



# **Draft FY 2024-25 Business Plan**

Informational Item xx  
Presented to  
California State Lottery Commission

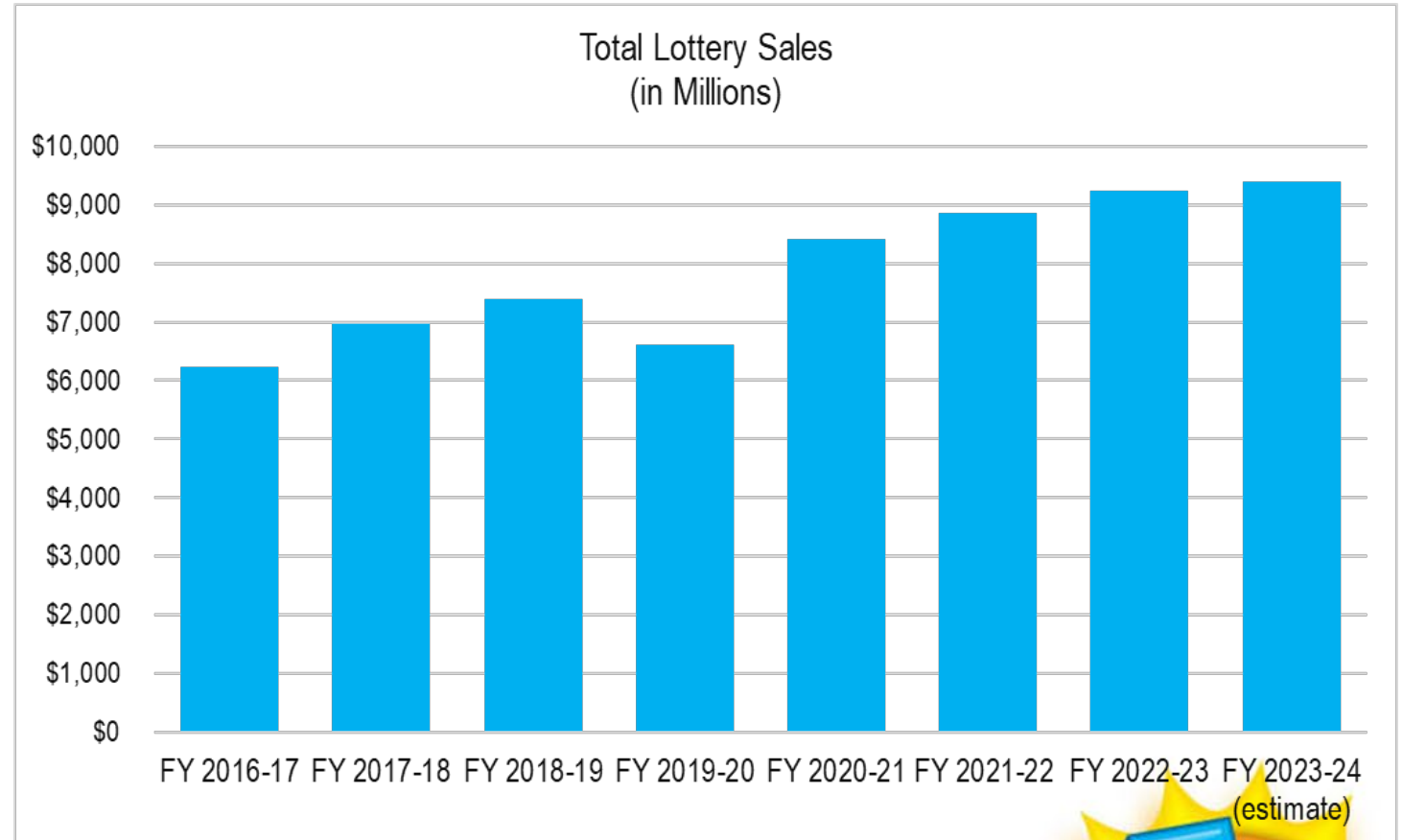
# Scope of Today's Presentation

- Recap from current fiscal year
- Other Insights from a review of the business that help drive the objectives and strategies in the Business Plan
- Proposed Objectives for the FY 2024-25 Business Plan and beyond
- Details of the Tactics to support these objectives will be provided as part of the June presentation

