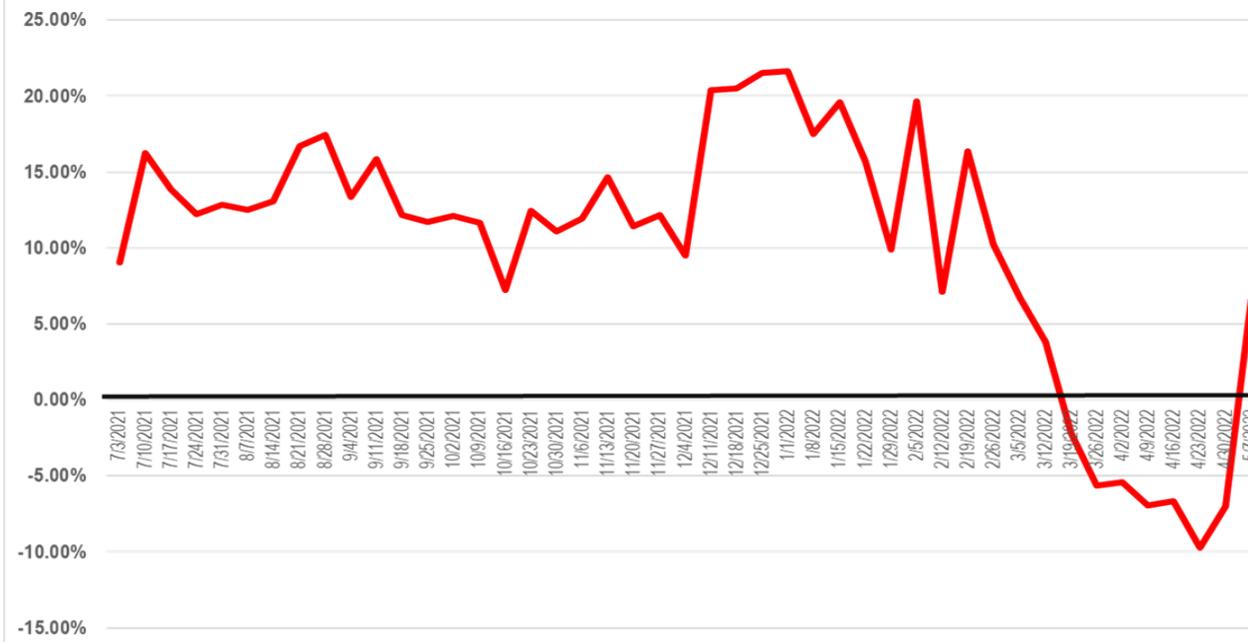


More examples from Daily 3 and Hot Spot

Daily 3 Weekly Sales: Year over Year % Change

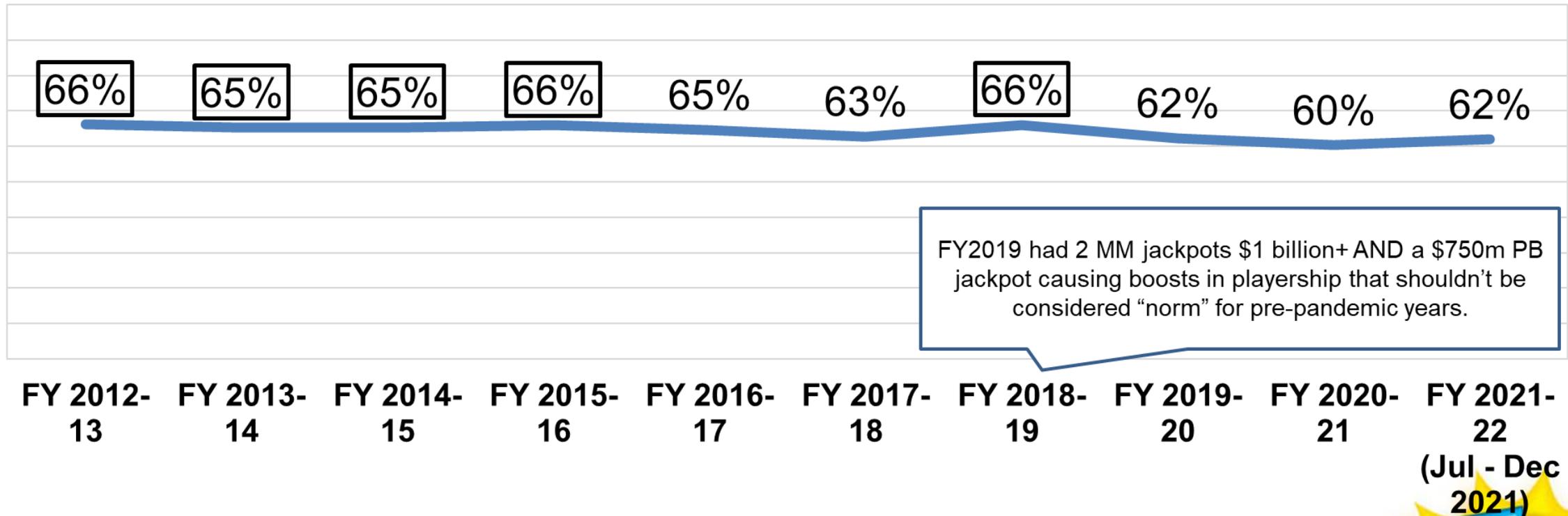


Hot Spot Weekly Sales: Year over Year % Change



Overall Lottery Playership Rebounds

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

