

# Montana Lottery

## Marketing Plan Fiscal Year 2015

### Brand

What is the essence of the Montana Lottery’s Brand? It is the sense that Montana Lottery offers fun, while giving consumers the opportunity to win a little or a lot. In other words, “Winners Happen.” And they happen every day. As a side benefit, many Montana citizens recognize and appreciate the dollars distributed to retailers through commissions and to the State of Montana.

### Audience

The most recent segmentation study which included the Montana Lottery was conducted in 2008, when the Multi-State Lottery Association conducted a study for the purpose of Powerball segmentation and brand awareness. Below is key Montana demographic information from that study:

Characteristic	Key Finding for Montana Players
Age	25-64
Gender	50 percent female, 50 percent male
Education	Only 11 percent have high school or less. (26 percent have post-graduate studies.)
Employment status	72 percent are employed full-time, part-time, or self-employed, and 14 percent are retired.
Household income	14% under \$30,000 24% \$30-\$49,900 36% \$50-\$99,900 12% \$100,000 plus

Although this is a small sample size is small, and focused primarily on Powerball, it does coincide closely with full segmentation studies conducted by the Lottery in 2005 and 2002. The fact that Powerball is one of two highest-selling products for the Montana Lottery also lends credence to these results.

### Fiscal Year 2014 in Review

Below is a chart illustrating Fiscal Year 2014’s unaudited revenues as of June 30, 2014, compared to ending revenue for Fiscal Year 2013.

	FY 2013 Ending	FY 2014 Ending	Difference
Scratch	\$ 17,282,184	\$16,478,539	-5%
Powerball	\$ 20,177,735	\$15,553,379	-23%
Montana Cash	\$ 3,352,283	\$ 3,672,413	10%
Wild Card	\$ 2,054,829	\$ 1,926,671	-6%
Hot Lotto	\$ 3,145,517	\$ 3,240,638	3%

10 Spot	\$	703,061	\$	642,425	-9%
Mega Millions	\$	3,536,396	\$	5,165,736	46%
MSA	\$	179,442	\$	192,417	7%
Montana Millionaire	\$	2,599,780	\$	2,600,000	100%
EZPLAY®	\$	3,953,389	\$	3,772,235	-5%
	\$	56,982,253	\$	53,242,364	-7%

While the year's sales were lower than Fiscal Year 2013, the total revenue is still commendable, considering the fact that Powerball, the Lottery's lead product, did not experience a jackpot throughout Fiscal Year 2014 that caught consumers' attention and led to the expected sales for that game. Estimates for Fiscal Year 2015 will derive from the expectation that Powerball will not achieve a "Megajackpot" and will not drive Lottery sales to higher-than-estimated figures.

Noted increases in Mega Millions are due to two larger jackpot runs and improvement in consumer awareness of the game due to digital advertising efforts and reinforcement of the message that Mega Millions is a good value at \$1 per play, and \$2 with the multiplier. Montana Cash and Hot Lotto sales improved as well because of significant jackpots and the effect of advertising changes in both games. Increases in Montana Sports Action games can be attributed to increases in the retailer network offering the Board of Horse Racing Games.

In May 2014, a newly revamped Montana Cash game was introduced, along with a refreshed lineup of EZPLAY® games. Other current projects and plans include the launch in June of a Montana Cash Scratch game which is offering Montana Cash Lotto tickets as a prize in the game. This will be the first time Montana has cross-promoted Lotto and Scratch in this way, and we are anxious to analyze the effects on both games.

The Sales and Marketing Representatives have all increased their retailer counts, which has put some time pressure on them as they adjust to less one-on-one time with their customers. The good relationships the sales staff has developed over the years will help maintain those relationships; however, the possibility of approaching this aspect of our business in another manner will remain under constant evaluation.

Fiscal Year 2014 saw many accomplishments and achievements. An Advertising and Related Services RFP process has been completed, with a contract in place with The Wendt Agency of Great Falls, effective July 1, 2014 with options to extend for an additional four years.

Notable activities in Fiscal Year 2014 have been:

- First scented Scratch ticket, Peppermint Doublor
- Montana Millionaire sellout, a second year
- First Social Media contest, called Scratchapalooza
- Continued rollout of Player Advertising Displays (PADs) in traditional retail locations
- Addition of 29 MSA retail locations, and 26 traditional locations
- Transfer of Montana Cash drawings to MUSL
- Change to Mega Millions
- Second Chance drawing for a trip to the Golden Nugget in Las Vegas

- Introduction of a revamped Montana Cash game, with significantly improved odds and higher starting jackpots, among other changes

All these activities kept the Montana Lottery staff busy and involved in upgrading information and plans for the year. While challenges will always be present, the Montana Lottery and its staff are committed to providing a value to the citizens of Montana and working toward the goal of maximizing our transfer to the State's General Fund.

### **Looking Ahead**

Early in Fiscal Year 2015, as marketing and sales plans begin to further develop, it is expected that the advertising plans will also develop with the goal of keeping ahead of the planning process while responding positively to new opportunities as they arise.

While challenges will always be present, the Montana Lottery and its staff are committed to providing a value to the citizens of Montana and working toward the goal of maximizing our transfer to the State's General Fund.

## Major Initiatives - Fiscal Year 2015

Achieve overall sales of approximately \$55 million, resulting in a transfer to the State of Montana General Fund of approximately \$13 million by continuing to support, enhance and promote our current game portfolio. In order to achieve this goal, and our mission of maximizing revenue and our transfer to important state programs, the following activities will be of primary focus:

1. Analyze and determine the effectiveness of 10 Spot in the Lottery's product mix, with the goal of either replacing the game with another daily game, or enhancing it to improve its sales and profitability.
2. Maximize the public's exposure to the "New" Montana Cash game, to solidify its importance and appeal to lapsed players, and to bring in new players.
3. Introduce the higher top prizes to the higher price-point Scratch games, and maximize the public's awareness through in-retail and digital assets.
4. Ensure that the introduction of Lucky for Life captures the attention of the market and results in enhancements to the Lottery's product portfolio and increases overall sales.
5. Use the Lottery's digital assets and create a heavier presence to bring awareness to available responsible gaming resources in Montana.
6. Continue to move our mobile and web interactions toward providing a more personalized, customizable experience for Montana Lottery players.
7. Retailers, as always, are a primary focus for Fiscal Year 2015. We will continue to explore ways to make Lottery products and equipment more efficient, and to enhance retailers' business operations.

## Sales Plan Fiscal Year 2015

The Montana Lottery has the mission of maximizing the transfer of 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.

### The Value of Our Products

Although all our products hold significant value and contribute to the Lottery's bottom line in different ways, for purposes of this plan we focus on three products that our sales goals center around. These products are Powerball with Power Play, Scratch and our MSA/EZPLAY locations.

Powerball with Power Play has always been our best performing product, contributing 30% of our total sales year after year. However, with the decline of large jackpots in the game, there is a threat to this game being able to maintain that percentage. The Lottery sales representatives and marketing staff realize this threat is real and, as described in the Lotto products section of this plan, efforts to curb the effects of this threat are in the works.

The Scratch product also holds a great deal of value to the Lottery, making up another 30% on average of the total sales for the fiscal year. This product has seen a lot of successes and sales increases and continues to be a highly valued product line for the Lottery. The sales force is continually working with the marketing staff and Scratch product department to make this product more profitable for the Lottery while maintaining the desirability that this product holds with our players.

The MSA/EZPLAY retailer network is also a highly valuable product and channel of distribution we continually see holding the greatest potential for growth of our bottom-line. As outlined in the Lotto section of this plan, EZPLAY is a product we manage from start to finish and is not reliant on large jackpots or priorities of other state lotteries. Our interaction as a sales force with the MSA/EZPLAY retailers is essential to providing innovative and effective products specifically addressing the wants and needs of our retailers and players. Great opportunities are ahead of us with these products.

### Our Position in the Market

Primarily we have three categories our retailer network can be placed into. They are:

- Traditional locations (i.e. Grocery or C-store)
- Bar/Tavern locations (i.e. casinos)
- Non-traditional location (i.e. drug stores or bowling alleys)

The Montana Lottery's retailer network is comprised of over 850 Montana businesses. Below is a chart that breaks down the types of terminals and the total number of retailers, as of March 2014.

Terminal Counts		Retailer Counts	
Coronis	599	Traditional	599
microLots	274	MSA	274
MPs	264	<b>Total</b>	<b>873</b>
WinStations	59		
<b>Total</b>	<b>1,195</b>		

During the fiscal year, a recruitment plan, detailed in the respective section below, outlines the goals for recruitment and the need to plan for recruitment efforts for the next three years.

## Promotional Strategy

Active promotion of our products lies greatly in the hands of the sales force. Their direct interaction with the retailers and players help them design promotions that target where sales need to improve and promote products that retailers and the Lottery are seeking to increase sales. The Lottery Sales Representatives (LSR) have several tools at their disposal to create and manage promotions, while also allowing them to analyze promotion effectiveness. These tools are largely available through the back office system, or BOS. Additional analysis is available from the Marketing Analyst.

Promotions can extend from the retailer network to the social media outlets such as Facebook. As described throughout the Lotto and Scratch product sections of this plan, social media integration will be key to promoting the products with existing players, but will also allow us to extend our promotional message to potential players. The LSRs will also use social media where applicable to promote products to increase sales; working directly with the Communication Department to maintain our good social standing and keep our message direct.

