



2013 Marketing Overview

Mission Statement:

The mission of the Montana Lottery is to maximize the transfer of its net revenue to the state's General Fund by providing products that meet the expectations of consumers and the state of Montana while adhering to the highest standards of security and integrity, which is critical to maintaining public confidence in the agency and its products.

Vision Statement:

The Montana Lottery will continue to surprise customers by providing outstanding customer service to retailers and players and by adding new and innovative games. The Lottery will work hard to be the premier vendor to the retailer community, helping them increase their traffic and sales and use Lottery products as a training tool for improving their overall performance (Bottom line). The Lottery will continually monitor and evaluate our product mix to ensure we continue to meet the needs of players and retailers while maximizing revenues for important state programs.

Montana Lottery Overview:

Our Brand: In 2009, we established a new look for our brand, updating our logo and changed our tagline from "For the Fun of It" to "Winners Happen." Simultaneously, we developed and launched a master brand campaign focusing on the lucky moments that occur every day; leading people to the conclusion that "It's a Sign" that today is a good day to buy a Lottery ticket.

Our Audience: Segmentation studies were performed in 2000, with a follow-up in 2005. In Montana, there are five adult segments: Enthusiastic Individualists; Apprehensive Dreamers; Cautious Dabblers; Indifferent/Critical Bystanders; and Prohibitionists. See following chart from the 2005 Ipsos Reid study, which shows the percent of segment size and the defining characters of each group.

The results have helped the Lottery identify key motivators for the Enthusiastic Individualists, Apprehensive Dreamers, and Cautious Dabblers. These three segments are the segments most likely to play the Lottery, and to have disposable income with which to play. Over 60 percent of the adult population in Montana is inclined to play the Lottery. The Lottery also keeps in mind the other two segments, as they are important stakeholders in the Montana Lottery, as citizens of Montana.

Executive Summary Fiscal Year 2013:

The Montana Lottery has been in operation for nearly 26 years, and now offers a full line of Scratch products, four multi-state lotto games – Powerball, Wild Card, Hot Lotto and Mega Millions – and four Montana-only terminal-issued games – 10 Spot, Montana Cash, Montana Millionaire, and EZPLAY®. In addition, through an agreement with the Montana Board of Horse Racing, the Montana Lottery offers a product line called Montana Sports Action, which is a set of Fantasy games, currently Football and Auto Racing.

Sales over the past five years have been increasing as we added new terminal-issued products, increased the availability of Scratch products, and added new locations to our 850-plus retailer network. The multi-state games have had frequent enhancements in the last five years. These frequent changes have used resources and have limited the Lottery's ability to examine and make modifications to its Montana-only products, with the exception of the Scratch lineup. The multi-state changes have been beneficial as those games, particularly Powerball, are cornerstones of our sales. However, the need to review and enhance the Montana-only games has become apparent, and as budget and other resources allow, will be addressed in Fiscal year 2014.

Fiscal year 2013 was a rewarding year for the Montana Lottery, as we increased Scratch sales (currently seven percent ahead of fiscal year 2012). Powerball, Montana Sports Action games, and EZPLAY® have also shown increases over last fiscal year. We anticipate exceeding projected revenue of \$52 million by somewhere between \$4 and \$5 million. If the May jackpot runs on Powerball and Mega Millions continue, our year-end sales could approach \$60 million.

Numerous factors have led to this increase. Scratch sales have increased as we increase the number of available games on the market, as well as move strategically to higher price-point games. The January 2012 change to Powerball where the base sales price increased to \$2 has positively influenced Powerball sales, where we are 20 percent ahead of a year ago. The success of EZPLAY® in tavern and casino locations has moved that product to the Lottery's third-highest selling game. We are 49 percent over our projected \$2.2 million, and 24 percent ahead of fiscal year 2012. In addition, an unprecedented sell-out of the seasonal Montana Millionaire game helped the Montana Lottery achieve an eight-week run of sales more than \$1 million each week. During the week ending December 1, 2012, our week's revenue topped \$3 million, as strong Montana Millionaire sales combined with a record Powerball jackpot of \$550 million spurred sales to new records. We have had seventeen weeks in which our sales topped the million-dollar mark.