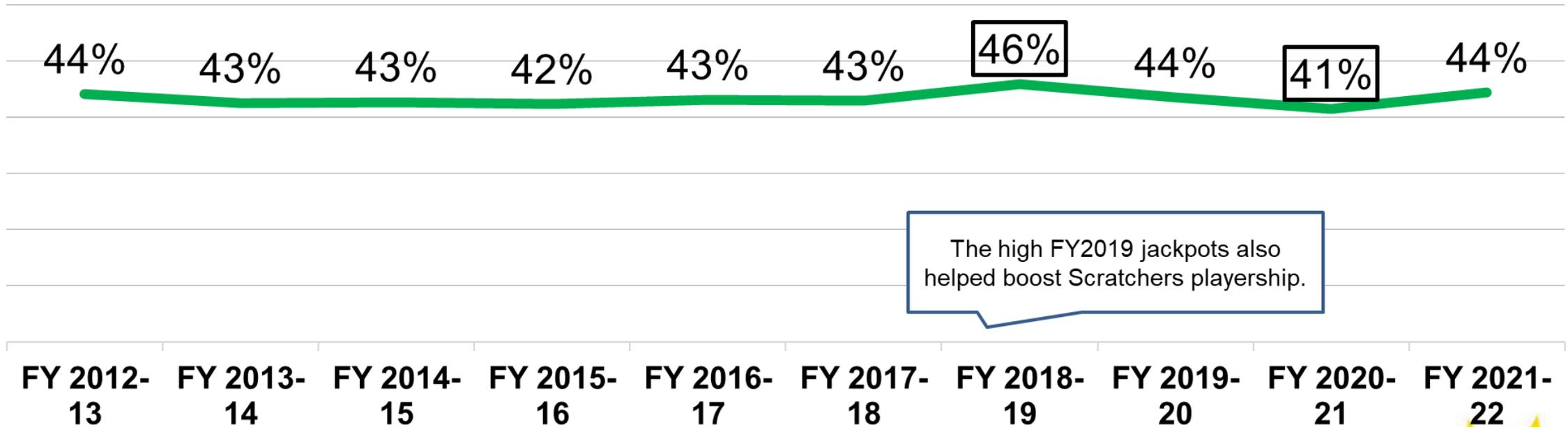


Source: Communications Effectiveness Tracking Study



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

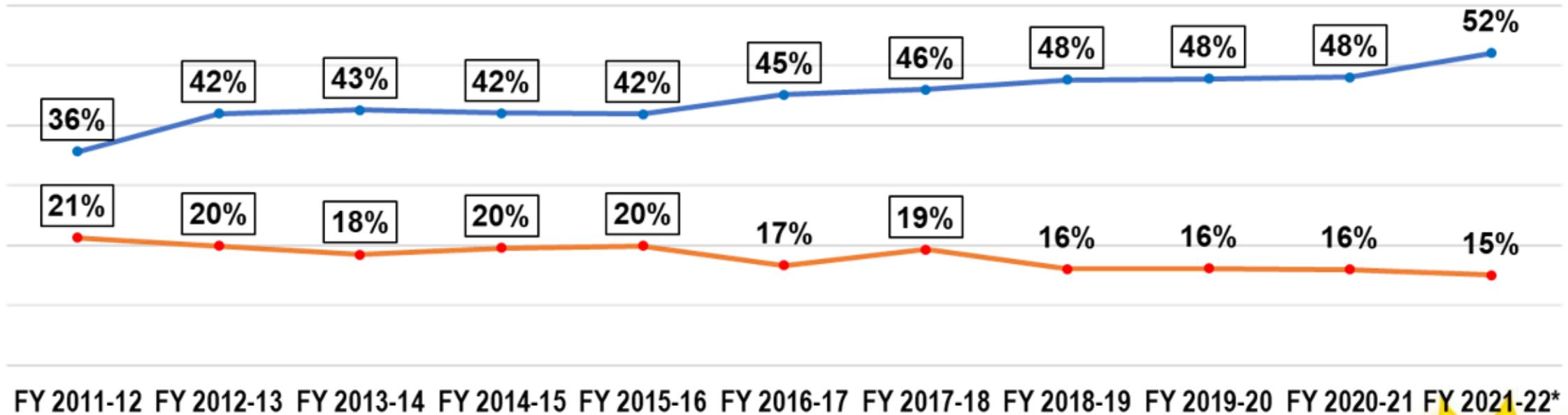


Overall Perception Has Improved

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