## Long-term and Short-term Revenue Goals

For fiscal year 2015 the following projections have been set as minimum goals for each product. The LSRs are committed to supporting the product goals and will work to exceed these wherever possible.

Sales projection Fiscal Year 2015	
Scratch	\$16,800,000.00
Powerball	\$16,500,000.00
Montana Cash	\$3,800,000.00
Wild Card	\$2,050,000.00
Hot Lotto	\$3,100,000.00
Mega Millions	\$4,000,000.00
10 Spot	\$550,000.00
EZPLAY	\$4,000,000.00
Montana Millionaire	\$2,700,000.00
MSA	\$200,000.00
Lucky for Life <i>(Starting Jan. 25)</i>	\$1,400,000.00
<b>Total</b>	<b>\$55,100,000.00</b>

Exceeding the projected sales for fiscal year 2015 is a priority for the LSRs in the field. The projected sales growth is in the best interest of our retailers and an obtainable goal the sale force is able to assist each retailer with reaching.

Early in fiscal year 2015 the LSRs will work to determine the three-year sales plan. This plan will incorporate fiscal year projects for 2016 through 2018 and define specifically how the LSRs will reach and/or exceed these projections. The plan will address retailer specific initiatives that will ensure sales increases of 1.5% at minimum. The plan will also address retailer recruitment; a proven method of increasing sales in all regions. Determining the goals for short-term and long-term growth is essential for the Montana Lottery to continue to achieve record setting sales and transfers to the State's General Fund.

## Recruitment Plan

Recruiting new retailers, traditional or otherwise, is how we grow our business and sales. In fiscal year 2015 we will continue to add MSA locations to our retailer network. The goal is to increase each region's coverage of MSA locations to a minimum 30 percent of eligible retailers which is defined as a bar and casino location

that has a valid gaming license. The table below calculates the 30% per region of eligible locations each LSR is tasked with recruiting this fiscal year.

Region	MSA	Licensing Gaming Locations Selling Lottery	Current Percent of Eligible Accounts
1	26	208	12.50%
2	39	142	27.46%
3	42	183	22.95%
4	58	212	27.36%
5	48	197	24.37%
6	42	174	24.14%
7	23	137	16.79%

The core of our retailer network is comprised of our traditional locations, or grocery and c-store businesses. Active recruitment of these channels of distribution is essential to the continued growth of our sales and making the Montana Lottery's products conveniently available to all players. The entire sales force will work with independents and key accounts to always be part of their expansion plans. They will also work together to develop a three-year recruitment plan to make sure all possibilities for terminals placement are pursued.

## Planned Field Activities to Meet Projections

As mentioned in previous sections, meeting the sales projections and recruitment goals of the Lottery are priority. Internal projects are an important goal as we always want to exceed the goals set by the Lottery. We are striving for a 1.5% increase above the set projections. This increase would be reflected in the sales goals by region as well.

Meeting these goals will be a challenge but with dynamic collaboration with the Lotto, Scratch and Marketing departments, success in meeting the percentage increases is achievable. Utilizing promotions and social media interaction effectively and applying those ideas will help ensure sales increases.

Corporate entities, such as Town Pump and Albertsons, work with the Lottery to promote our products. Corporate Accounts will be encouraged to offer chain-wide promotions with the benefit of improving their Lottery sales. Many corporate account retailers recognize the benefit of the Scratch incentive program, and are anxious to deliver Scratch sales as a means to improve bottom line performance. Extending this enthusiasm to the Lotto products will be the challenge for the sales force moving into fiscal year 2015.

The Montana Lottery's involvement and support of corporate key accounts by our attendance at important trade shows will continue to be an important initiative for the Sales Department. Along with these meetings, sales staff spends time each week making calls to potential retailers and explaining benefits of selling Lottery products. While some businesses are not interested in Lottery products, many underdeveloped regions of the state are beginning to see increasing MSA/ EZPLAY® retailers. Again, the plan is to have thirty percent of eligible bars and casinos in each region.

Retailers have grown to expect the Lottery's assistance in supporting and improving sales and will take an active role in developing and executing player promotion. While the promotional budget is limiting, in fiscal year 2015, each LSR will identify two or three retailers per quarter who could benefit by improving sales. The LSR will work directly with store management to carry out the promotion as designed and support the goals of the retailer. The sales force is tasked with identifying retailers that are underperforming, and working

closely with them to bring their sales to acceptable levels. Support for the retailer may include signage, digital advertising, and social media integration.

The sales department will also work internally to continually assess what sales tactics and promotions are working and producing desired results. This is a very important initiative as we do not want to waste valuable time pursuing promotional activities that do not produce desired results. These internal discussions and analysis will take place primarily during the weekly Sales Meetings and when the sales force meets quarterly in Helena.

# Product Portfolio

## Scratch Product Portfolio

### Executive summary

Scratch tickets are an important product line and contribute consistently to the Montana Lottery's profit. They comprise close to one-third of total sales. The Lottery offers a variety of Scratch games in \$1, \$2, \$3, \$5, \$10 and \$20 price points and with top prizes ranging from \$500 to \$500,000. The variety of play styles and price points has helped increase ticket sales over the past five years. The Lottery uses licensed properties like Harley Davidson, Golden Nugget and Monopoly, which offer players opportunities for second chance prizes or other unique features.

The Scratch product line has not met sales expectations for the first half of Fiscal Year 2014. We are anticipating a 4-6% decay in sales at the close of Fiscal Year 2014, with sales totaling approximately \$16.5 million. An informal survey of Scratch retailers by our sales staff has led us to believe reduced customer counts and diminished discretionary income have led to the slow sales year.

We anticipate growing revenue 3-4% during Fiscal Year 2015 with continued production of enticing, high quality, attractive Scratch games. In addition, we will be introducing new \$5, \$10, and \$20 games early in Fiscal Year 2015 with higher top prizes. These games should capture the attention of the players because of the significant increase in prizes (see more below in the plan). In addition, a pre-determined end date will be established for the higher-price-point games. It is expected that the games will sell through faster, allowing the Lottery to introduce one more game at each of the three price points. This should translate into higher sales, and since the higher-price-point tickets are slightly more profitable, it should translate into more revenue for the State of Montana.

Our current Scratch printing contract expires in August 2015, and we anticipate the release of a RFP in October, 2014 for a new contract. We will continue with the draft RFP process through October and evaluate RFP responses in January, 2015, and expect to sign a new contract in April, 2015, allowing several months for conversion.

### Product overview

Coming into Fiscal Year 2015, a recent resurgence in sales has the Scratch product line poised for healthy first quarter growth, and a revitalized \$5, \$10 and \$20 higher top prize strategy will provide players with more value and incentive to play. The goal of the strategic adjustments planned for the higher-price-point tickets is to increase weekly revenue, keep games fresh, and provide more consistent prize structures. We will set pre-determined sales end dates to keep these games fresh in the market. Part of this strategic plan is to evaluate game and price point performance and adjust as needed. A component of this strategy will be to start a game at each of these price points simultaneously. \$1, \$2 and \$3 price points will continue to follow the strategies developed in Fiscal Year 2014.

We are going to increase the total number of games released per year from 44 (Fiscal Year 2014) to an estimated 50 (Fiscal Year 2015) by ending slow-selling products and replacing them with new fresh games. Early Fiscal Year 2015 will also see the launch of the Montana Cash Scratch ticket with instant win Montana

Cash Lotto tickets. This will provide insight on how players will respond to cross promotion of a Scratch and a Lotto game. Other notable game concepts and changes include: establishing \$2 Super Hot 7's Deluxe as a base game, and introducing a \$3 bingo, \$5 crossword, \$10 licensed properties, and new higher top prizes.

## **\$1 Games**

Print a total of 9 games (minimum order)

Maintain a mix of four new active games; three assorted games and "Super Hot 7's" (base game). Continue with print quantities of 200,000 tickets on the three non-base games in order to sell through games faster and ensure fresh products. Reprint Super Hot 7's in second quarter Fiscal Year 2015 with a ticket quantity of 1.2 million. The majority of \$1 games will be ordered within the first quarter to prevent a total sellout of product in case of abnormally high sales.

## **\$2 Games**

Print a total of 11 games (minimum order)

The \$2 price point has become our most profitable price point since moving to a higher top prize and an additional facing. We will continue with seven facings: three crossword games, two bingo games, and two non-extended games. Establish "Super Hot 7's Deluxe" as a base game with a top prize of \$12,000. Continue selling "The \$14,000 Montana Crossword" game with refreshed art.

## **\$3 Games**

Print a total of 6 games (minimum order)

Maintain a mix of five active games composed of: one crossword, two Slingo, one licensed property, one non-extended-play game, and one \$3 bingo. Slingo print quantity has been decreased from 180,000 tickets to 120,000 tickets ensuring faster sell through and more frequent releases. We will reduce print quantity of the \$3 crossword from 180,000 to 150,000 to reduce the effective weeks on sale from 36 to 26 weeks, which will provide faster sell through and fresher games. We will also utilize the successful video-game themed LP games such as Pac-Man, Frogger, Centipede, Asteroids, and Tetris. *Consider adding an additional facing at mid-year Fiscal Year 2015. An analysis of \$3 and \$20 weekly profit will be used to determine the optimal game mix. If one price point (\$3 or \$20) shows a higher and sustained weekly profit, then a game mix shift towards the higher profit facing will be further evaluated for possible implementation.*

## **\$5 Games**

Print a total of 7 games (minimum order)

Continue with four facings: one licensed property, one Slingo Trio, and two non-extended games. We will follow through with and monitor the transition to \$75,000 top prizes. The higher top prize strategy will require larger (160,000) ticket orders with a small increase in printing cost. We will use a pre-determined Tel-Sell end date of 26 weeks which will allow the printing and release of three to four additional games per year. Releasing more \$5 games will drive sales with consistent fresh products. In Fiscal Year 2015, we will test a \$5 crossword with two grids. Licensed properties will continue as an integral part of the \$5 price point.