Montana's economy continues to be influenced by oil reserves in eastern Montana. Called the Bakken oilfield, a number of our retail locations in that region have sold significantly more Lottery products. Strong sales have occurred in many locations throughout the state as the Montana Lottery continues to adjust to the demands of retailers and players.

The EZPLAY® product line has improved our sales picture as we add better-performing games to the mix. As of April 27, 2013, there are eight games on sale, including two progressive-jackpot games which are the most popular products in the tavern-casino Lottery market.

Also in fiscal year 2013, the Montana Lottery produced a strategic marketing plan to focus on certain areas of our product line and promotional opportunities.

- The Montana Lottery placed approximately 200 PADs (Player Advertising Display) in traditional retailer locations. The content was also improved and is continually updated to reflect new jackpots, games, promotions and other Lottery information. The Lottery has approximately 125 more displays available to deliver to traditional retail locations. This project will continue throughout fiscal year 2014.
- The Lottery's Player's Club was converted to an Intralot-hosted club, and since conversion, numerous outstanding issues have been corrected and improvements

made. These improvements have helped us significantly increase our Player's Club membership from 14,000 to 79,000. In addition, changes to the weekly and monthly Bonus Play prizes were tested, which will give the Lottery a base on which to further develop this program.

- The Lottery's website has also been updated over the past year as we made improvements and added new features to the site. Notably, an improved "For Retailers" section and an electronic retailer Newsletter were introduced. The website will continue to receive focused attention throughout fiscal year 2014.
- In fiscal year 2013, the Lottery's social media sites have continued to perform well. Our Facebook and Twitter fan bases continue to increase, and we soft-launched a Pinterest site. Social media efforts serve to engage customers and potential customers and give the Lottery an opportunity to develop personal relationships.

Fiscal Year 2014 Marketing Goals:

The Lottery's fiscal year 2014 Marketing primary goals and strategies are outlined below. These are the Montana Lottery's major objectives for the fiscal year.

Goal: Increase Mega Millions with Megaplier sales to \$4 million by the end of fiscal year 2014 by focusing on advertising and promotional opportunities. In addition, the Mega Millions group will be introducing a revamped version of the game in October 2013, which the Montana Lottery will use as a vehicle to raise consumer awareness and increase sales.

Strategy: Use the game change planned for October 2013 as an impetus to bring greater awareness to Montana's "Other" Big Jackpot game. The planned changes will result in improved overall odds, and should also create more, bigger jackpots, both of which are important to Lottery players. The Lottery intends to develop and advertise a full marketing campaign, including television, digital billboards, point-of-sale materials, website enhancements and social media and email campaigns. Additions may also include radio, outdoor billboards, and promotional activities designed to increase play of this game.

Goal: Research and implement opportunities to improve sales and profitability in Montana Cash and 10 Spot.

Strategy: The Montana Lottery plans to automate the Montana Cash drawing in fiscal year 2014. By September, 2013, the Lottery will work with its ad agency, HMM, to perform consumer research and identify changes that could be made to Montana Cash to improve its sales so that changes in this game can be implemented simultaneously with the automation of the drawings. If research results indicate a change to the game would be acceptable and would increase sales, implementation will occur sometime late in fiscal year 2014. A full marketing, advertising and promotional plan will be used to support re-launch of this game.

UPDATE: The Montana Lottery just recently completed the re-designed of the Montana Cash game largely based on the research and retailer feedback received. The game will launch in May 2014 and will include additional more ways to win, larger starting jackpot, and improved overall odds of winning.

10 Spot will also be evaluated for profitability and possible changes, with the goal of improving sales and awareness of Montana's twice-daily game. A timeframe has not been established for this change, but will likely occur late in fiscal year 2014 or early fiscal year 2015.

Goal: Develop and implement a comprehensive plan to improve relationships and support for Lottery through a Retailer Relations program.

Strategy: Work with Lottery sales staff and other interested parties to further define the Lottery's relationship with its important retail partners. Use expertise, experience and tools the Lottery has to encourage retailer recognition of the value of the Montana Lottery as a true business partner. The Lottery's Sales staff will develop materials, information, strategies and techniques that will be acceptable to the Retail Community, while maintaining cost objectives and analysis of rate of return.