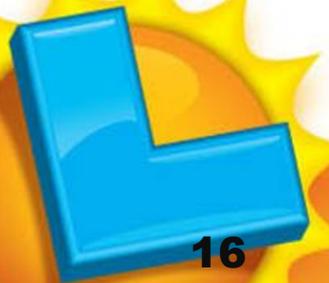


Assessment of Key Programs in FY 2021-22

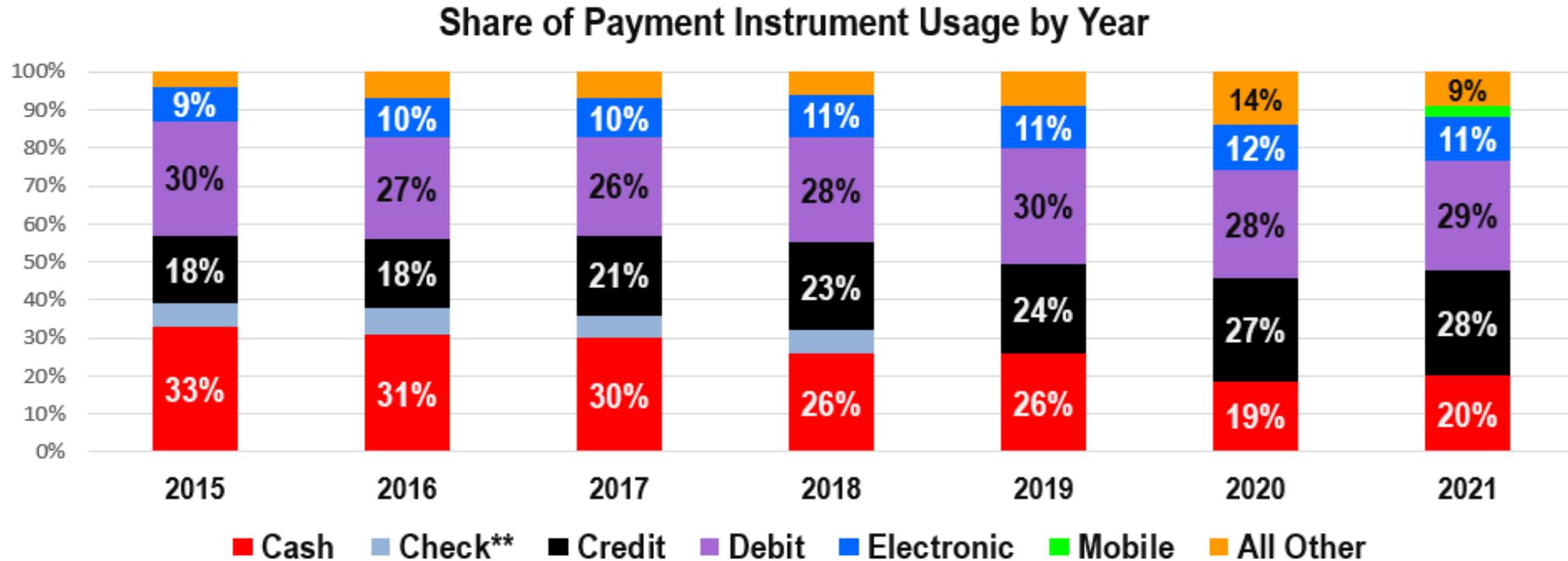
A LITTLE PLAY CAN MAKE YOUR DAY

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



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