## **\$10 Games**

Print a total of 2 games (minimum order)

Maintain two simultaneous active facings. Follow through and monitor the transition to \$175,000 top prizes based on the increased print quantity of 160,000. Using a pre-determined Tel-Sell end date of 52 weeks will

allow the printing and release one additional game per year. In Fiscal Year 2015, we will test a Monopoly licensed property with the new top prize (\$175,000).

## **\$20 Games**

Print a total of 1 game (minimum order)

Evaluate reducing active facings from two to one at mid-year Fiscal Year 2015. Follow through and monitor the transition to \$500,000 top prizes based on the increased print quantity of 160,000. Use a pre-determined End Tel-Sell date of 52 weeks. *Evaluate the current smaller top prize facing mid Fiscal Year 2015 and consider its removal upon poor performance. See \$3 price point. An analysis of \$3 and \$20 weekly profit will be used to determine the optimal game mix. If one price point (\$3 or \$20) shows a higher and sustained weekly profit flux, then a game mix shift towards the higher profit facing will be further evaluated.*

## Online Product Portfolio Executive 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** (PB) is a lotto game that started in Montana in April of 1992. Powerball with Power Play (PP) is a Multi-State Lottery Association (MUSL) game and subject to the rules and regulations of MUSL. Powerball and Power Play are sold on all Montana Lottery terminals. Each Powerball ticket is \$2 and an additional \$1 when the Power Play is added. Powerball changed to a \$2 price point on January 15, 2012.

In January, 2014, Power Play was changed so that instead of having assigned multipliers by prize level, a Power Play number is drawn. All prizes (except the jackpot) are multiplied. The Match 5 prize is always \$2 million when played with Power Play, and the remainder of the low-tier prizes are multiplied by the drawn Power Play number.

The jackpot starts at \$40 million and will grow each drawing until someone matches all numbers drawn. Choosing Power Play will increase player winnings by 2, 3, 4, or 5 times. The jackpot is parimutuel and will be divided equally among multiple winning tickets.

**Mega Millions** is an existing product line introduced by the Montana Lottery in March of 2010. Mega Millions with Megaplier is a Multi-State Lottery Association (MUSL) game and subject to the rules and regulations of MUSL. Mega Millions with Megaplier is a lotto game and is sold from all Lottery terminals.

The jackpot starts at \$15 million and will grow each drawing until someone match all numbers drawn. Choosing the Megaplier will multiply the set prizes when won 2, 3, 4 or 5 times. The jackpot is parimutuel and will be divided equally among multiple winning tickets.

**Montana Cash** is a lotto game that launched solely in Montana in May of 1991. Since that date approximately 23 years ago, the Montana Cash game's features have gone relatively unchanged. Specifically, the play style, the starting jackpot of \$20,000, and the prize structure have all remained the same.

In May 2014, the Montana Cash game was enhanced to offer players the same in-state game experience but with an improved prize structure. The change includes a freshening of the look and feel of the game.

Additional changes include:

- Increasing the starting jackpot from \$20,000 to \$40,000
- Adding a new \$1 prize added for matching two numbers
- The pool of numbers to choose from will be changing from 37 to 45
- The overall odds of winning a prize have improved significantly from 42.6 to 5.7

Some important game features will remain the same. The days of the week the draws will take place will continue to be Wednesday and Saturday. Players will still get two plays for \$1 just as they have for over two

decades. In addition, the jackpot will continue to grow by \$10,000 every time it is not hit. Finally, the mid-tier prizes for matching 3 and 4 numbers will remain \$5 and \$200 respectively.

The Lottery recognizes that the Montana Cash game has been in decline for many years. Game changes have been an important focus throughout that time, however; with the aggressive game change schedule enforced by MUSL for games like Powerball and Mega Millions, the game change for Montana Cash was continually set aside until now.

The Lottery has approached these game changes with caution. Because of the long history this game has in Montana, it was a priority to not alienate existing players by changing “their game.” Focus group research was conducted with players who play Montana Cash and know the game very well. After compiling those results the goal was clear...to design a game that held onto the features that players have loved for years while at the same time adding features that would attract the lapsed players that have been leaving the game over the past five years. Sales have steadily decreased with this game largely because it hasn't been improved and needed to provide the player with more value for their \$1. Adding the \$1 prize level for match 2 numbers will achieve this. It is expected that the churn that will occur with this prize level will increase revenue and bring in new and lapsed players alike. With the improved odds, the jackpot will grow to higher levels while injecting some excitement back into the game.

**Wild Card** is a lotto game that started in Montana in February of 1998. Wild Card is currently offered in Montana, Idaho, North and South Dakota. Wild Card is a Multi-State Lottery Association (MUSL) game and is subject to the rules and regulations of MUSL. Wild Card is sold on all Montana Lottery terminals. Each Wild Card ticket is \$1 with two plays per ticket.

The jackpot starts at \$200,000 and grows by \$5,000 each drawing until someone matches all numbers drawn. The jackpot prize is divided equally among multiple winning tickets. The jackpot is cash and paid out in a lump sum.

**Hot Lotto** is a lotto game that started in Montana in April, 2002. Hot Lotto with Sizzler is a Multi-State Lottery Association (MUSL) game and subject to the rules and regulations of MUSL. Hot Lotto with Sizzler is sold on all Montana Lottery terminals. Each Hot Lotto ticket is \$1 and an additional \$1 when Sizzler is added. The Sizzler option will triple any prize won except the jackpot.

The jackpot prize is parimutuel and will be divided equally among multiple winning tickets. The jackpot, which is cash and paid out in a lump sum, begins at one million dollars with state and federal withholding taxes paid for the winner.

**10 Spot** is a product introduced by the Montana Lottery in February of 2010. This is a keno style product issued from any Montana Lottery terminal. It is sold only in Montana.

This game has two daily drawings, at 12:30 and 7:30 PM. 10 Spots tickets are \$1. A player selects 10 different numbers between 1 and 80. Players win by matching 0, 5, 6, 7, 8, 9, or all 10 of the 20 numbers drawn. All prizes are cash and are paid in a lump sum.

**EZPLAY®** is a product line introduced by the Montana Lottery on November 6, 2011. These products are instant Lottery games issued from a player activated terminal and are only available in bar and casino establishments which offer Montana Sports Action games.

There are two types of EZPLAY® games offered by the Montana Lottery:

- EZPLAY® “instant lottery games” are similar to a traditional Scratch ticket; however, they are sold from a player activated terminal and there is no scratch area. The games have set prizes like Scratch games, and offer many of the same, simple play styles.
- EZPLAY® “progressive games” are the same as described above except there is a growing jackpot that is based on the sales of the game. The progressive games have set lower tier prizes and a progressive jackpot.

**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. 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. The sell-out success was repeated in Fiscal Year 2014, and the Montana Lottery plans to repeat that success in Fiscal Year 2015. For Fiscal Year 2015, Montana Millionaire will be modified by increasing the number of available tickets by 5,000, which will generate revenue of \$2.7 million for Fiscal Year 2015.

**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. MSA games are sold on microLots and MP player activated terminals. Tickets are sold only at locations that have a gambling license.

In **Fantasy Football**, a player chooses their Fantasy Football team and if they have the highest three point totals will win a prize at the end of the week. Tickets are purchased at \$5 per share. The more shares purchased the more of the pot you collect if you win. After completion of each week’s professional football games, points will be assigned to players and defensive units based on their performance to determine teams total points for the week.

The roster for each week of play is distributed through the Lottery terminal and available on the Montana Lottery’s website.

**Fantasy Racing** is also sold at Montana Sports Action (MSA) retail locations. A player chooses their Fantasy Racing team and if they have the highest three point totals win a prize at the end of the week. Tickets are purchased at \$5 per share. The more shares purchased the more of the pot you collect if you win. After completion of each week’s race, points will be awarded to the car for laps lead. The Driver roster will change each week and is distributed through the Lottery terminal and available on the Montana Lottery’s website.

# Online Product Portfolio Current Situation, Analysis and Objectives

## Powerball with Power Play

### Product Overview

As of March 2014, the Powerball with Power Play average weekly sales are \$224,059 which is significantly less than last fiscal year's average weekly sales of \$388,475. Being that Powerball sales contribute approximately 30% of total product sales, this decrease is concerning. The decreased sales can be attributed to the fact that in Fiscal Year 2013 the game had two very high jackpot runs; one that occurred in November 2012 reaching \$550 million, and another in May which was a record Powerball jackpot of \$600 million. In Fiscal Year 2014, the highest jackpot occurred in September where it only reached \$360 million. Sales have always ebbed and flowed as the jackpots rise and fall. The jackpot "fever" that used to occur at \$200-million+ jackpot level is simply waning. A high jackpot that drives sales increases appears to occur more at the \$400 million level. Players are waiting for that astronomical number to appear to play their \$2.