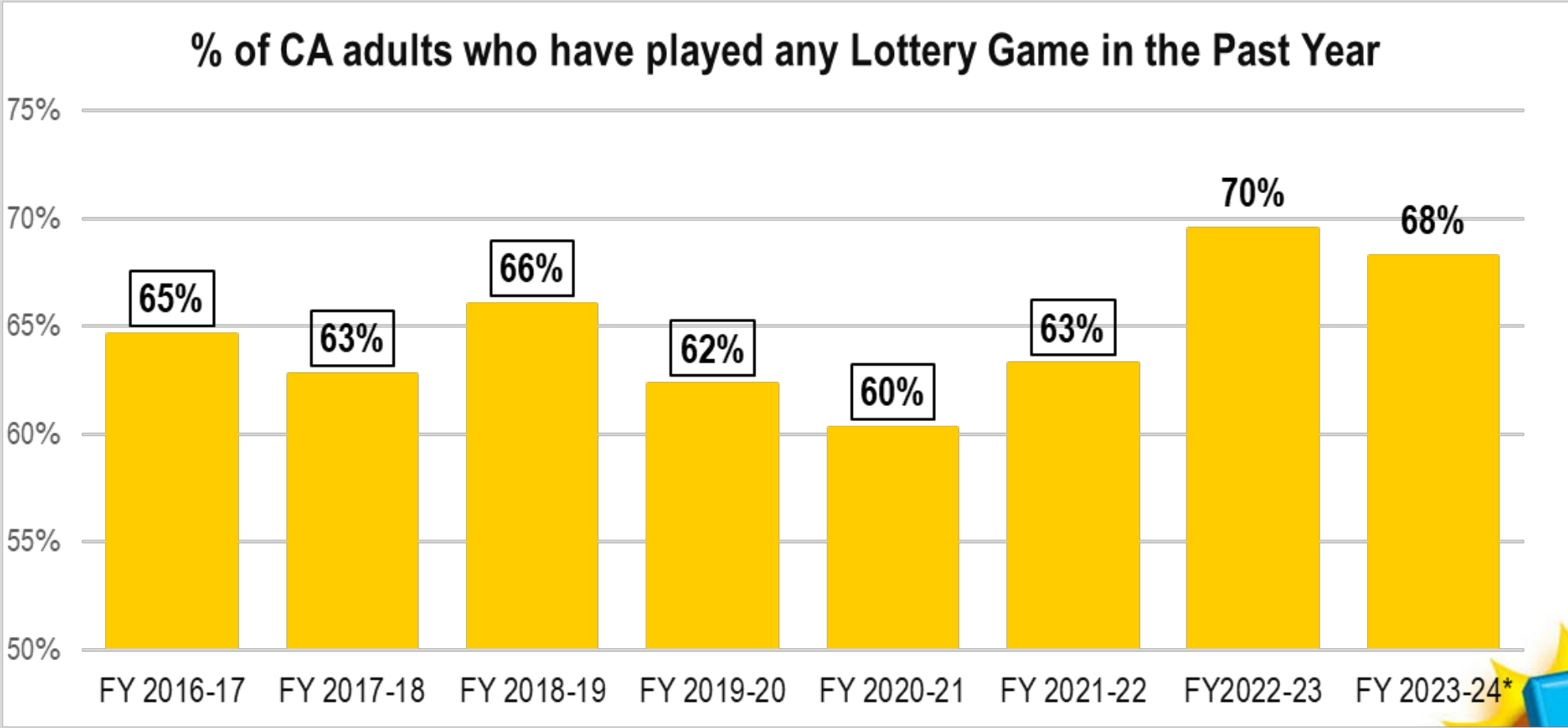


# Lottery Sales by Fiscal Year

- The current year is on pace to set yet another sales record!
- The last four fiscal year have seen sales far exceed pre-pandemic levels



# Lottery playership continues at high levels



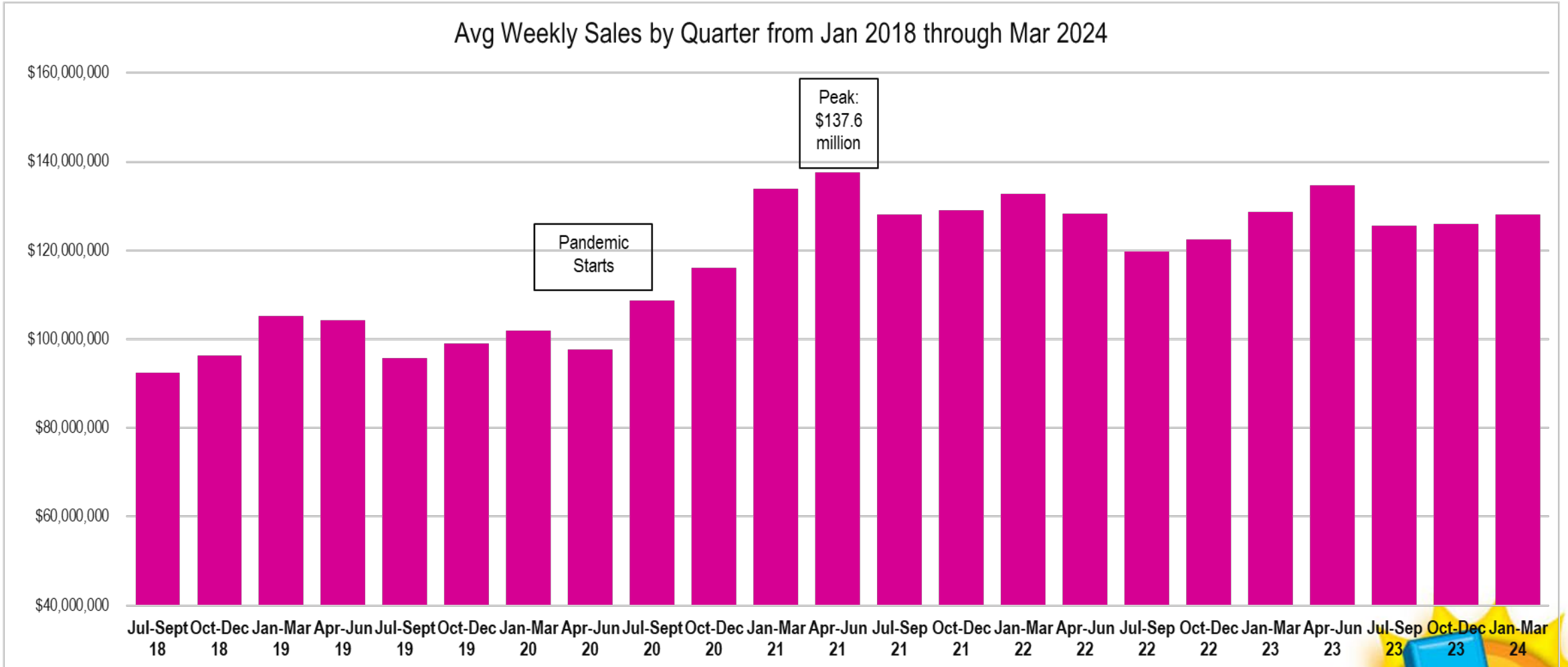
Note:

Source: Continuous Communications Effectiveness Tracking Study



# Scratchers Sales Trends

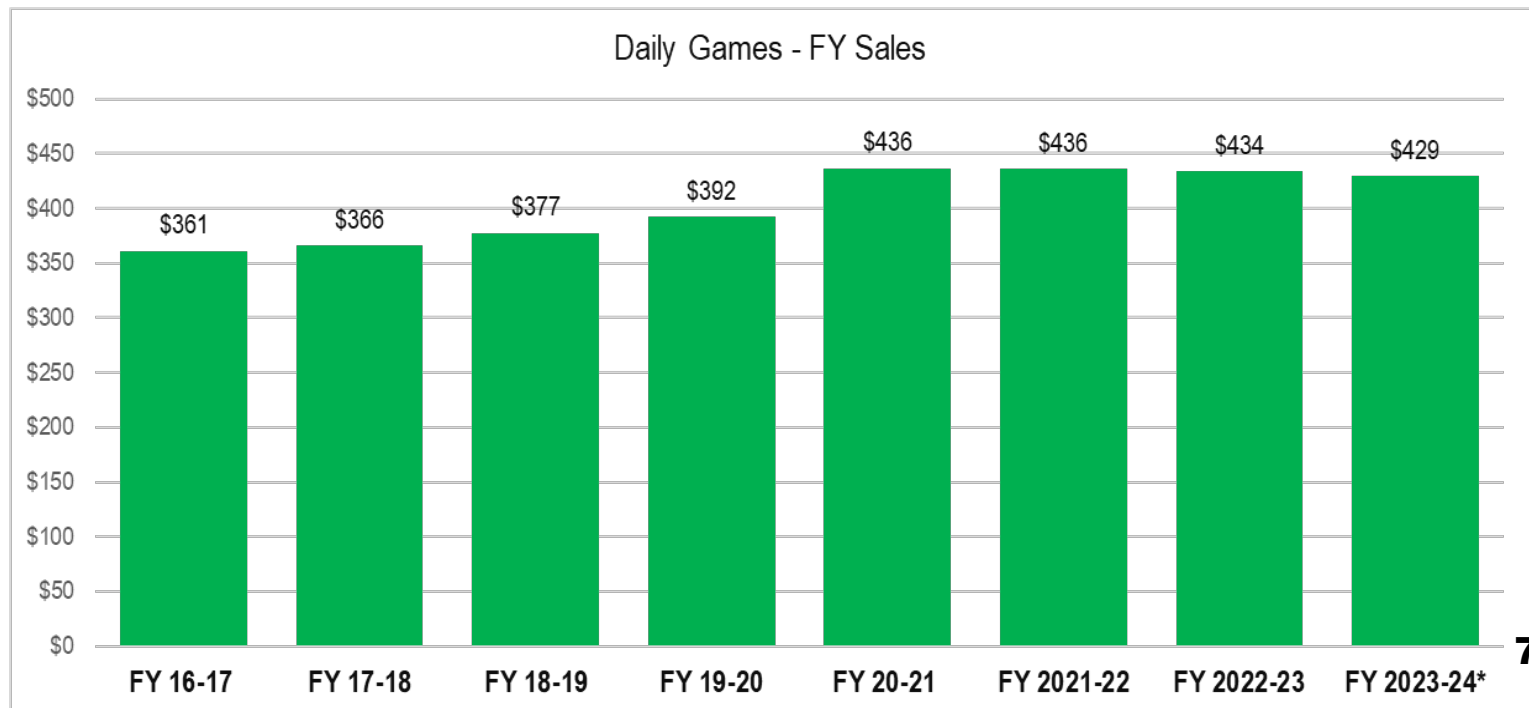
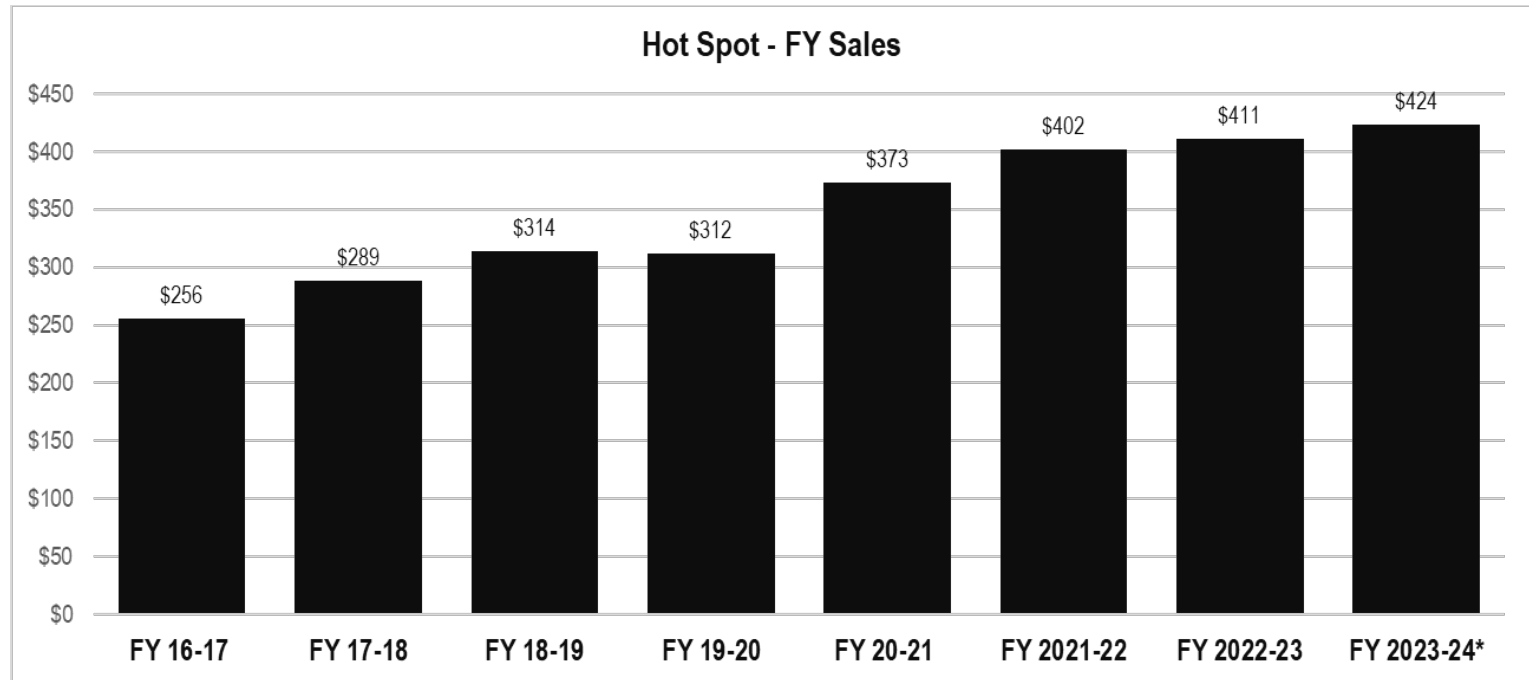
Avg Weekly Sales by Quarter from Jan 2018 through Mar 2024



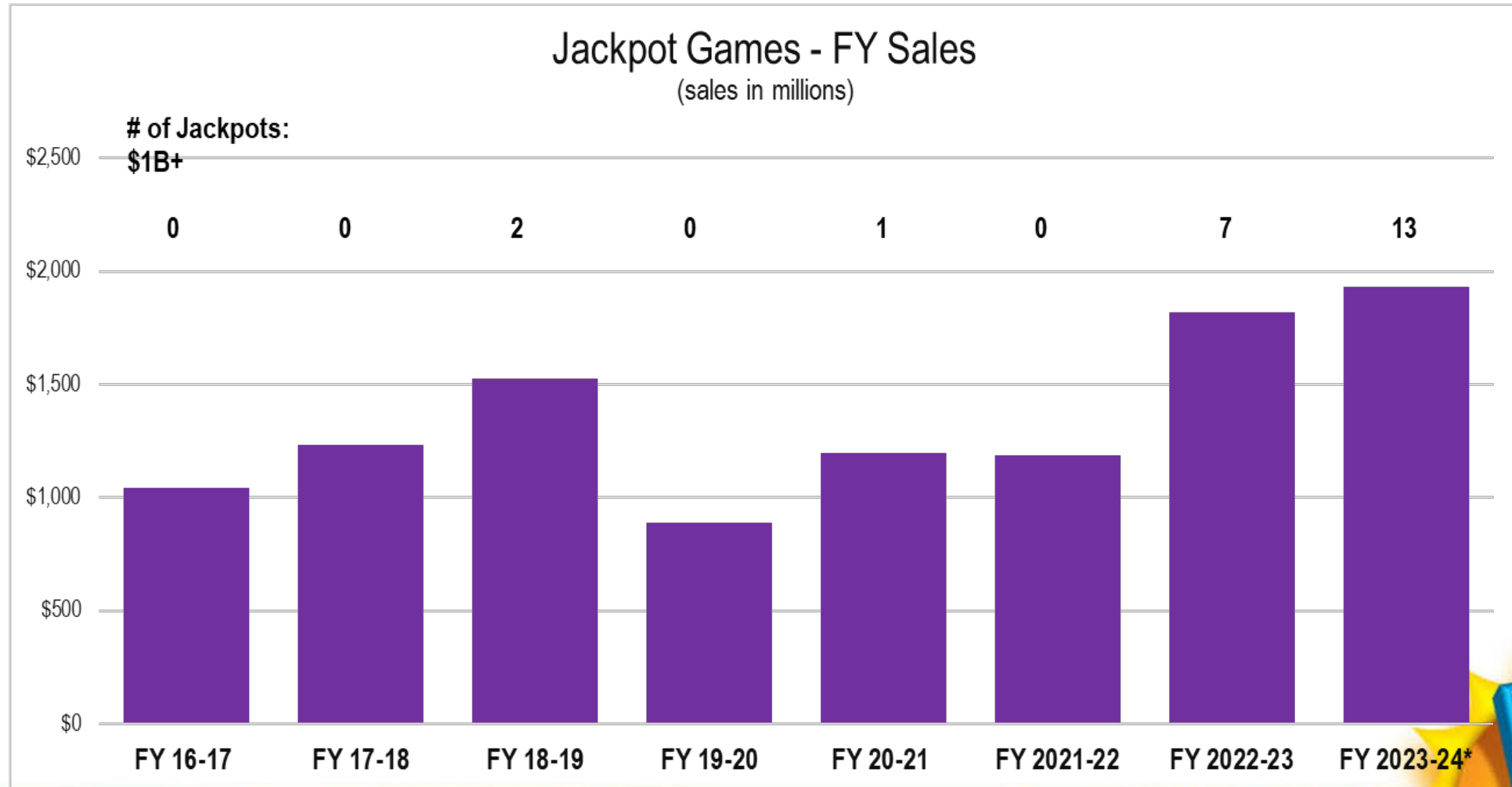
# Hot Spot sales growth continued in FY 2023-24

