

COMMISSION AGENDA ITEM

Item 8(j) – Fiscal Year 2025-26 Business Plan



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To: California State Lottery Commission

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Director

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Subject: **Item 8(j) – Fiscal Year 2025-26 Business Plan**

ISSUE

Each fiscal year, the Lottery develops a Business Plan (Plan) that encompasses the objectives, strategies, and tactics 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® Game 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 year are outlined in the Fiscal Year (FY) 2025-26 Business Plan. Through these efforts, the Lottery will be able to achieve its strategic objectives as well as the specific financial goals for the upcoming fiscal year.

DISCUSSION

The FY 2025-26 Plan has six business objectives. Five of these objectives are the same or at least very similar to an objective from the current fiscal year. A sixth objective was added addressing the need to continue improving the customer experience.

Continue to Grow Draw Game sales

With the Mega Millions® enhancements implemented in April, efforts to further grow Draw Games sales will shift from the multi-state games to those only played by Californians such as SuperLotto Plus®, Hot Spot, and the Daily Games. Other than Hot Spot, these games have not changed in many years. For example, the last changes to SuperLotto Plus were implemented in 2000.

COMMISSION AGENDA ITEM

Item 8(j) – Fiscal Year 2025-26 Business Plan

The multiple projects in this area involve analyzing concepts in terms of their potential sales and the level of resources needed for implementation. After this is completed, a multi-year roadmap of tactics will be developed.

Expand Scratchers® Game sales by removing barriers to play among infrequent players

Prior to developing the Lottery's Strategic Plan, research was conducted to understand why Californians don't play the Scratchers or play just infrequently. Tackling these barriers became a cornerstone for our long-term plan with various initiatives being developed and introduced. These efforts involve changing the perceptions of Scratchers games, getting more Californians to know where Lottery proceeds go, and making it easier to choose and purchase a ticket.

For FY 2025-26, the successful Scratchers Category Repositioning Efforts will continue. 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 games across all touchpoints. Another example of a tactic under this objective for the upcoming year includes starting a pilot program of 100 Lottery self-service machines accepting cashless payments.

Continue to improve knowledge and perceptions about the Lottery

This important initiative to educate Californians about the Lottery and its mission has demonstrated its impact on key metrics and will continue in FY 2025-26. 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.

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

The size of the Lottery's retail network had challenges as the pandemic resulted in many business closures. However, recruitment of retailers has increased with the total network numbers now exceeding pre-pandemic levels. Efforts to continue this growth as well as diversifying the type of stores selling lottery tickets will continue in the upcoming year. In addition, the Lottery will further leverage this key asset with a pilot program to test new digital signage improving the visibility of the Lottery at retail.

Become Customer Focused and Continue to Improve the Customer Experience

From FY 2017-18 through FY 2019-2020, an objective to improve the customer experience was included in the Plan and launched many initiatives such as paying prizes at the District Office, creating a responsive web design for use by smartphones, and improving services to retailers such as launching a retailer web portal.

With the companies leading in customer experience being more successful, it is time to develop and launch a new generation of customer focused initiatives. Improving the customer experience will focus not only on consumers but also Lottery retailers, and internal customers in other Lottery divisions.

Continue the celebration of the Lottery's 40th Anniversary

COMMISSION AGENDA ITEM

Item 8(j) – Fiscal Year 2025-26 Business Plan

The Lottery's celebration of the 40th anniversary began in January of 2025 and will continue into the upcoming fiscal year with the official anniversary date being October 3, 2025. Through the summer and fall, the Lottery will bring back fan favorite Scratchers games supporting the anniversary theme. Videos showcasing the history of Lottery, its games, and other past activities and milestones are being distributed across the Lottery's digital marketing platforms. Tactics for Lottery retailers and other stakeholders are being conceptualized for use as the anniversary date in 2025 gets closer.

RECOMMENDATION

Staff recommends that the Commission approve the Lottery's FY 2025-26 Business Plan.