



# **Strategic Directions**

Agenda Item 9a  
Presented to  
California State Lottery Commission  
June 29, 2023

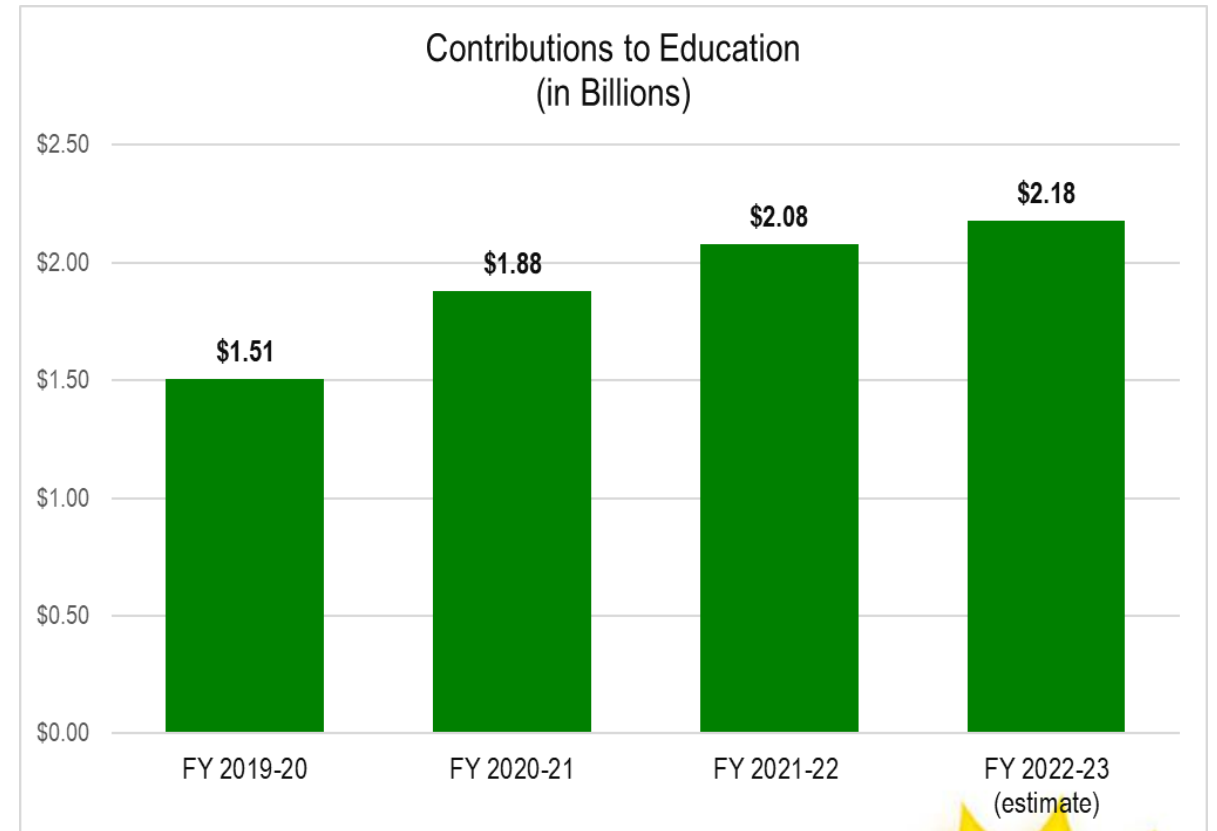
# Background

- The Lottery's strategic plan provides a broad map and general guidance on the best route to drive the business towards its goal of increasing contributions to CA public education
- In contrast, the Annual Business Plan provides the tactical details that will be undertaken during a specific fiscal year to achieve the organization's objectives
- In May 2020, the Commission approved the last set of strategic objectives



# Financial Objective Attained

- In 2020, the Lottery's long-term financial objective was to have its contributions to education surpass the \$2 billion mark for the first time in its history
- The last two fiscal years have each seen the Lottery's contribution to CA public education exceed \$2 billion



# A New Financial Objective

- The Lottery's \$2 billion contribution to education in each of the past two years was the result of unique circumstances. The FY budget did not have a goal of exceeding the \$2 billion mark.
- The next strategic plan will have a financial objective of consistently exceeding \$2 billion for CA public schools without needing any extraordinary events



# Overview of the Strategic Directions

The 4 business objectives that will help drive the Lottery to reach its financial objective:

- 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

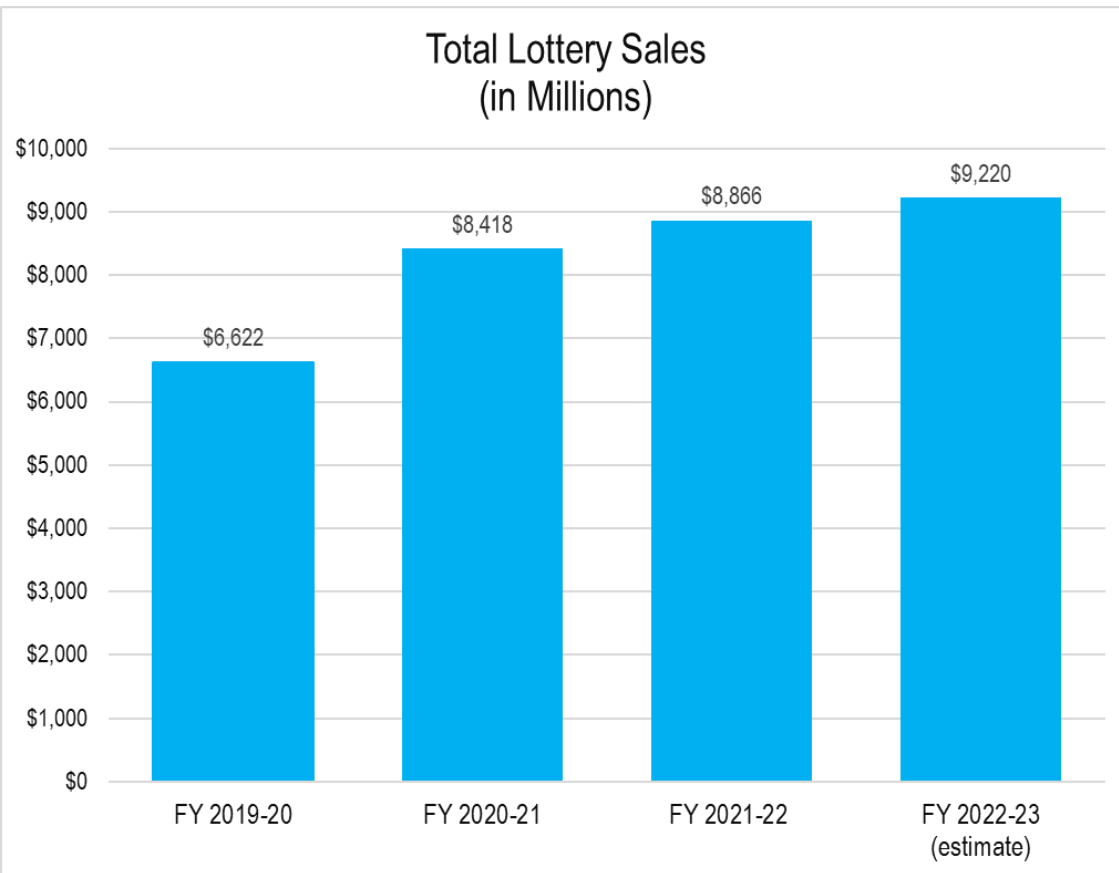


# Approach to this Presentation

- Recap the results from prior objectives
- Discuss how the strategic objectives have helped shaped the proposed new strategic directions
  - What has remained similar, what is new, and/or what has been modified in the evolution to the new objectives
- Provide some examples of the type of initiatives under each objective



# Objective: Modify Operations to Ensure Health and Safety and Recover from Depressed Sales



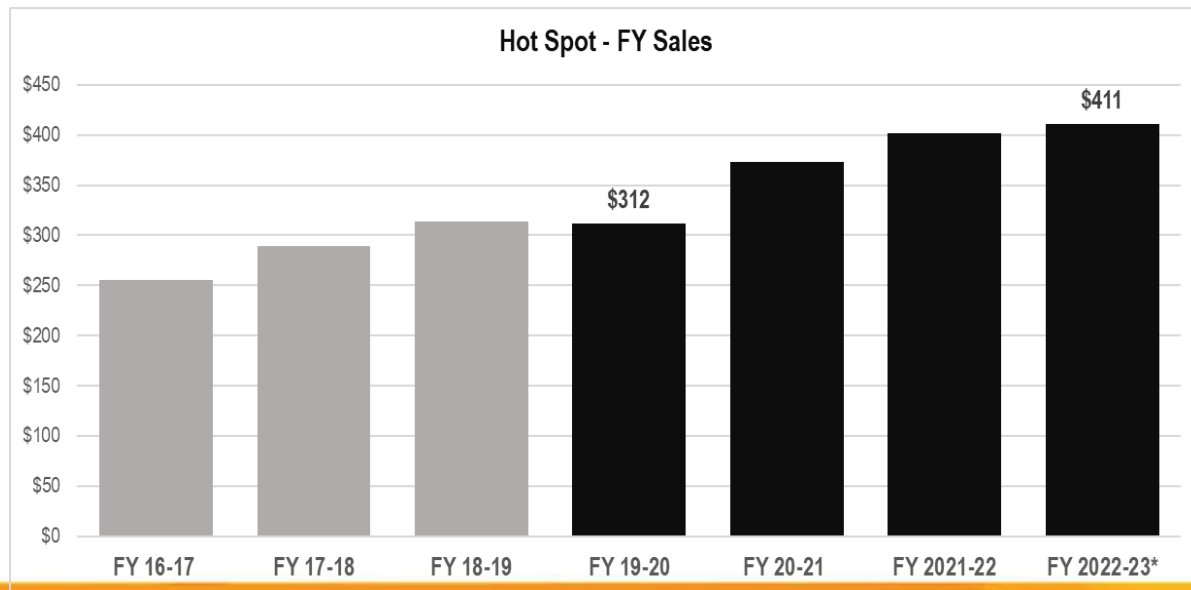
- Sales during the 3-years of the current Strategic Plan rebounded strongly after the initial hit from the pandemic
- With the pandemic behind us and sales more than fully recovered, this objective is not needed in the new set of strategic directions