On the other hand, sales of Daily Games continues to slightly decline

\* Estimated Sales for FY 2023-24



# Large jackpots in Mega Millions and Powerball continue to fuel sales in FY 2023-24



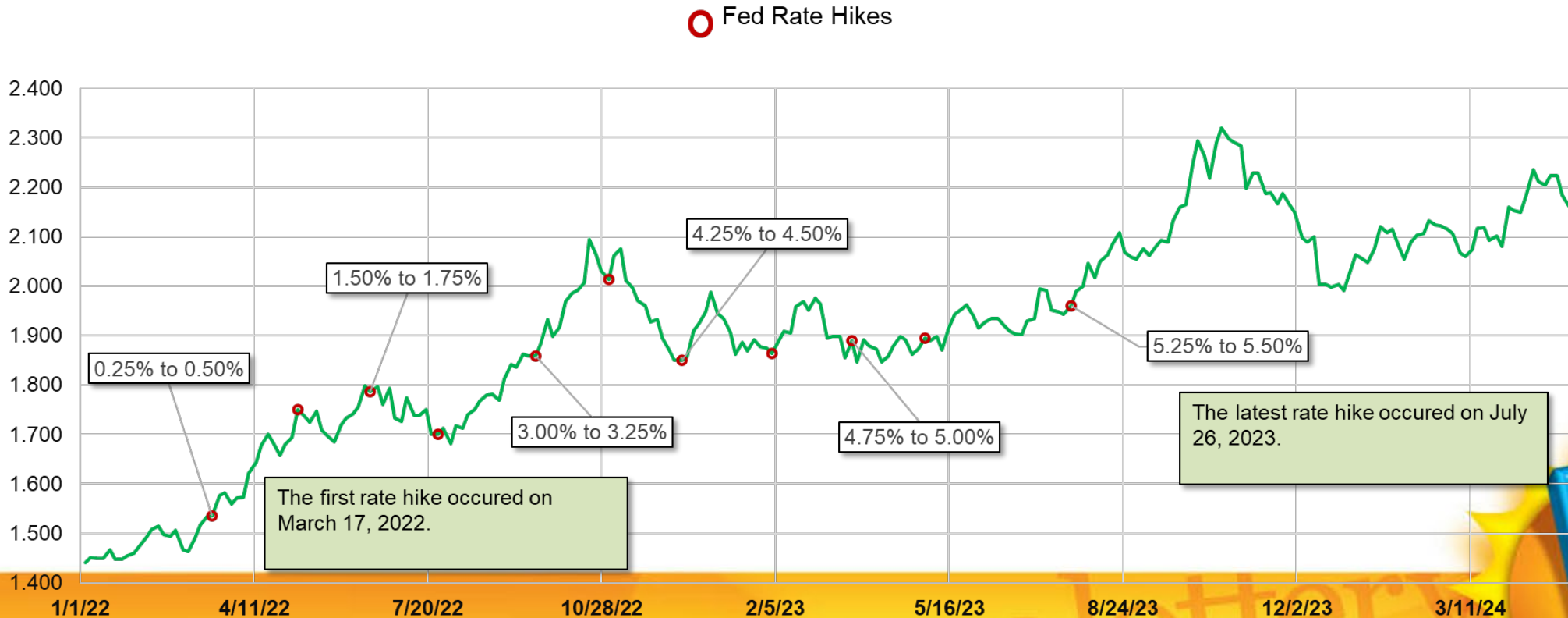
\* Estimated Sales for FY 2023-24



# Factors leading to More Big Jackpots in Recent Years

- Rising interest rates helped fuel bigger jackpots and sales
- Fortunate “rollover luck” – quantified