In addition to our primary goals, we will continue to enhance Player's Club and website, recruit new retail outlets, enhance our social media interactions, and finish installing PADs in traditional retailer locations, all goals established and worked on in fiscal year 2013.

Sales Goals:

1. Achieve overall sales of \$60 million, resulting in a transfer to the State of Montana General Fund of approximately \$15 million
 - a. Increase sales of Scratch tickets to \$18.5 million
 - b. Improve sales of Powerball to \$20 million
 - c. Increase sales of Mega Millions to \$4 million by using the projected October 2013 change to re-introduce and re-launch the game
 - d. Conduct market research with the goal of implementing changes to Montana Cash and improve sales to \$3.5 million
 - e. Continue to monitor and promote the improved Wild Card game, and bring in \$2.5 million
 - f. Attempt to hold Hot Lotto sales at \$3 million using social media and other non-traditional media, while capitalizing on the May 2013 change
 - g. Evaluate 10 Spot and attempt to hold its sales level at \$650,000
 - h. Continue to evaluate EZPLAY® games and remove and introduce games as needed, and install up to an additional 150 MP player-activated terminals to maximize sales at \$4.5 million
 - i. Install up to 150 additional MP player-activated terminals in taverns and casinos and improve Fantasy Football and Racing sales to a solid \$250,000
 - j. Continue adjusted advertising and promotional schedule of Montana Millionaire, and sell the game out at \$2.6 million

Product Plan Overview Fiscal Year 2014

Online Product Portfolio Summary

Montana Lottery has a variety of games sold through terminals. Generally referred to as Online Products, they include the multi-state and in-state Lotto games of Powerball, Montana Cash, Wild Card and Hot Lotto; a daily keno-like game called 10 Spot; a seasonal raffle game called Montana Millionaire; a line of fantasy games operated on behalf of the Board of Horse Racing; and a suite of instant-win games called EZPLAY®. They make up approximately seventy percent of the Lottery's total sales.

Powerball is the Montana Lottery's lead product, accounting for approximately one-third of sales. It is a jackpot-driven game where jackpots of \$200 million or more cause increasing consumer interest in the game and resulting sales. In January 2012, the game was changed to

a \$2 price point, and results since that change have been positive, as players have adapted to the increase in cost. Power Play sales (the multiplier add-on feature) have declined since the increase in price point, and currently contribute approximately 13 percent to sales for the game. Sales for fiscal 2013 should be approximately \$20 million, with Power Play accounting for approximately \$2.3 million of that, or 12 percent of sales. The following chart illustrates Percent of sales and percent of tickets with Power Play from fiscal year 2010 through fiscal year 2013. While both the percent of tickets and percent of sales have decreased since the increase to \$2, or \$3 with Power Play, a slight increase occurred in fiscal year 2013. It is anticipated that in January, Power Play will undergo a change which may make it more appealing to players.

| | Percent of Sales | Percent of tickets |
|-----------------------------|---------------------|--------------------------|
| FY 10 | 19 | 19 |
| FY 11 | 19 | 19 |
| FY 12 | | |
| Pre-game change | 19 | 19 |
| Post-game change | 12 | 6 |
| FY 13 | 13 | 6.5 |

Mega Millions was introduced in March 2010 and is an underperforming product. Mega Millions sells for \$1 a play, and players have the option of adding a multiplier called Megaplier for an additional \$1 per play. Megaplier multiplies non-jackpot prizes by 2, 3 or 4 depending on the number drawn in the twice-weekly drawing. In March 2012, there was a record-setting jackpot of \$656 million, and during that jackpot run, Montana's sales set records and raised consumer awareness of the game. For about six months following that jackpot, sales showed positive increases; however, lack of a significant jackpot prize until May, 2013 have resulted in sales that are similar last fiscal year, in spite of modest advertising and promotion in fiscal year 2013. Early in fiscal year 2014 (October), the Mega Millions game will be changing nationwide, and the Montana Lottery will use this change to bring awareness of the game's benefits, in an attempt to lift sales to \$4 million. Fiscal 2013 sales will be approximately \$3.5 million. Megaplier sales make up approximately 22 percent of sales.