# Objective: Grow Draw Game Sales - particularly Jackpot Games and Hot Spot

## Hot Spot:

- Sales went from \$312 million (FY 2019-20) to \$411 million primarily by efforts aimed at retailers



## Jackpot Games:

- Powerball added a third draw day in August 2021 – resulting in weekly sales up 10%
- MM Consortium conducted research to look at possible game changes
- Efforts on investigating ways to boost SLP sales





# Objective Continues into next Strategic Plan

- Draw Games have higher profit margins than Scratchers
- Still strong potential for increasing Draw Game sales
- 17 million CA adults played Jackpot Games in 2022 yet per player spending is very modest
- Product efforts: Much product research and analysis conducted; plans for game enhancements and changes can be undertaken
- Opportunities in Marketing / Advertising efforts being explored
- Retail efforts



# Selling Draw Game Tickets In-Lane at Retail



## Quick Ticket:

- Utilizes Gift Card network to connect Gaming System – no terminal required
- Cards have pre-printed QP #'s; and players scratch to reveal their numbers

## Receipt Ticket:

- Player selects game and wager by taking a card
- Clerk scan cards just like other grocery items
- Lottery ticket issued from retailer's POS system and printed on regular receipt paper
- Retailer must add functionality to their system via NASPL API

calottery



# Objective: Revisit Retail Strategies Adapting to New Consumer Preferences

- After extensive pre-planning, installation of equipment in Walmart Supercenters began Fall 2022
  - A total of 183 stores in this new tradechannel were added to the Lottery's retail network
- Some existing Lottery retailers also received new self-service machines and/or new jackpot signs
- Shopper insight research studies were conducted



# Strategic Objective for Retail is Updated

- Need to continue pursuing opportunities in new tradechannels
- Ways to attract new retailers may need to be developed
  - New business models like Route Sales developed in early 2000's
  - The In-Lane solution offers another possibility to attract new chains
- Shopper studies revealed the importance of retail signage to spur an unplanned purchase showing how the Lottery's retail network also represents more than 23,000 consumer touchpoints
  - Research showed how signage is needed in supermarkets



# Examples of In-Lane Solution Helping to Boost Presence of Signage at Large Retailers in TX





**TEXAS LOTTERY MEGA MILLIONS**  
MEGA MILLION

**TEXAS POWERBALL**  
POWERPLAY

DRAWINGS TUESDAYS AND FRIDAYS      DRAWINGS WEDNESDAYS AND SATURDAYS

**ASK YOUR CASHIER FOR A QUICK PICK\*!**

Tickets are printed on H-E-B receipt paper!

**TEXAS LOTTERY MEGA MILLIONS**

PRINTED ON FRI JUN14 2019 16:27:19 CT  
RET# 123456-00

MEGA MILLIONS GRAND PRIZE  
ODDS 1 IN 302,575,350

OVERALL ODDS 1 IN 24.9  
(INCLUDING BREAK-EVEN PRIZES)  
PRIZES EXPIRE 180 DAYS  
FOLLOWING THE DRAW DATE

MEGAPLAIL - NO \$4.00  
FRI JUN14 2019 DRAW #845

CASH VALUE OPTION

PRINTED NAME \_\_\_\_\_  
MAILING ADDRESS \_\_\_\_\_  
CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_  
PHONE (\_\_\_\_) \_\_\_\_\_  
SIGNATURE \_\_\_\_\_

**TEXAS LOTTERY POWERBALL**

PRINTED ON WED JUN15 2019 16:27:19 CT  
RET# 123456-00

POWERBALL GRAND PRIZE  
ODDS 1 IN 292,201,338

OVERALL ODDS 1 IN 24.9  
PRIZES EXPIRE 180 DAYS  
FOLLOWING THE DRAW DATE

A. 07 22 25 32 38 POWERBALL 13 OP  
B. 15 27 37 46 48 OP 01 OP

POWER PLAY - NO \$4.00  
WED JUN15 2019 DRAW #845

CASH VALUE OPTION

PRINTED NAME \_\_\_\_\_  
MAILING ADDRESS \_\_\_\_\_  
CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_  
PHONE (\_\_\_\_) \_\_\_\_\_  
SIGNATURE \_\_\_\_\_

Purchaser should check ticket for accuracy at time of purchase.