Annuity Factor over Time





# As the Annuity Factor Increases, Fewer Sales are Needed to Fund the Jackpot

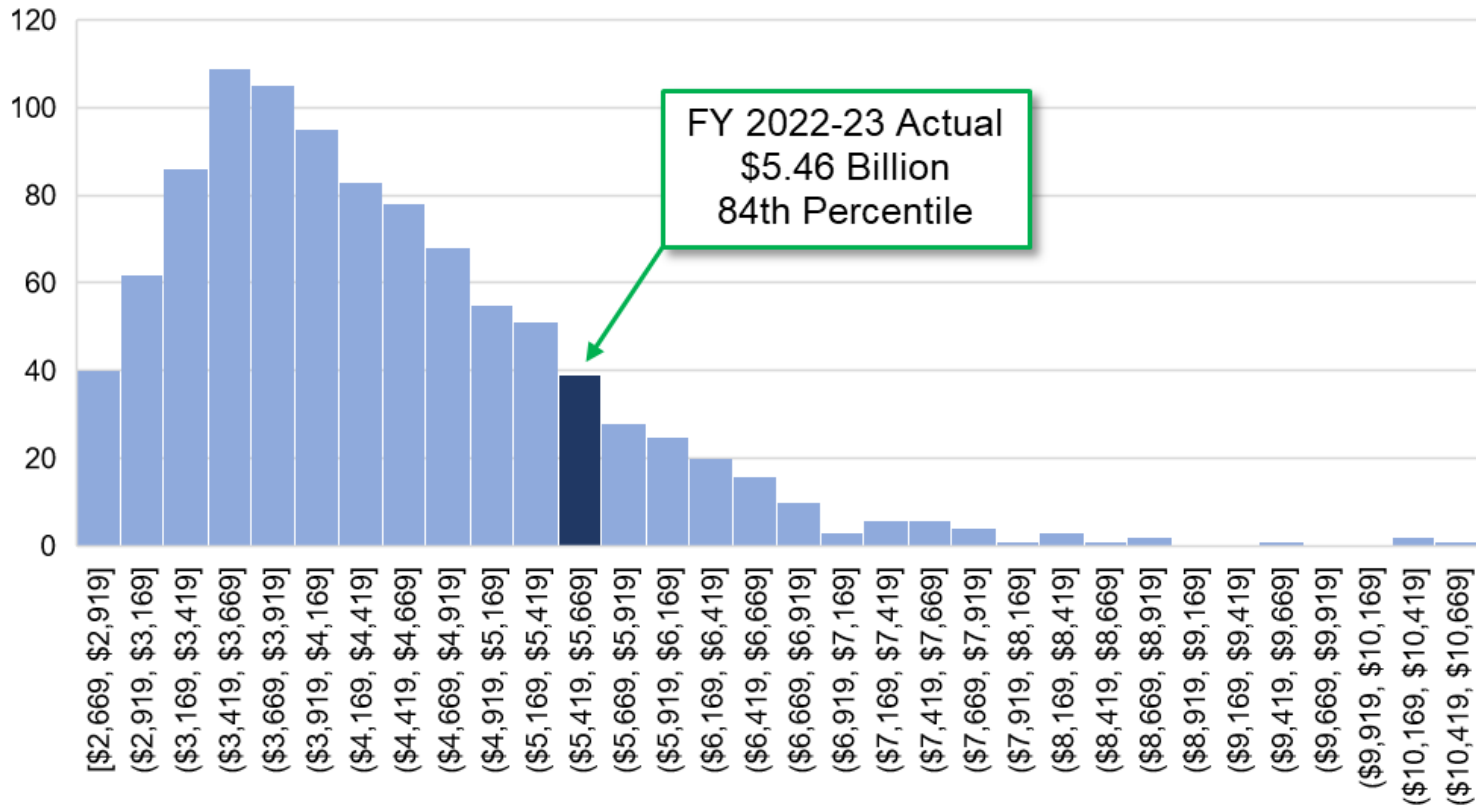
## Mega Millions Sequences to \$1 Billion

	Sequence 1 (Before Fed Rate Hikes)	Sequence 2 (2 <sup>nd</sup> and 3 <sup>rd</sup> Rate Hike)	Sequence 3 (6 <sup>th</sup> and 7 <sup>th</sup> Rate Hike)	Sequence 4 (Final 2 Rate Hikes)
Date Range	9/18/2020 – 1/22/2021	4/19/2022 – 7/29/2022	10/18/2022 – 1/10/2023	4/21/2023 – 8/1/2023
Average Annuity Factor	1.300	1.731	1.961	1.929
Number of Rolls to reach \$1 Billion	37	30	25	30
Approx. Sales Needed to Fund a \$1 Billion Jackpot	\$2,043,060,774	\$1,534,361,067	\$1,354,400,310	\$1,376,868,329



# FY 2022-23 was a “lucky” year for Jackpots in both Multi-State Games

**Mega Millions:** Distribution of Potential Annual Sales Outcomes for FY 2022-23 (in millions)



- A 1,000-year simulation was used to show just how likely it was that each of the Multi-State games would have reached the sales levels they attained in FY 2022-23.
- **Powerball** had similar rollover luck with annual sales reaching the 85<sup>th</sup> percentile.



# Jackpot Fatigue

- Sales at comparable jackpot levels are lower in 2023 after the multiple draws with jackpots of \$1 billion or more in CY 2022
- Similarly, the earned media from press pick up of big jackpots has decreased in 2023.

	Jackpots of \$1 billion - \$1.3 billion		Jackpots of \$1.5 billion or more	
	Average Sales per Draw	Value of Earned Media	Sales	Value of Earned Media
CY 2022	\$65,000,000	\$361,495	\$79,600,000	\$434,653
CY 2023	\$28,400,000	\$195,733	\$36,800,000	\$253,595



# Implications

- With interest rates anticipated to be cut in 2024 and 2025, the prize money won't stretch as far – reducing the size of the annuitized J/P
- With jackpot fatigue, sales will be at 2023 levels or a bit lower resulting in jackpot sequences taking longer to reach high levels
- The sales goal can't assume such great rollover luck as we experienced in FY 2022-23 at the 85<sup>th</sup> percentile. These lucky years, create high years in the 5-year average for contributions.
- Assuming 'average rollover luck', sales goals for MM and PB will be much lower than actual sales the past couple of years.



# Recap: Positive Impact from Scratchers Category Repositioning Effort



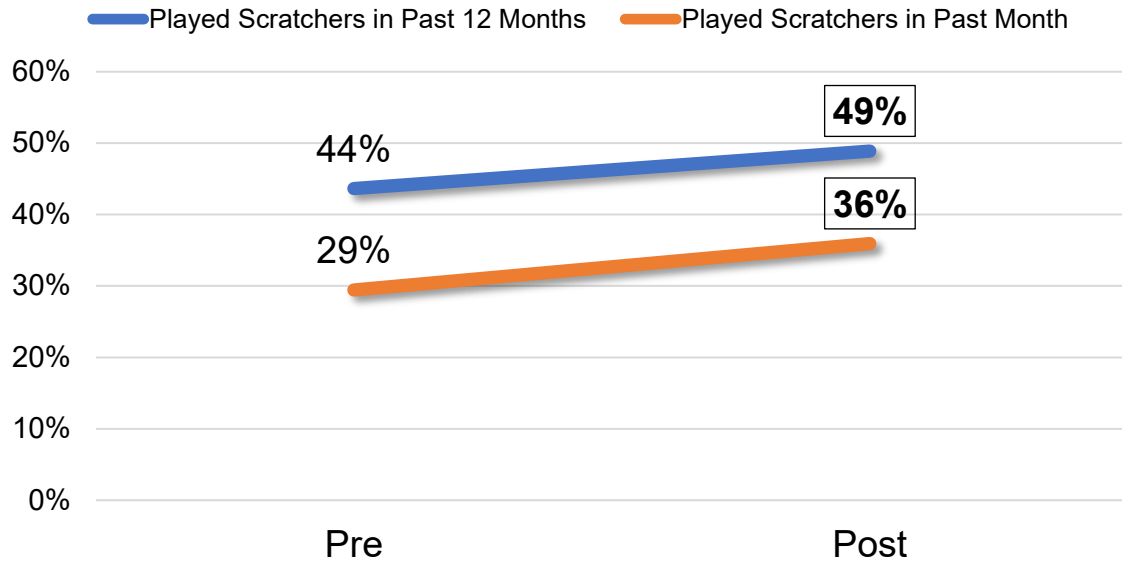
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# The Scratchers Category Repositioning Efforts significantly increased Scratchers playership and brought new players into the category.