Montana Cash is a Montana-only lotto game, which sells for \$1 per play, and has remained on sale and virtually unchanged since 1991. The game has had a steady decline, and the Lottery has recognized the need to evaluate and likely improve the game for a number of years; however, frequent changes in multi-state games and budgetary impacts of those changes have precluded the needed changes. Montana Cash is also a jackpot-driven game; in addition, when either Powerball or Mega Millions jackpots are increasing, sales will trend upward for Montana Cash regardless of its jackpot. The game has had lower jackpots and frequent wins in fiscal year 2013, resulting in sales declines of nearly 20 percent below fiscal year 2012. The need to analyze and potentially change this game will be a major goal for fiscal year 2014. Fiscal year 2013 sales should be approximately \$3.4 million.

Wild Card is also a multi-state game, played in Montana, South and North Dakota, and Idaho. It sells for \$1 a play. In January 2013, this game underwent a minor change which has been positive for Montana's sales performance. The starting jackpot increased from \$100,000 to \$200,000 and the second-tier prize moved to \$6,000 from \$5,000. The changes were supported by minor advertising and promotion, but because the game is popular among some players, the game is currently at 113 percent of last year's performance. Sales for Wild Card in fiscal year 2013 should be approximately \$2 million.

Hot Lotto is a multi-state game played in fifteen lottery jurisdictions. It also sells for \$1 a play, and has a multiplier option called Sizzler that multiplies non-jackpot prizes by a factor of 3. Until May, 2013, the jackpot was annuitized and started at \$1 million. In May, the game was enhanced in all participating jurisdictions by an all cash starting jackpot at \$1 million. In addition the advertised jackpot per the prize structure is the minimum cash amount that would be paid as a "withholding taxes paid" prize. In Montana, the improvements were promoted through television, billboard and website advertising, along with signage at retail locations and full use of the Lottery's website and social media. Early results are positive. We anticipate matching or slightly exceeding our projected revenue of \$3 million in fiscal year 2013. Sizzler (the multiplier) is about 27 percent of total sales.

10 Spot is the Montana Lottery's own twice-daily, keno-style game. Introduced in February 2010, its performance has not been strong; however, it does result in around \$700,000 in sales annually. 10 Spot is a game that will be evaluated for possible improvement in fiscal year 2014. A one-touch button and product group called The Works includes all the Lotto games and their multipliers. When the Powerball price increased, instead of offering a two-draw 10 Spot ticket, a single 10 Spot was included to keep The Works at a \$10 price. Sales have only slightly declined since change to the Powerball to a \$3 sale with the addition of Power Play. We anticipate slightly selling slightly over \$650,000, which was our fiscal year 2013 projection.

Montana Millionaire is the Montana Lottery's seasonal raffle-type game. It sells during the Holiday season, in November and December, for \$20 a play. It offers the best odds of winning a million-dollar prize in Montana, and has been on sale annually since fiscal year 2008. In fiscal year 2013, for the first time ever, the game achieved a complete sellout of all 130,000 tickets. In fiscal year 2013, Montana Millionaire was modified by increasing the number of available tickets by 5,000. In addition, a frequent instant-win prize of \$500 was added to the prize structure. The sell-out could be attributed to a number of factors, including a clever television commercial that resonated with consumers, the addition of the \$500 instant win prize level, and strong efforts on the part of sales staff to bring Montana Millionaire to consumers' awareness. With the sellout in fiscal year 2013, the Montana Lottery plans to repeat that success, which will generate revenue of \$2.6 million.

Montana Sports Action games are fantasy games offered by the Montana Lottery on behalf of the Montana Board of Horse Racing. The games began in August, 2008. The product line includes Fantasy Racing and Fantasy Football, and they sell for (primarily) \$5, although some players occasionally purchase additional shares which, if they win, will increase the percentage of share of the prize level, as the prizes are paid on a parimutuel basis. Tickets are sold only at locations that have a gambling license. Actual sales are modest. We strive for \$250,000 per year. In the past two years, we have expanded our available locations by over 100 retailers as we installed additional player-activated terminals, called MPs. The true benefit to the Montana Lottery, from a bottom line perspective, has been the increase in our retail base, from around 550-600 to over 800 locations. These retailers also sell the Lotto games, 10 Spot, Montana Millionaire, and EZPLAY® games. A limited number also sell Scratch tickets. Another

benefit to offering Sports Action games is the ability to interact on a positive basis with an important trade style, taverns and casinos.