Initially, the January 2014 change to the Power Play feature appears to be having a slightly positive effect on sales. Players, before the change, were participating in the Power Play feature only 13.17% of the time. Since the change, 14.33% of players are adding the feature. Again, small increases, but what this does show is that this feature has value as far as the player is concerned. When the Powerball ticket cost increased \$1 to a minimum \$2 purchase, the Power Play feature suffered most. Before the cost change the Lottery averaged over 23% participation and once the change took place in January 2012, that \$1 moved from the Power Play feature and went towards the minimum purchase of a ticket.

The Powerball game has gone through many changes to the prize structure and game matrix over the past five years. These changes consist of adding more one million dollar winners, adjusting the odds of winning high tier prizes, and increasing the purchase price of a ticket (as mentioned above). But it is difficult to see what these changes have done specifically to help Montana Powerball players and resulting sales. Obviously, with the increases in cost and the matrix changes, sales nationwide have helped grow the Powerball jackpots faster. That growth helps Montana increase sales as players see value in making that purchase for a chance at the higher jackpot. But if those jackpots are hit early in the run, and not by a Montana player, sales see an immediate decline and are ever-reliant on that next jackpot growth.

The Lottery has good winners for Powerball and has recently increased winner awareness advertising to inform lapsed and "only high jackpot" players that winners happen all the time, regardless of the jackpot. This point is important because Montana is such a small state where Powerball is concerned, as it is also sold in states like California, New York, and Florida...all of whom have significantly larger populations equating to more chances to win the jackpot or higher tier prizes.

The Lottery has little control over the fate of a jackpot or how high it is going to grow, so the Lottery's efforts to increasing sales must focus on the things that can be controlled.

With an additional 100 MP terminals that are ready for installation in the remainder of Fiscal Year 2014 and into Fiscal Year 2015, the Lottery could easily see a minimum of \$21 per week per terminal in Powerball sales. This will translate to over \$105,000 in additional Powerball sales for the Lottery. This highlights a significant growth potential for this distribution channel. Increasing Powerball sales at the MP terminals by cross-

promoting with EZPLAY®, the number one sales product line sold from the MP, will help drive players to purchase Powerball. Utilizing the Player Advertising Display (PAD) units in these locations to drive the message of the Powerball jackpot is imperative. Also, the Lottery can add the Powerball jackpot as dynamic messaging below the Powerball button, similarly to how progressive jackpots for EZPLAY® games are displayed. It's known, from sales of the EZPLAY® games, that MP players notice that jackpot messages and that functionality should be utilized for all progressive and draw game jackpot games.

## Objectives

Based on the challenges and successes described above, the following objectives for Fiscal Year 2015 are:

Objective #1: Increase Powerball sales at the lower jackpot levels through positive, value-spotlighting messaging and advertising through the PADs, ticket marketing messages, social media campaigns and sales representative interaction.

Objective #2: Increase the Power Play participation percentage by educating the players on how a Power Play win, either large or small, can be worth that additional \$1 to the purchase. This will be supported through point of sale pieces at retailer locations and the PAD/PID devices specifically. The messaging will be quick to show the value to the player when adding that \$1. Retailer education is essential in attracting new players to the Power Play feature. Sales representatives will be key in conveying this message with leave-behind pieces and a variety of POS items that will work for all types of retailer establishments.

Objective #3: Reward players for their Power Play participation while showing those who do not participate that there is true value in that additional dollar. This can be done through the promotions functionality offered by the central gaming system. The average wager for calendar year 2014 is \$4.75. Ideally, the Lottery will focus on driving that average wager up to above \$5, which can be achieved through carefully planned promotions such as a buy one, get one free, or a Nth ticket promotion where players wagering \$10 and above receive a reward or discount for their purchase. These promotions can be timed specifically to target sales periods where sales are lower, increasing lower jackpot level sales.

Objective #4: Continue to provide consistent and exciting winner awareness for Powerball and Power Play wins at all levels. Focusing messaging on the fact that there are significant winners in Montana and how Power Play has increased the winning experience.

## Analysis

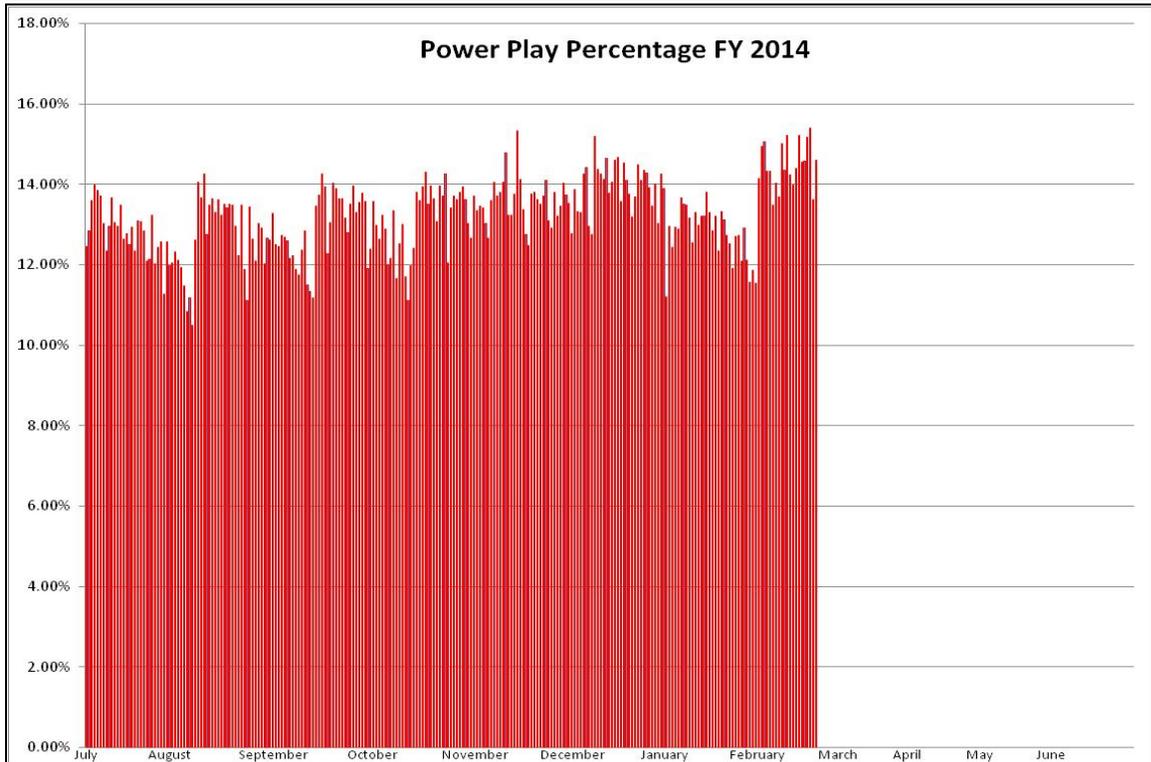
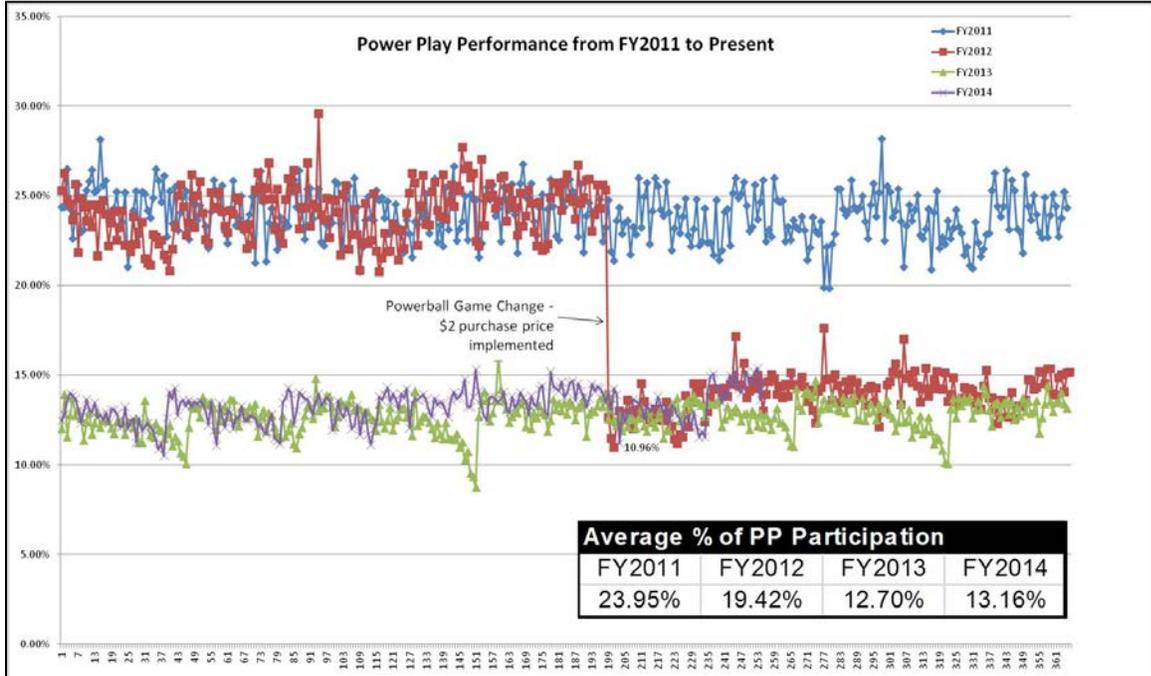
Year to Year Powerball Sales and Averages Comparison