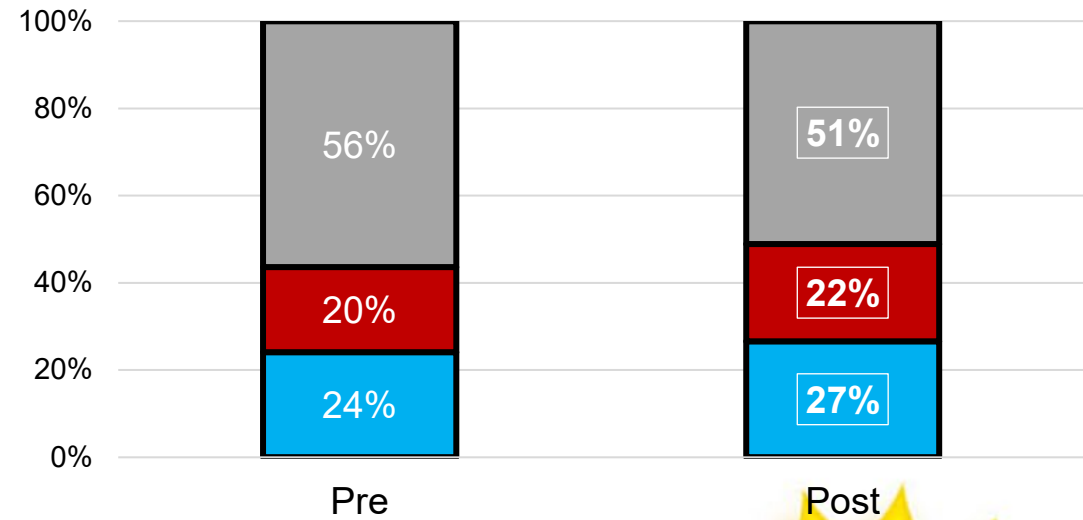
## Scratchers Playership

% of CA Adults



## Scratchers Player Segments

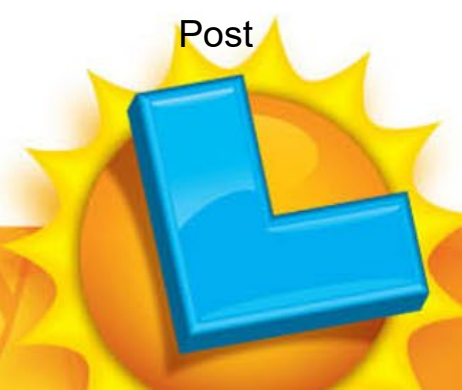
% of CA adults



- Did not play Scratchers in past 12 months
- Casual Scratchers Player
- Core Scratchers Players

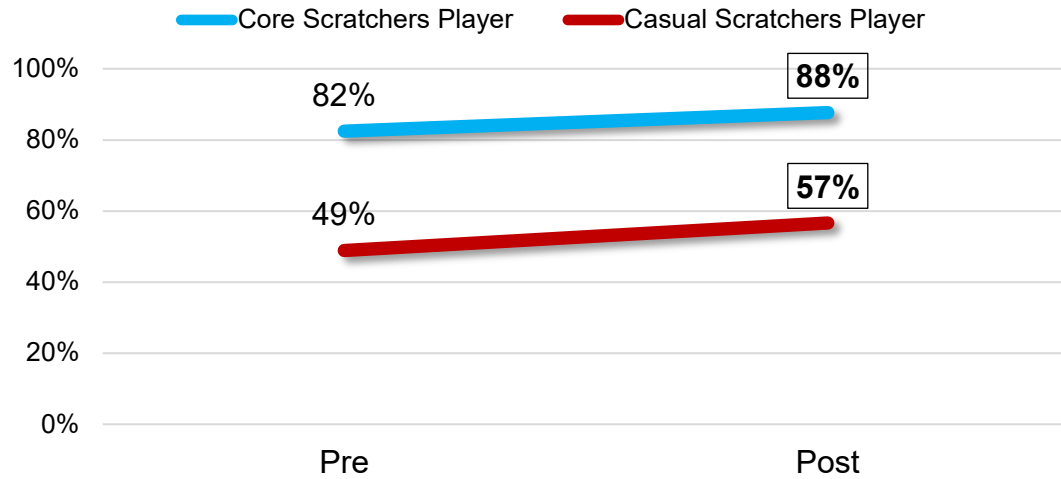
Boxes indicate statistically different at 90% confidence level from Pre.  
Pre (FY19-FY22Q1), Post (FY22Q2-FY24Q3)

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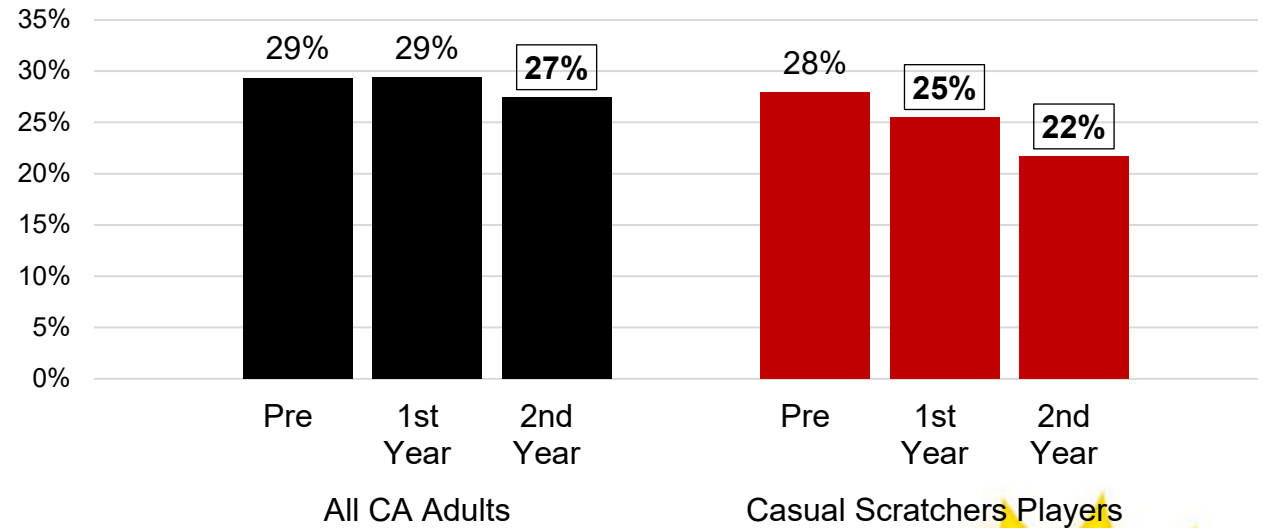
# Casual Players, the key audience for the efforts, are playing more frequently as perceptual barriers are weakening.