EZPLAY® games were introduced in the Montana Sports Action locations in November, 2011. They are instant-win games with prize structures like Scratch games, but are generated from the MP terminals. The games can be introduced and removed from the terminals frequently, providing an ever-changing line-up similar to the way Scratch games are marketed. They have been quite successful, contributing over \$4.6 million in sales since they began. The play styles are very similar to printed Scratch tickets. Play styles are simple, and players can tell instantly if they've won a prize. Currently, the Lottery sells games at \$1, \$2, \$3, and \$5. Most games have set prize levels; there are currently two games with growing (progressive) jackpots where a share of sales increases the jackpot prize. The progressive games are the most popular games, accounting for nearly 85 percent of sales. Fiscal year 2013 should result in sales of close to \$4 million. We estimate fiscal year 2014 sales to reach \$4.5 million.

Scratch Product Portfolio Summary

The Montana Lottery's Scratch Product is one of the best selling products in the line-up. Had it not been for the large jackpot runs for Powerball, the Scratch Product would have been the best-selling product. There has been strong and consistent growth over the last four fiscal years, including fiscal year 2013, as our revenue has increased by over \$1 million each year. The sales cycle remains steady and there have been higher, record-setting sales weeks in fiscal year 2013, with continual upward revenue growth year over year.

Improving upon the last two years' revenue will be challenging as the product lines have already expanded significantly and retailer base is at a maximum. The following strategies are less dramatic than years past but should guarantee steady growth at most price points.

Since the number of faced games is maximized we must focus on releasing more new games per facing each year. New game releases have been shown to drive increased sales and the number of new games released each year in Montana is one of the lowest in the country. As always, first-class game design and ticket art is the foundation of a solid scratch plan and this year is no different. New game play-styles and novel prize structures will be used to create exciting unique games not known to existing players. Use of PID/PAD displays is a new tool for the Scratch product and its use will be employed to advertise all new games as well as the Player's Club.

A new budget tracking system has been implemented to monitor expenses, maximize print pairing discounts, and ensuring the timely delivery of new products. We will have the 24 active game facings in place by first quarter. All \$2 games will have a minimum top prize of \$12,000. We recommend adding a \$25 game that will feature a top prize of \$1,000 a week for 10 years with a cash option. This game would replace one of the \$20 games.

Our current Scratch contract ends in August 2015, and we plan to issue the Scratch RFP to vendors in October 2014 and select a vendor in April 2015.

We are currently on-track to reach \$17.5-\$17.8 million for fiscal year 2013 sales. We anticipate a 4 percent projected growth for fiscal year 2014 to reach sales of \$18 to \$18.5 million.

\$1 Games

Print a total of 12 games

Estimate a revenue increase from 2% to 5%. We now are facing 4 active \$1 games, one base game and three other rotating type games. Maintain a mix of four new active games; three assorted games and "Super Hot 7's" as a base game. "The Cherry Game" will not be reordered but the remaining inventory will be available to retailers to purchase and sell. Discontinuation of "The Cherry Game" means the additional games must be printed to maintain an adequate inventory. Print quantities will be decreased from 240,000 to 220,000 tickets in order to sell through games faster and ensure that the products are fresh.

\$2 Games

Print a total of 14 games

Estimate a revenue increase from 2% to 10%. The \$2 price point has seen small growth in the last year. In order to bolster new growth an additional facing has been added to the mix for a total of seven facings. The new mix will offer three crossword games, two bingo games, and two non-extended games. Bingo print quantities will be reduced to 150,000 tickets to increase the sell through rate. Top prizes on all \$2 games will be increased to a minimum \$12,000.00 providing more incentive for players to purchase \$2 tickets.

\$3 Games

Print a total of 7 games

Estimate a revenue increase from 4% to 10%. The \$3 price point has seen considerable growth in fiscal year 2013, and in order to maintain that growth an additional facing will be added to the existing four facings. The \$3 dollar price point is dominated by extended play games thus leaving a large vacancy for non-extended play games. The new non-extended facing will give \$3 players the opportunity to play a greater variety of games and also help introduce more new games per year. Reducing the order size of Slingo® and non-extended games will help introduce more games per year at the typically slow moving price point.