	2011 PB/PP Weekly	2011 PB Sales	2011 PP Sales	2011 PB/PP Sales
<b>Totals</b>	<b>\$14,342,535.00</b>	<b>\$11,672,314.00</b>	<b>\$2,827,693.00</b>	<b>\$14,500,007.00</b>
<b>Average</b>	<b>\$275,817.98</b>	<b>\$31,978.94</b>	<b>\$7,747.10</b>	<b>\$39,726.05</b>
<b>Sales Diff. FY2010</b>				<b>-16.81%</b>
	2012 PB/PP Weekly	2012 PB Sales	2012 PP Sales	2012 PB/PP Sales
<b>Totals</b>	<b>\$15,662,517.00</b>	<b>\$13,360,178.00</b>	<b>\$2,484,700.00</b>	<b>\$15,844,878.00</b>
<b>Average</b>	<b>\$301,202.25</b>	<b>\$36,603.23</b>	<b>\$6,807.40</b>	<b>\$43,410.62</b>
<b>Sales Diff. FY2011</b>				<b>9.27%</b>
	2013 PB/PP Weekly	2013 PB Sales	2013 PP Sales	2013 PB/PP Sales
<b>Totals</b>	<b>\$20,200,725.00</b>	<b>\$17,776,104.00</b>	<b>\$2,441,112.00</b>	<b>\$20,217,216.00</b>
<b>Average</b>	<b>\$388,475.48</b>	<b>\$48,701.65</b>	<b>\$6,687.98</b>	<b>\$55,389.63</b>
<b>Sales Diff. FY2012</b>				<b>27.59%</b>

	2014 PB/PP Weekly	2014 PB Sales	2014 PP Sales	2014 PB/PP Sales
Totals	\$11,789,099.00	\$10,260,470.00	\$1,528,629.00	\$11,789,099.00
Average	\$226,713.44	\$38,718.75	\$5,768.41	\$44,487.17
Sales Diff. FY2013				-41.69%

(Average indicated daily averages unless otherwise specified)

### Power Play Participation



## **Financial Projections**

Fiscal Year 2014's projection was \$21 million. Based on these numbers and Powerball's reliance on large jackpots, it is anticipated that sales for Fiscal Year 2015 will be \$16,500,000. This projection is based on average weekly sales for the past twelve months along with the slower jackpot growth, and also the Lottery's commitment to the education of players and retailers on Power Play and making that purchase instinctive regardless of jackpot. Increased advertising for the game must be more prominent and strategic to sustain sales and meet projections. The increases planned to add channels of distribution will also contribute to achieving this sales goal.

**FY2015 Projection: \$16,500,000**

**FY2016 Projection: \$17,325,000, or a 5% increase above the FY2015 projection.**

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## **Mega Millions with Megaplier**

### **Product Overview**

As of March 2014, Mega Millions with Megaplier average weekly sales are \$76,472, which is a 12.6% increase compared to last year's average weekly sales of \$67,908. So far, Mega Millions sales contribute 10% to the total sales for Fiscal Year 2014. The increase can be largely attributed to the record \$636 million jackpot which occurred December 17, 2013. This jackpot holds significance for Montana because it was an important advertising opportunity which allowed players in Montana to know and understand Mega Millions. In the past, Mega Millions has not performed as a large jackpot game should. If you compare Mega Millions to Powerball, both games have large starting jackpots and similar game features, with exception of the minimum purchase price. However, Powerball sales far exceed those of Mega Millions. The launch of Mega Millions in 2010 was a "soft" launch, meaning the game was introduced in the field without a strong advertising campaign to support it. When this record jackpot came to be, players in Montana were made aware of the game and its similar ability to be a large jackpot game.

### **Objectives**

Based on the challenges and successes described above, the following objectives for Fiscal Year 2015 are:

**Objective #1:** Educate players about Mega Millions and the value it holds for players. This will be done by utilizing social media and advertising display capabilities to focus on the price point and the prizes available for Mega Millions. Players need to understand why they should be playing Mega Millions and that it is a game that does offer large jackpots, but also offers players multiplier opportunities for mid and low tier prizes.

**Objective #2:** Increase Megaplier participation. Unlike Powerball, which was first introduced without a multiplier, players in Montana only know Mega Millions with a multiplier. Currently in Fiscal Year 2014, Megaplier is played 22.72% of the time. This is a decent participation number compared to Powerball's participation percentage; however, there is room to grow. Encouraging players to add Megaplier will be done by advertising the multiplier benefits to players. Specifically this can be done utilizing the Player's Club database of players who have indicated they are players of the game. Targeting this group and rewarding them for purchasing the Megaplier feature will increase sales.

**Objective #3:** Increase Mega Millions with Megaplier sales by targeting Mega Millions players currently not playing the multiplier option. Through Nth ticket or buy X get Y promotions during lower jackpot periods,

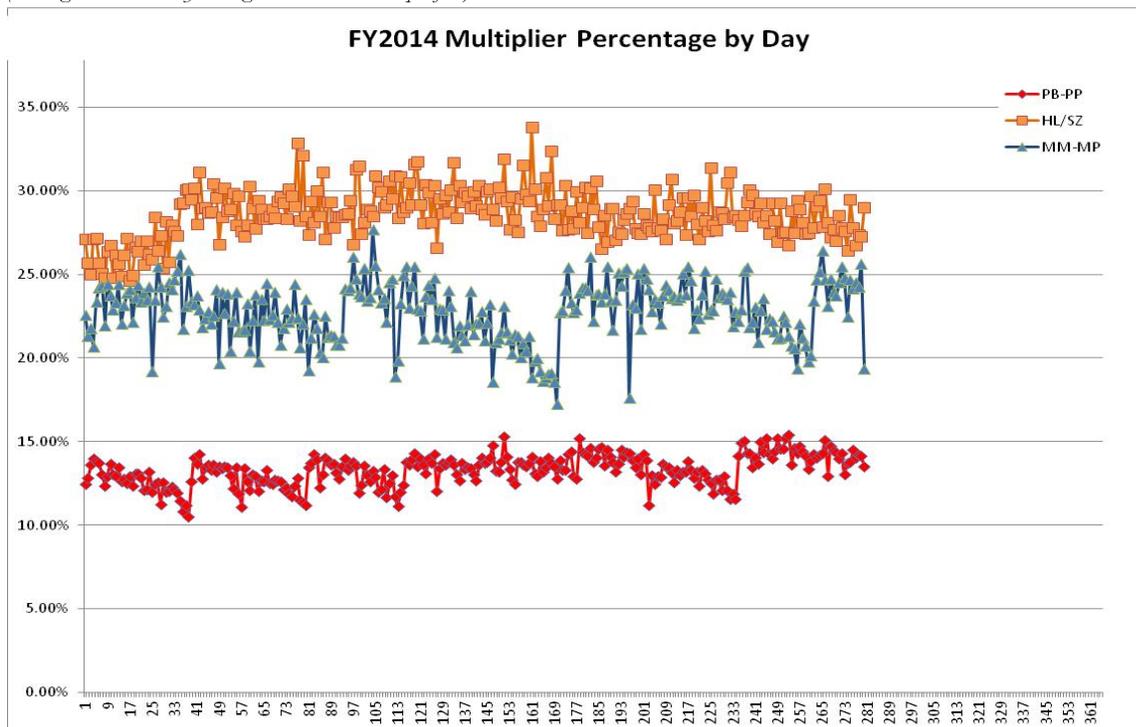
reward players for purchasing the multiplier option. The benefit will be seen as players win with Megaplier. This promotion should be implemented regularly so players don't lose sight of the benefits and learn to make Megaplier a regular purchase.

### Analysis

Year to Year Mega Millions Sales and Averages Comparison:

	2011 MM/MP Weekly	2011 MM Sales	2011 MP Sales	2011 MM/MP Sales
<b>Totals</b>	<b>\$3,459,845.00</b>	<b>\$2,749,204.00</b>	<b>\$761,204.00</b>	<b>\$3,510,408.00</b>
<b>Average</b>	<b>\$66,535.48</b>	<b>\$7,532.07</b>	<b>\$2,085.49</b>	<b>\$9,617.56</b>
<b>2012 MM/MP Weekly</b>				
<b>Totals</b>	<b>\$5,477,986.00</b>	<b>\$4,474,949.00</b>	<b>\$1,077,172.00</b>	<b>\$5,552,121.00</b>
<b>Average</b>	<b>\$105,345.88</b>	<b>\$12,260.13</b>	<b>\$2,951.16</b>	<b>\$15,211.29</b>
<b>Sales Diff. FY2010</b>				<b>58.16%</b>
<b>2013 MM/MP Weekly</b>				
<b>Totals</b>	<b>\$3,531,262.00</b>	<b>\$2,754,321.00</b>	<b>\$781,438.00</b>	<b>\$3,535,759.00</b>
<b>Average</b>	<b>\$67,908.88</b>	<b>\$7,546.08</b>	<b>\$2,140.93</b>	<b>\$9,687.01</b>
<b>Sales Diff. FY2010</b>				<b>-36.32%</b>
<b>2014 MM/MP Weekly</b>				
<b>Totals</b>	<b>\$3,976,556.00</b>	<b>\$3,125,617.00</b>	<b>\$850,939.00</b>	<b>\$3,976,556.00</b>
<b>Average</b>	<b>\$76,472.23</b>	<b>\$11,975.54</b>	<b>\$3,260.30</b>	<b>\$15,235.85</b>
<b>Sales Diff. FY2010</b>				<b>12.47%</b>

(Average indicated daily averages unless otherwise specified)



### Financial Projections

Fiscal Year 2014's projection was \$4 million. It is expected that the last quarter of this fiscal year will yield another \$1.5 million which will bring the total for the Fiscal Year 2014 to over \$5 million. Based on these numbers and Mega Million's reliance on large jackpots, it is anticipated that sales for Fiscal Year 2015 will be

\$4 million. This projection is based on average weekly sales for the past twelve months along with the slower jackpot growth, and also the Lottery's commitment to the education of players and retailer on Megaplier and making that purchase instinctive regardless of jackpot. The increases planned for additional channels of distribution will also contribute to achieving this sales goal. While Fiscal Year 2015's projections are identical to projections in 2014, and nearly \$1.2 million less than actual sales, a conservative approach to estimations will result in better planning, and an unexpected Mega jackpot will be an additional benefit.