### Scratchers past month playership among core and casual players



### Percent of those who feel guilty about spending money on Scratchers

Top 3 Box (8,9,10)



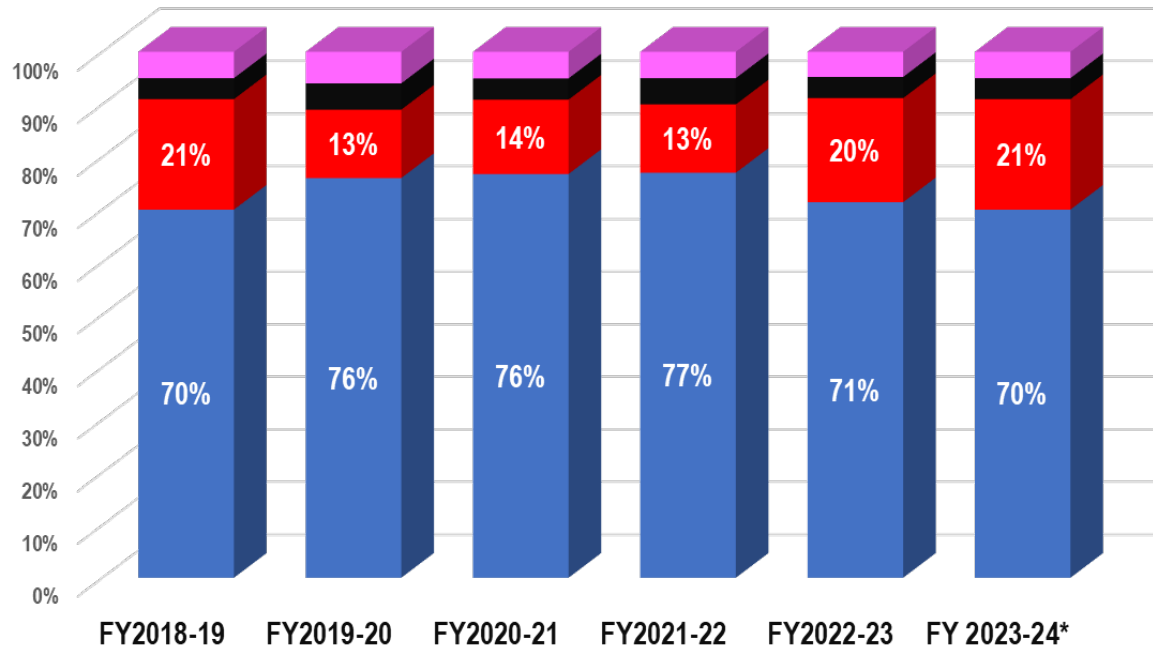
Boxes indicate statistically different at 90% confidence level from Pre.  
Pre (FY19-FY22Q1), Post (FY22Q2-FY24Q3)  
Perceptions: Data begins FY22



# Jackpot Games provide a higher share of Education Contribution than their share of sales

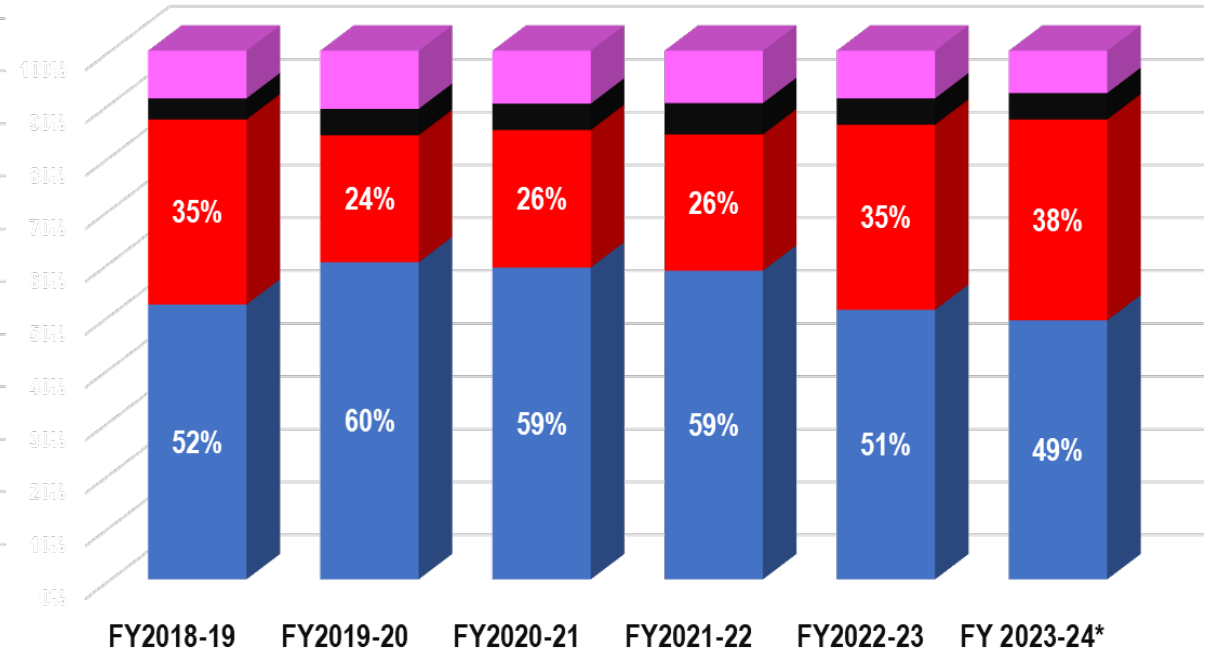
Share of Sales by Product Category by Fiscal Year