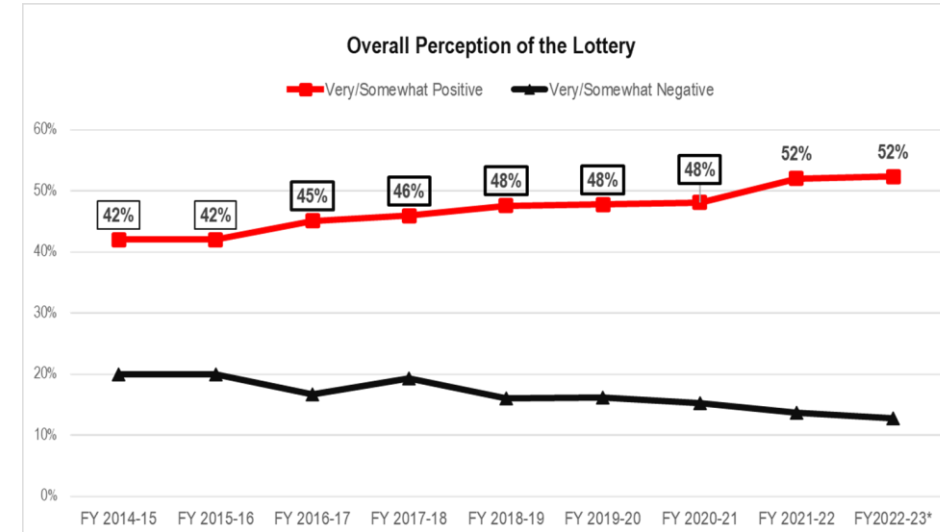



\*MegaMillion® and Power Play® add-on features are not available with Receipt Ticket purchases. Powerball® overall odds: 1 in 24.9.  
 Powerball® Grand Prize odds: 1 in 292,201,338. Mega Millions overall odds: 1 in 24.9 (including break-even prizes).  
 Mega Millions Grand Prize odds: 1 in 302,575,350. Note: Jackpot and Grand Prize are used interchangeably.  
 Must be 18 or older to purchase a ticket. The Texas Lottery supports Texas education and veterans. PLAY RESPONSIBLY.



# Objective: Inform Public & Stakeholders about Lottery

- The Lottery's efforts to better inform the public included earned media, owned digital media, and at retail with customized signage showing a store's contribution to education based on sales
- All of these efforts have helped to generate more positive overall feelings towards the organization



Source: CA Lottery Communications Effectiveness Tracking Study, various years

# Updated Objective

- “Continue to improve knowledge and perceptions about the Lottery”
- Tracking Study now measures awareness that education is the Lottery’s beneficiary
  - 31% correctly identify education
  - 29% think the beneficiary is something else
  - 41% don’t claim any knowledge of beneficiary
  - 18 – 34 year-olds and Hispanics have lower levels of beneficiary awareness



# Objective: Defuse Barriers to Play by Changing Perceptions

- This objective has now been specifically defined for Scratchers and for Casual (infrequent) players of that game
- The objective to “continue to improve knowledge and perceptions of the Lottery” defuses one of the barriers to play
- Scratchers Repositioning Campaign started in September 2021 to change how the product is perceived with consumers seeing the moments of fun and entertainment it brings
- Early positive impacts seen in the Tracking Study particularly for top-of-mind awareness and Scratchers playership





# Other Barriers to Tackle

- *“Expand Scratchers sales by removing barriers to play among infrequent players”*
- Additional barriers needing to be eliminated so more frequent purchases can occur:
  - Cash is needed to make a purchase and fewer consumers carry cash
  - Choosing a Scratchers game to buy
  - All strategies must be tackled together to maximize effectiveness



# Other Objectives from Prior Plan

- Strategic objectives or Annual Business Plan objectives included items related to Transforming and Modernizing the Lottery
- Over the past 3 years, dozens of initiatives have been started and either completed or are still in process of being implemented
  - Improving the Lottery's infrastructure
  - Enhancing and strengthening processes
  - Transforming the corporate culture
- These will continue to be part of the Lottery's Annual Business Plan



# Recap of the Strategic Directions

The 4 business objectives that will help drive the Lottery to reach its financial objective:

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