\$5 Games

Print a total of 7 games

Estimate a revenue increase from 5% to 12%. In order to grow the \$5 price point more games will be released more often. Releasing games more frequently will give retailers and players variety while drawing attention to the price point as a whole. \$5 games stay on the shelf for an average of 40 weeks. By predetermining the life of \$5 game (30 weeks) and decreasing order size whenever possible, the new game feel can be optimized while waste is minimized. Licensed properties will continue to be an integral part of the \$5 price point.

\$10-20 Games

Print a total of 2 games

Estimate a revenue increase from 2% to 5%. High price point games sales suffer from the large initial order quantity that is required by the prize structure. The large order quantity requires games to stay on the shelf for over 90 weeks. If more games are released more frequently and before the sellout of the previous games sales, weekly revenue should increase overall. This strategy involves releasing new games without ending the previous games thus leaving more

variety for retailers and customers. The second \$20 facing helped to raise revenue in fiscal year 2013, but no more facings will be added as we have reached a point of diminishing returns.

Sales and Corporate Accounts

Overview

The sales team makes up one third of the Montana Lottery staff, ten employees with over 140 years of combined Lottery experience. There are seven Regional Sales and Marketing Representatives, who each have 100 to 160 retailers and travel 300 to 900 miles a week. There is one Relief Sales and Marketing Representative, who can cover any regional or in-house needs, one Telemarketing Technician responsible for ordering all scratch tickets for over 700 retailers, and one Sales and Corporate Accounts Manager, who supervises the above and works with around 30 corporate accounts.

In fiscal year 2014, we will focus on getting the most out of our time to increase sales. The challenges are many; more retailers with more training needs, and more staff turnover within retailer locations but no more Lottery staff. Telemarketing efforts will use the relationships built with the retailers to encourage retailers' use of auto order. Our Relief Rep will help back up in each area of sales with trainings, dispenser upgrades, vacation relief, tel-sell, and reports for retailers, in-house staff and auditors.

The sales team focuses on being great business partners and enhancing all sales for the retail locations. For the Lottery to succeed, the retailers need to shine in all areas of their business, not just Lottery. Because the Lottery's retail network is diverse, one size does not fit all. Even within corporate accounts there are variations that the sales staff must take into consideration. Our desire is to be pre-eminent consultants, not just another state agency that puts up hurdles. When there is a benefit for the community, a golf tournament, a grand opening, an anniversary, the Lottery is among the first retailers call upon for assistance. Each sales rep works with their own budgets and premium items to increase that partnership with retailers and players.

Doing more with not less but the same will require focus on the retailer needs and the need to streamline some processes. Listening and responding to retailer suggestions is very important for retailer ownership in our products, and leads to improvements in our products and our systems. Practicing good accounting and security methods is an example of how using good Lottery practices can help in all areas of a store. For example, using the Lottery's suggested inventory controls and Plays Preview terminal feature, and collecting cash from the customer before printing are both useful ways to demonstrate good business practices.

In fiscal year 2014, sales staff will use available resources to increase awareness of all Montana Lottery products, focusing on improving overall sales for Mega Millions and Scratch. In addition, sales staff will conduct promotions to assist retailers in gaining sales for Lottery products.

Sales staff will also focus their efforts on, where appropriate, recruiting addition tradition and MSA retailers, and will support the new retailers with comprehensive training and education. Negotiation of prime placement for point-of-sale materials will also continue, to seek top-of-mind awareness of Lottery products and keeping the image and brand of the Montana Lottery visible and fresh.

In fiscal year 2014, the Sales Corporate Account Manager will continue to work with the Montana Tavern Association/Regional Tavern Associations and Montana Petroleum Marketer Association, who through the years have become outstanding partners. We also support the Montana Grocer's Association and various chambers.