**FY2015 Projection: \$4,000,000, identical to FY2014 projections**

**FY2016 Projection: \$4,200,000, or a 5% increase for FY2015**

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## **Montana Cash**

### **Product Overview**

As of March 2014, Montana Cash average weekly sales are \$59,833 which is a 7.2% decrease compared to last year's average weekly sales of \$64,490. So far, Montana Cash sales contribute 6.12% to the total sales for Fiscal Year 2014. The continual decrease in sales over the past five years has been the catalyst for the game enhancements. The Montana Lottery is looking forward to the future performance of Montana Cash and has poised itself to increase sales of this product line and restore the pride people in Montana have for "their game."

### **Objectives**

Based on the challenges and successes described above, the following objectives for Fiscal Year 2015 are:

Objective #1: Continue to support the launch of the new Montana Cash game. Support will be in the form of continued advertising based on the advertising produced for the game launch and the media plan in place. Player education will be done through the PADs, focusing on the game callout most desirable to players based on focus group research. Messaging will focus on the additional \$1 prize level, the improved overall odds, and increased jackpot. Continued focus of the Lotto game will accompany the promotion of the Montana Cash scratch game scheduled for launch in July.

Objective #2: Increased and improved winner awareness for Montana Cash will be implemented. With the new prize structure, the number of winners overall will be greatly increased and this is a message the Lottery wants to convey to players and lapsed players. Jackpot winners will also be a bigger focus, as it is anticipated with the game change, the jackpots will be more significant and a motivation for people in Montana to play the game. The winner awareness messaging will be conveyed primarily through the PAD displays, but in addition, ticket messaging will be used to cross promote the winner awareness message.

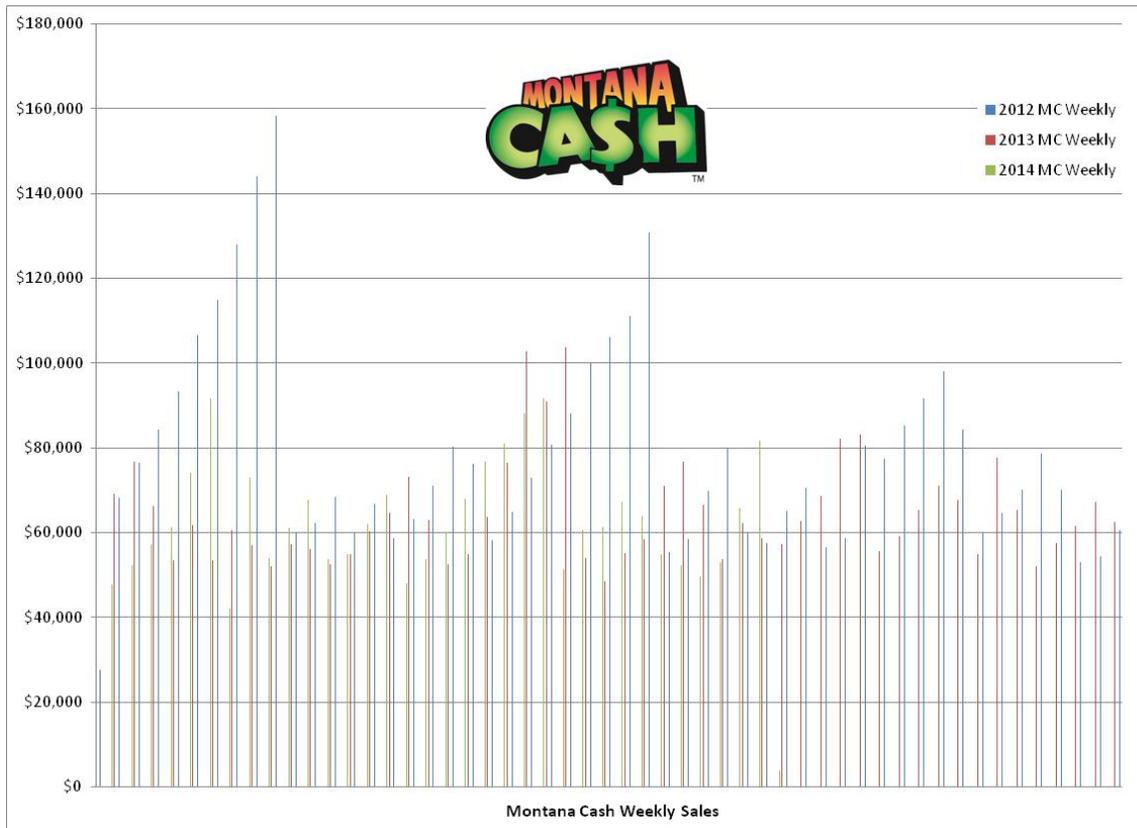
Objective #3: Because of the newness of the game being launched in May 2014, game sales will be examined carefully to determine what affect the \$1 prize level and expected increased jackpot level is having. This analysis will be conducted primarily by the Online Product Manager with the assistance from the Marketing Analyst.

## Analysis

### Year to Year Montana Cash and Averages Comparison

	<b>2011 MC Weekly</b>	<b>2011 MC Sales</b>
<b>Totals</b>	<b>\$3,765,206.00</b>	<b>\$3,801,458.00</b>
<b>Average</b>	<b>\$72,407.81</b>	<b>\$10,414.95</b>
<b>Sales Diff. FY2010</b>		<b>-4.92%</b>
	<b>2012 MC Weekly</b>	<b>2012 MC Sales</b>
<b>Totals</b>	<b>\$4,140,950.00</b>	<b>\$4,140,950.00</b>
<b>Average</b>	<b>\$78,131.13</b>	<b>\$11,314.07</b>
<b>Sales Diff. FY2011</b>		<b>8.93%</b>
	<b>2013 MC Weekly</b>	<b>2013 MC Sales</b>
<b>Totals</b>	<b>\$3,353,515.00</b>	<b>\$3,356,681.00</b>
<b>Average</b>	<b>\$64,490.67</b>	<b>\$9,196.39</b>
<b>Sales Diff. FY2012</b>		<b>-18.94%</b>
	<b>2014 MC Weekly</b>	<b>2014 MC Weekly</b>
<b>Totals</b>	<b>\$2,153,992.00</b>	<b>\$2,435,249.00</b>
<b>Average</b>	<b>\$59,833.11</b>	<b>\$9,366.34</b>
<b>Sales Diff. FY2013</b>		<b>-27.45%</b>

*(Average indicated daily averages unless otherwise specified)*



### **Financial Projections**

Fiscal Year 2014's projection was \$3.5 million. It is expected that the last quarter of this fiscal year will yield another \$900,000 in Montana Cash sales, resulting in a final fiscal year total nearing \$4 million. Based on the game changes taking place for the game and the time it will take to attract lapsed and new players back to the game, it is anticipated that sales for Fiscal Year 2015 will be \$3.8 million. This equates to a 5% sales increase anticipated for the game. The new game features and the refreshed branding that will accompany the game change will be revenue generating and sustainable. The increases planned for additional channels of distribution, such as the new MP terminals being installed, will also contribute to achieving this sales goal.

**FY2015 Projection: \$3,800,000 or an increase of approximately 6% from FY2014 projections**

**FY2016 Projection: \$3,900,000 or a 3% increase for FY2015.**

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## **Wild Card**

### **Product Overview**

As of March 2014, Wild Card average weekly sales are \$37,133, which is a 6.5% decrease compared to last year's average weekly sales of \$39,547. So far, Wild Card sales have contributed 3.46% to the total sales for Fiscal Year 2014. The continual decrease in sales over the past five years, with exception to Fiscal Year 2013 which saw an 8% increase, has been a concern for the Montana Lottery and other participating states.

On January 13, 2014, the Wild Card game group made a matrix change to the game. Specifically, the changes are:

- The starting jackpot doubled from \$100,000 to \$200,000, the Match 5 prize increased from \$5,000 to \$6,000, and several of the lower-tier prizes increased as well.
- The pool of numbers to choose from increased from 31 to 33.

The cost of a ticket remained the same; \$1 for two plays. Along with the changes, the Wild Card group updated the Wild Card game logo to help highlight the game change and provide a fresher feel for the game.

Unfortunately, the changes to the game did not help increase sales. Prior to the game change, average daily sales were \$5,432. This average amount was greatly affected by the record Mega Millions jackpot that took place in mid-December, 2013. When sales for either Mega Millions or Powerball increase due to the jackpot, the other lotto games' sales trended higher. So this average is higher due to this jackpot effect.