■ Scratchers ■ Jackpot Games ■ Hot Spot ■ Daily Games



Estimated Share of Contribution to Education by Product Category

■ Scratchers ■ Jackpot Games ■ Hot Spot ■ Daily Games



\* Estimated Sales for FY 2023-24



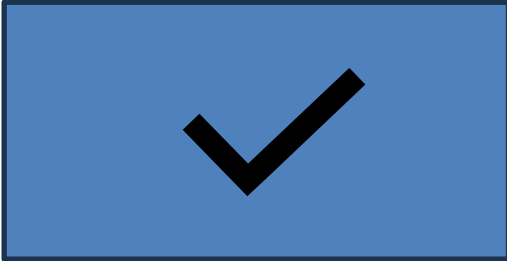


# Research on Consumer Reactions to Corporate Anniversary Programs

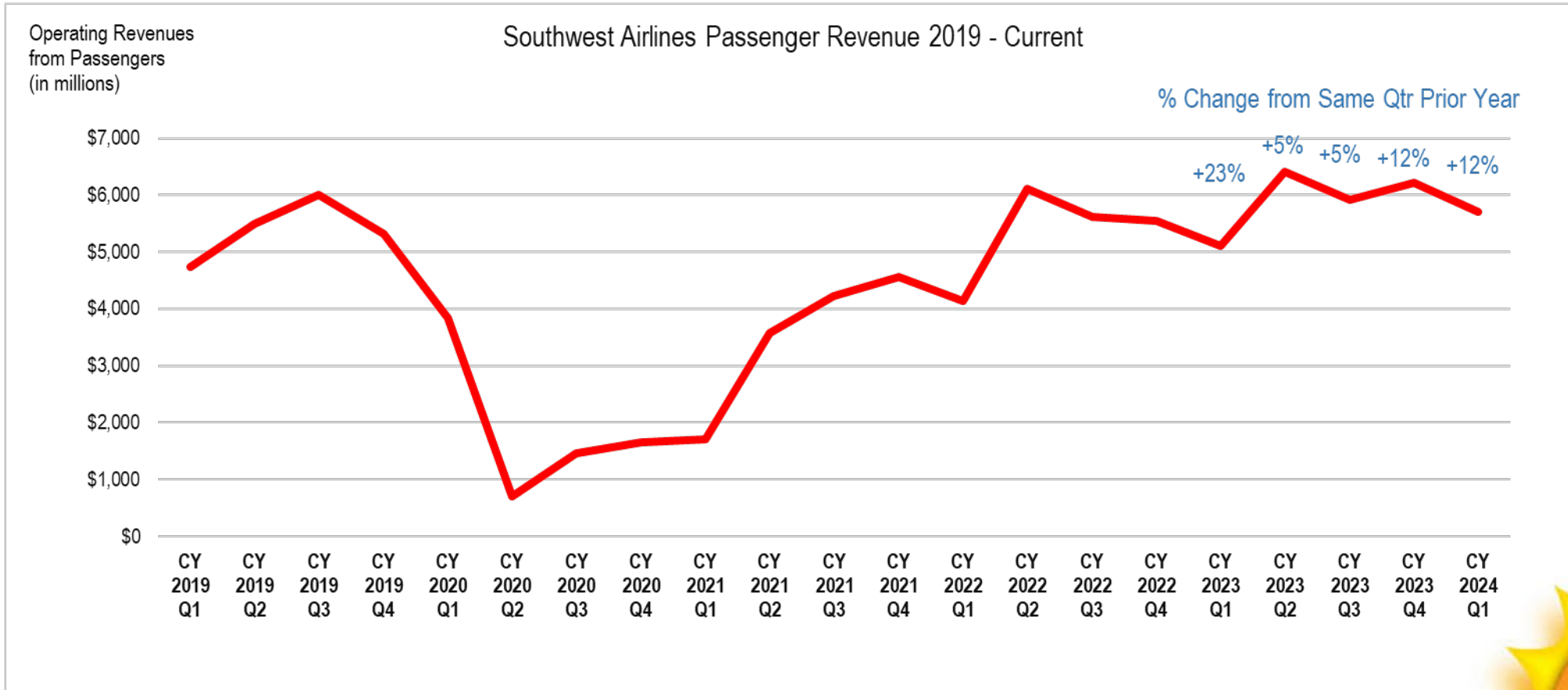


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# Consumer Sentiment Survey



# Air travel continues to have higher revenue



# Highlights from Retail



- Walmart was reported as already becoming the Lottery's 9<sup>th</sup> largest seller!!!
- News about a Pilot providing retailers Scratchers inventory management tool



# **Business Objectives for FY 2024-25 and Beyond**

*Drivers for Future Lottery Growth*

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# New Objective Added for FY 2024-25

**“Complete planning and begin celebrating the Lottery’s 40<sup>th</sup> Anniversary”**

- Use the year 2025 to celebrate the anniversary rather than the specific date of October 3, 2025
- Launch \$40 Scratchers game for the 40<sup>th</sup> Anniversary



# Expand Scratchers sales by removing barriers to play among infrequent players

- Continue the Scratchers Category Repositioning Campaigns
- Develop a pilot for using debit cards at selected self-service machines



# Grow Draw Game Sales particularly in Jackpot Games and Hot Spot

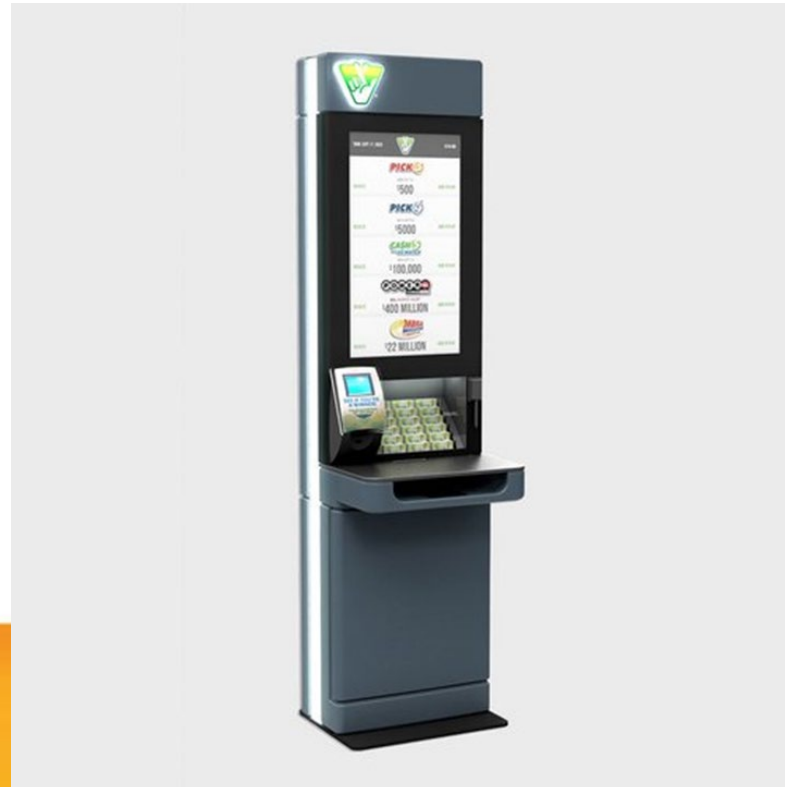
- Consortium looking at enhancements for Mega Millions
- Lottery continuing to explore Draw Game product modifications





# Explore New Ways to Expand and Utilize the Lottery's Strong Retail Network

- New Tradechannels being pursued in recruitment efforts
- Improve presence in existing locations: Developing a pilot for new digital signage



# Continue to Improve Knowledge and Perceptions about the Lottery

- The campaign to improve awareness about the Lottery benefitting CA public schools continues and expands



# In Preparation for the June Meeting and the Presentation of the FY 2024-25 Business Plan

- Finalize tactical details and determine project priorities and available staff resources
- The June presentation will provide a more detailed review of the key initiatives and progress on multi-year projects



# Questions?

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