We plan to attend vendor meetings with the corporate accounts throughout the year, providing sales data on sales by product and price points, new games and changes, and to continue building relationships. Through vendor meetings, we learn about individual location and corporate needs, and can share the successes that one store is having within their corporation. We will establish sales contests within corporate accounts during game changes to bring awareness to the games. The basics for the contests will be six weeks of sales this year versus six weeks last year, same time period. The store with the largest increase will receive a prize. This strategy was used in Idaho at Albertsons, and resulted in a 25 percent overall increase in Wild Card. The prize was a \$50 Pizza Hut gift card for the store.

Major goals:

- With the addition of 150 MP terminals to our inventory, the first half of fiscal year 2014 will be spent recruiting additional retailers in the tavern and casino trade group.
- A focus on corporate accounts that are eligible to add MSA products, such as the Town Pump casino operations, will be important to completing placement of all 150 new terminals.
- With expansion in traditional corporate accounts, we can anticipate an additional fifteen tradition locations.
- With the additional MSA and traditional locations, it could mean an average of an additional 24 retailers per sales region. This could require some regional realignments, or changes in the way the relief sales rep and tel-sell conduct their work flows. In addition, the need for additional dispensers and supplies to meet the needs of the new locations, and upgrading of existing locations, will remain constant.
- One focus that retailers have asked the Lottery to consider is implementation of an incentive program for online product sales. The Lottery will examine possibilities for offering incentives on a number of different combinations of online products. Sales increases for 'The Works' offers a strong possibility as well where sales incentives are concerned.

In May, we plan to meet with western lottery states via phone conference to discuss the vast possibilities that exist to expand our business into other corporate accounts. We need to stay tuned into those possibilities and also explore promotional opportunities with other states.

Communications

DIGITAL ADVERTISING

Executive Summary:

In addition to paid media, the Lottery uses free digital advertising produced in-house. These ads are distributed online via the Player's Club and website, and at point of sale via Betabrite® and Starlite LED signs and PAD/PID video screens.

Previously PADs were only installed at Montana Sports Action retailers. In fiscal year 2013, the Lottery began to expand placement of PADs into traditional retailers. In conjunction, the Lottery

began to produce new content. Anecdotal response from retailers has been very positive, especially to the jackpots and winning numbers. PADs have also allowed the Lottery to significantly increase advertising of Scratch products, which may have contributed to increasing Scratch sales.

Objectives:

- Ensure digital ad content is engaging, fresh, and relevant
- Enhance winner awareness by bringing winners to the forefront of digital ads
- Place all remaining PADs into retail locations

Activation Tactics:

- Develop a system to track which digital ads/messages are running and to schedule additions, removals, replacements, and updates
- Continue to develop a library of content for PAD playlists
- Coordinate with Sales Reps to develop materials to assist with PAD placement

EVENTS/SPONSORSHIPS/PROMOTIONS

Executive Summary:

The Montana Lottery's summer events program is an effective way to drive sales, engage players, and receive feedback. We recommend continuing with our existing sponsorships of the Montana Folk Festival, Montana State Fair, and MontanaFair.

The Montana Folk Festival, although it produces a lower financial ROI, provides visibility and is an effective training event for our summer interns to enhance their proficiency at the more demanding fair events.

Although our summer events program has operated mostly the same for the past few years, we reduced our liability for the number of promotional tickets given away, mostly the result of changing the buy 5, get 1 free promotion to buy 10, get 2 free. While some players initially reacted to the change negatively, they have since appeared to be satisfied with it. Sales have not suffered as a result of the change. As such, we recommend continuing with the buy 10, get 2 free promotion.

We recommend restarting a sponsorship of Montana Shakespeare in the Parks for the reach it offers into many of the smaller Montana communities where our marketing efforts may be otherwise limited.

Objectives:

- Operate events more efficiently and cost effectively with updated procedures and scheduling
- Increase statewide visibility to build top of mind awareness

Activation Tactics:

- A statewide Mega Millions promotion to coincide with the game changes
- Event sponsorships
 - Montana Folk Festival
 - Montana State Fair
 - MontanaFair
- Other sponsorships

- Universities
- Montana Shakespeare in the Parks
- Other events
 - Montana Millionaire launch event
 - Other small events (big winners, radio remotes, Retailer of the Year, etc.)
- Purchase new supplies to improve operations and attract players
 - Press-printed signage
 - By printing consolidated poster-size signs for the trailer, we have higher quality POS and save staff the time and effort of printing and piecing together signage in-house.
 - Flip digital video camera
 - This would allow us to capture moments from our events and allow for the in-house production of video content which could be used for social media and the website.
 - Oversize dry-erase check, 24 x 48
 - This would be a fun promotional item with a number of possible applications at events as well as for press conferences.