The average daily sales for Wild Card after the game change are \$4,936. This is a decrease in average sales, which were 9.13% before the January matrix change. Clearly the matrix change did little to encourage players to buy the game.

As described in the Objectives section, it is imperative that the Wild Card game be closely examined for its continued benefit to the current game mix. Sales for the game have been disappointing, but still yield almost \$2 million in sales annually.

### **Objectives**

Based on the challenges and successes described above, the following objectives for Fiscal Year 2015 are:

Objective #1: To work with the Wild Card game group to determine what can be done to increase sales for all the states, while also focusing on what can be done in Montana specifically to have a positive effect on sales. It is possible that a joint advertising/promotional campaign could be agreed upon to benefit all parties and bring in the revenue once seen from this game.

Objective #2: Analyze average wager data to determine what level would yield sales to meet and exceed projections. Moving the needle on the average wager may seem like a small step but would have a great deal of effect on the sales bottom line for this game. The current average wager for Wild Card is \$1.82. There is clearly a need to increase this average wager amount and even a small increase would be a positive change to the total revenue generated from this game.

Objective #3: Use system promotional capabilities to drive sales during slower sales times. These slower periods of time are identified to be when the Powerball jackpot is lower. By promoting the Wild Card game during these slower times, it will provide incentive to current players and turn focus to the Wild Card product without the distraction of a large jackpot.

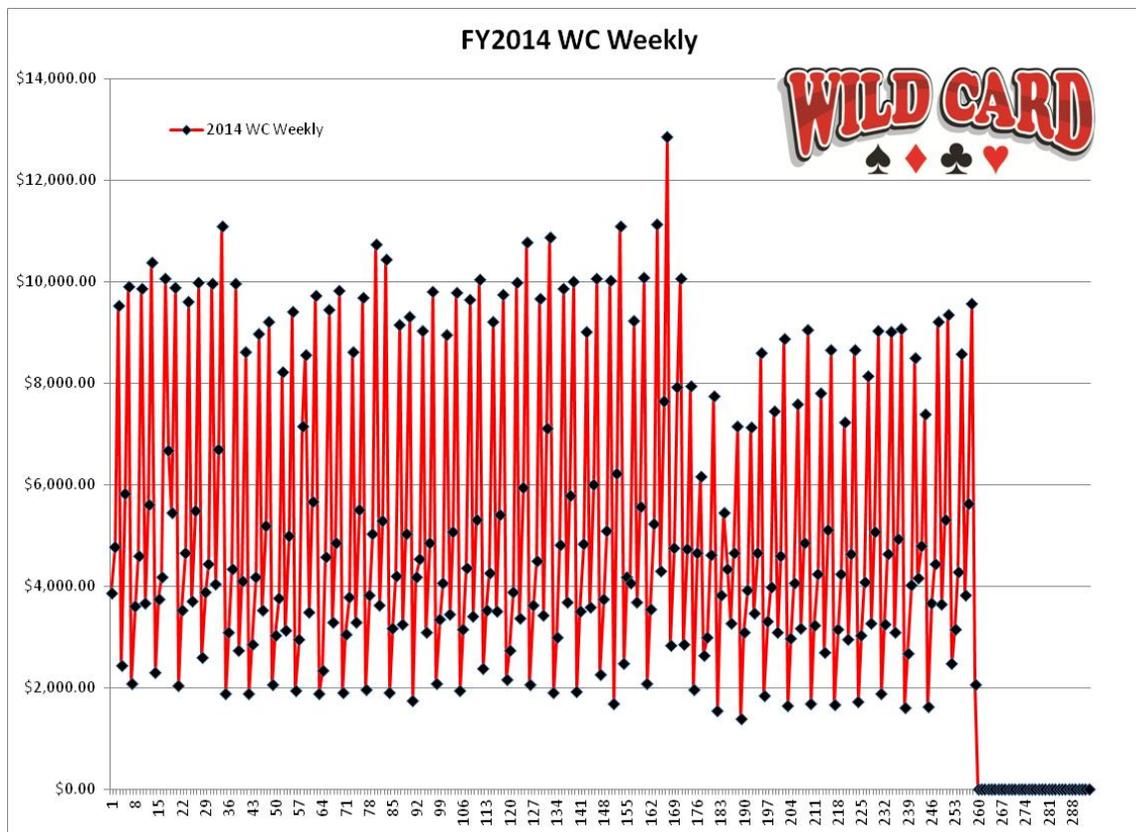
Objective #4: Focus messaging to Player's Club members that are playing the game to encourage the purchase of more plays (getting two plays for a dollar), and multiple draws which also drive the average wager level higher. Creating a promotion that would allow Player's Club Members to purchase 6 plays for \$5 would accomplish this effort of raising the wager amount but more importantly it would reward players for being a Player's Club member.

## Analysis

### Year to Year Wild Card Sales and Averages Comparison

	<b>2011 WC Weekly</b>	<b>2011 WC Sales</b>
<b>Totals</b>	<b>\$2,320,163.00</b>	<b>\$2,343,078.00</b>
<b>Average</b>	<b>\$44,618.52</b>	<b>\$6,419.39</b>
<b>Sales Diff. FY2010</b>		<b>-19.74%</b>
	<b>2012 WC Weekly</b>	<b>2012 WC Sales</b>
<b>Totals</b>	<b>\$1,891,451.00</b>	<b>\$1,891,451.00</b>
<b>Average</b>	<b>\$35,687.75</b>	<b>\$5,167.90</b>
<b>Sales Diff. FY2011</b>		<b>-19.27%</b>
	<b>2014 WC Weekly</b>	<b>2014 WC Sales</b>
<b>Totals</b>	<b>\$1,375,708.00</b>	<b>\$1,375,708.00</b>
<b>Average</b>	<b>\$36,202.84</b>	<b>\$5,270.91</b>
<b>Sales Diff. FY2013</b>		<b>-33.18%</b>
	<b>2013 WC Weekly</b>	<b>2013 WC Sales</b>
<b>Totals</b>	<b>\$2,056,474.00</b>	<b>\$2,058,697.00</b>
<b>Average</b>	<b>\$39,547.58</b>	<b>\$5,640.27</b>
<b>Sales Diff. FY2012</b>		<b>8.84%</b>

*(Average indicated daily averages unless otherwise specified)*



## Financial Projections

Fiscal Year 2014's projection was \$2.5 Million. It is expected that the last quarter of this fiscal year will yield another \$540,000 in Wild Card sales, with a final fiscal year total of approximately \$1.8 million. Promoting the game as described in the objectives above, projected sales for Fiscal Year 2014 would be estimated at \$2,050,000. This equates to a 7.8% sales increase. Supporting this game with advertising will be a key factor in making this game successful for the Lottery. The increases planned for additional channels of distribution, such as the new MP terminals being installed, will also contribute to achieving this sales goal.

**Fiscal Year 2015 Projection: \$2,050,000 or a decrease of approximately 7.8% from Fiscal Year 2014 actual sales. This is also an 18% decrease from last fiscal year's projected total of \$2,500,000.**

**Fiscal Year 2016 Projection: \$2,110,000 or approximately a 3% increase from Fiscal Year 2015.**

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## Hot Lotto/Sizzler

### Product Overview

As of March 2014, Hot Lotto average weekly sales are \$57,173 which is a 5.5% decrease compared to last year's average weekly sales of \$60,528. So far, Hot Lotto sales have contributed 5.76% to the total sales for Fiscal Year 2014.

The Hot Lotto game offers a multiplier option called the Hot Ball. This multiplier is Montana's best performing multiplier for a couple of reasons. First, this feature, introduced after the initial launch of the base Hot Lotto game, was launched with a strong and creative advertising campaign focusing on the benefit to

playing the Sizzler option. Along with the advertising, a comprehensive retailer education effort was also implemented focusing on how players benefit when multiplying their prize. Additionally, the multiplier feature is very simple and easy to understand from a player perspective, and easy to explain for the retailers. Another reason this multiplier performs well is that the Hot Lotto game and its multiplier have not been through the level of game changes that have occurred with other MUSL. This is not to insinuate that game changes have negative effect on game features, but in this case the lack of changes has kept players selecting the game and not moving their money around.

On average, in Fiscal Year 2014, the participation level for the Sizzler option is 28.65 percent, far outweighing the performance of the multiplier options offered with Powerball and Mega Millions. The average for Fiscal Year 2014 is slightly higher than the Fiscal Year 2013 average which was just above 27%. This growth, although small, was still achieved without any direct advertising or promotion in the field. That being the case, it points to greater potential for participation level and greater revenue.

Overall, Hot Lotto sales are performing as projected for Fiscal Year 2014. The jackpot growth is consistently long and steady where this game is concerned. For example, the jackpot right now is \$4.6 million and has not been hit since last August 2013. Prior to that, it was eight months of jackpot growth before it was hit. This jackpot growth does promote a slow but steady increase in sales.

## **Objectives**

Based on the challenges and successes described above, the objectives for Fiscal Year 2015 are:

Objective #1: To increase the average Sizzler multiplier participation. Utilizing the central gaming system promotional capabilities, create a promotion that will entice players who are not playing the Sizzler option to add it to their purchase. An Nth ticket promotion would accomplish this by rewarding every “so many” players who do not purchase the multiplier to add it to their ticket automatically and for free. The experience of winning with the multiplier feature will show players the value of spending the additional dollar on Sizzler.