PLAYER'S CLUB

Executive Summary:

The Player's Club, in addition to social media, is one of our best ways to engage and communicate directly with players. Additionally, a database of players will be increasingly important as the industry and the Montana Lottery move toward iGaming opportunities.

Since the Montana Lottery launched the new Player's Club with the MDI/Scientific Games system in October 2010, membership has increased from about 14,000 to more than 71,000. In fiscal year 2013, the Lottery completed transition of administration of the Player's Club from MDI/Scientific Games to Intralot.

While membership has increased by five times within the past three years, the prize liability for Bonus Play drawings has remained the same. As such, the odds of an individual winning are very low. This may cause players to have difficulty seeing the benefits of membership and webcode redemption.

Objectives:

- Ensure players have a smooth experience using the Player's Club
- Continue to grow membership of the Player's Club
- Explore more varietal means for players to participate in the PC experience.

Activation Tactics:

- Closely monitor player support issues to identify required system changes.
- Increase the prize liability for Bonus Play drawings with a focus on creating more winners and offering more attractive monthly drawing prizes, and communicate these enhancements to players and retailers.
- Work with product managers to communicate the benefits of Bonus Play.
- Add new features such as ePlayslip, gift card opportunities, social media integration, etc.
- Add, replace, and/or re-skin free and Bonus Play games provided by NeoGames
- Pursue additional mobile functionalities

SOCIAL MEDIA

Executive Summary:

Facebook is the cornerstone of the Montana Lottery's social media program. The Lottery posts daily (and often multiple times per day) with information about jackpots, new games, promotions, winners, and other topics. The posts often receive comments, likes, and shares. Presently the Montana Lottery has the second highest number of likes per capita: 15,686.

Almost everything posted to Facebook is also posted to Twitter, unless the post cannot be edited to accommodate Twitter's character limit. Winning numbers are posted to Twitter automatically via XML. Our Twitter feed is embedded into our website. Occasionally followers will retweet our posts, especially when retailers are mentioned. The Twitter presence is smaller than Facebook, with 763 followers. The Lottery has increased Twitter usage and follower base over the past year, but there is a large opportunity to continue growing.

Beyond Facebook and Twitter, the Montana Lottery soft-launched Pinterest, and continues to use YouTube to host TV spots and winner videos.

The Lottery also has a Flickr account, but we intend to discontinue it because its usefulness is limited. Pinterest better serves image hosting needs while offering better engagement opportunities as well.

At this time, the Lottery does not plan to expand to any further social networks. We have investigated both FourSquare and Google Plus extensively and do not feel either of these would be viable additions to our social media portfolio. As new outlets emerge, however, we will continue to research and evaluate them.

Objectives:

- Grow the Facebook fan base to number one per capita by the end of the fiscal year
- Strengthen engagement of players with non-Facebook social media platforms such as Twitter and Pinterest

Activation Tactics:

- Develop or purchase an app to allow promotions via Facebook
- Implement a calendar of promotions tied to social media with giveaways such as premiums, tickets, and other prizes
- Fully launch Pinterest with an introductory promotion
- Utilize Vine as part of Twitter operations

WEBSITE

Executive Summary:

The Lottery's website continues to be a primary go-to source of information for players to get jackpots, winning numbers, and other information as well as a powerful advertising tool for the Lottery.

Website improvements are ongoing. By the end of fiscal year 2013, the retailer and media portals will be re-launched. The Lottery is in the process of refreshing individual game pages to be more visually appealing.

Objectives:

- To make the website a comprehensive resource for all audiences, including players, prospective players, retailers, and the media
- To improve the quality of the website by making content more relevant, better organized, and easier to navigate

Activation Tactics:

- Evaluate to optimize information architecture
- Remove or repurpose underused or unused pages
- Develop video content such as retailer and player training videos