Objective #2: Increase sales of Hot Lotto tickets with a summer promotion. Nothing says “hot” or “sizzle” like summer, and promoting this game during the summer months during the fair season is a perfect fit. The game can be made part of the promotional offerings which are created for the fair events. The promotion can offer a free Hot Lotto with Sizzler to players buying \$10 in Hot Lotto. This would not only increase sales of Hot Lotto but would significantly increase the average wage amount for the game.

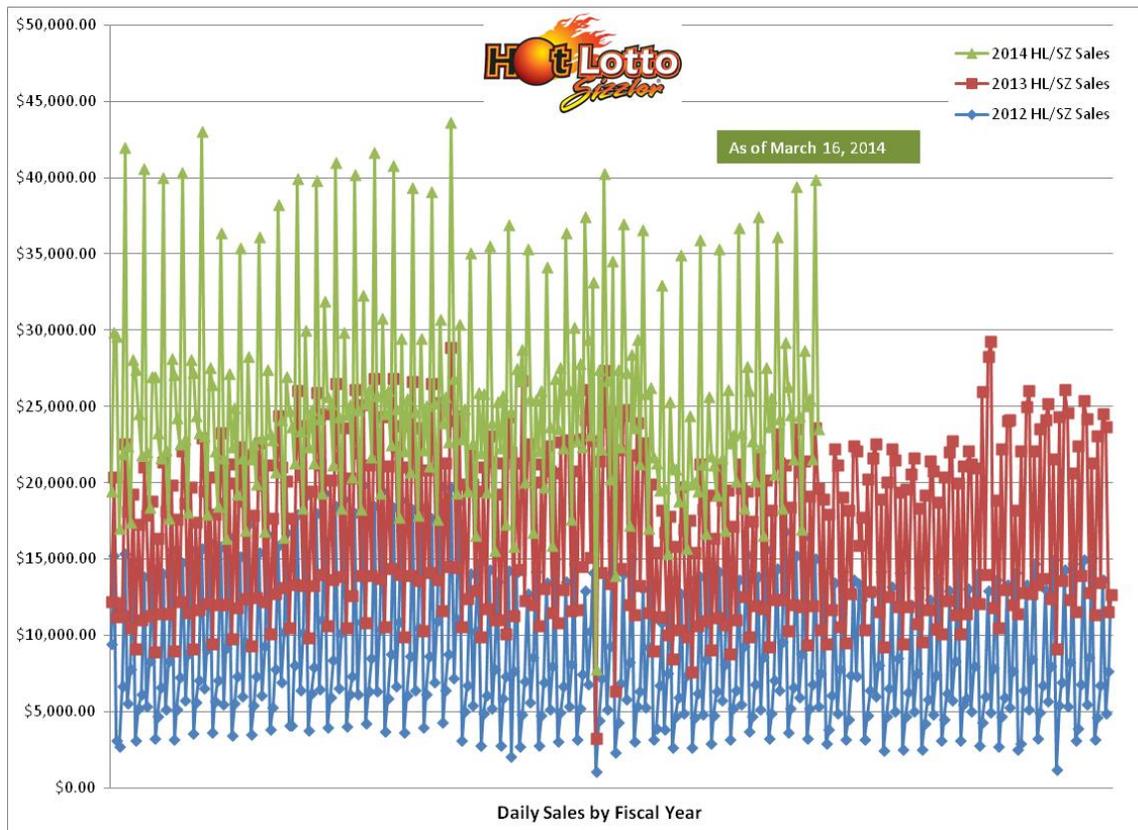
Objective #3: To increase the average wager of Hot Lotto tickets. For Fiscal Year 2014, the average wager for Hot Lotto tickets is \$2.54. This amount can be increased by increasing the multiplier participation as described in Objective #1. Currently, over 46% of the wagers for Hot Lotto are \$2 purchases. The goal will be to increase the percentage of wagers at the two dollar level to 50%. This will be accomplished by incentivizing players for increasing the average purchase through promotions and highlighting clearly the jackpot and winner activity for the game, all reasons players play the games.

## Analysis

Year to Year Hot Lotto Sales and Averages Comparison:

	<b>2011 HL/SZ Weekly</b>	<b>2011 HL Sales</b>	<b>2011 SZ Sales</b>	<b>2011 HL/SZ Sales</b>
<b>Totals</b>	<b>\$3,846,394.00</b>	<b>\$2,886,523.00</b>	<b>\$993,540.00</b>	<b>\$3,880,063.00</b>
<b>Average</b>	<b>\$73,969.12</b>	<b>\$7,908.28</b>	<b>\$2,722.03</b>	<b>\$10,630.31</b>
<b>Sales Diff. FY2010</b>				<b>-11.75%</b>
	<b>2012 HL/SZ Weekly</b>	<b>2012 HL Sales</b>	<b>2012 SZ Sales</b>	<b>2012 HL/SZ Sales</b>
<b>Totals</b>	<b>\$3,139,891.00</b>	<b>\$2,272,446.00</b>	<b>\$867,445.00</b>	<b>\$3,139,891.00</b>
<b>Average</b>	<b>\$59,243.23</b>	<b>\$6,208.87</b>	<b>\$2,370.07</b>	<b>\$8,578.94</b>
<b>Sales Diff. FY2011</b>				<b>-19.08%</b>
	<b>2013 HL/SZ Weekly</b>	<b>2013 HL Sales</b>	<b>2013 SZ Sales</b>	<b>2013 HL/SZ Sales</b>
<b>Totals</b>	<b>\$3,147,494.00</b>	<b>\$2,302,581.00</b>	<b>\$848,783.00</b>	<b>\$3,151,364.00</b>
<b>Average</b>	<b>\$60,528.73</b>	<b>\$6,308.44</b>	<b>\$2,325.43</b>	<b>\$8,633.87</b>
<b>Sales Diff. FY2012</b>				<b>0.37%</b>
	<b>2014 HL/SZ Weekly</b>	<b>2014 HL Sales</b>	<b>2011 SZ Sales</b>	<b>2014 HL/SZ Sales</b>
<b>Totals</b>	<b>\$2,119,275.00</b>	<b>\$1,518,338.00</b>	<b>\$600,937.00</b>	<b>\$2,119,275.00</b>
<b>Average</b>	<b>\$57,173.27</b>	<b>\$5,874.16</b>	<b>\$2,325.10</b>	<b>\$8,199.27</b>
<b>Sales Diff. FY2013</b>				<b>-32.75%</b>

(Average indicated daily averages unless otherwise specified)



## Financial Projections

Fiscal Year 2014's projection was \$3 Million. It is expected that the last quarter of this fiscal year will yield another \$860,000 in Hot Lotto sales, with a final fiscal year total approaching projections. The projected sales for Fiscal Year

2015 are estimated to be \$3,100,000. This equates to a 3% sales increase anticipated for the game. The increases planned for additional channels of distribution, such as the new MP terminals being installed, will also contribute to achieving this sales goal.

**Fiscal Year 2015 Projection: \$3,100,000 or an increase of nearly 3% of Fiscal Year 2014 projected sales.**

**Fiscal Year 2016 Projection: \$3,150,000 or approximately a 1.6% increase from Fiscal Year 2015.**

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## **10 Spot**

### **Product Overview**

As of March 2014, 10 Spot average weekly sales are \$12,294 which is a nine percent decrease compared to last year's average weekly sales of \$13,509. 10 Spot sales have contributed 1.15% to the total sales for Fiscal Year 2014. The continual decrease in sales over the past four years, with exception in Fiscal Year 2012, which experienced almost a 6% increase, has been of concern for the Montana Lottery.

The decrease in sales can largely be attributed to changes made to "The Works" one-touch button on the retailer activated terminals. When the Powerball game increased its price point to \$2, the Lottery was tasked with modifying the game mix offered through "The Works" button to keep it a \$10 purchase. While the Lottery was offering a two draw 10 Spot at this time, it was clear where the \$1 had to be moved from. As a result, "The Works" now only offers one \$1 10 Spot ticket. This greatly affected the sales of 10 Spot.

Also contributing to the decreased sales is the fact that there has never been a grand prize winner since its start in 2010. Players and retailers alike know this and simply do not play because the perception is that the top prize cannot be won. The less people play the game the longer, statistically, it will be until Montana has a top prize winner to promote.

It can also be concluded that the keno play style this game offers is not as desirable to Montana players who have a very strong knowledge of how to play traditional keno. Keno, in this established form, allows a player to pick one, two, three – up to 10 numbers on a Keno card or screen. 10 Spot only allows 10 numbers to be selected; nothing more, nothing less. This play style seems limiting to players and not a value for their purchase, especially since the big difference between traditional keno and 10 Spot is the \$25,000 grand prize. With all this said, it is clear that the number one objective at hand is to evaluate whether or not this game should remain part of the lotto game mix, or if a change to the game would be warranted and yield increased revenue for the Lottery.

### **Objectives**

Based on the challenges and successes described above, the objectives for Fiscal Year 2015 are:

**Objective #1:** Determine the game's worth to the current product mix. A large majority of 10 Spot sales comes from people playing "The Works," and it can be said without hesitation that the 10 Spot game is not the driving force for those players to pick "The Works." Basically, players get "The Works" with the purchase but it is more of a side note than the true reason for purchasing. 10 Spot viability needs to be examined and discussed by the marketing group. If it is not viable, it will need to be determined if the game should be enhanced, phased out per the multiple draw schedule, or if the game should be replaced with a new game. This will be a major focus of the marketing team in Fiscal Year 2015.

**Objective #2:** To hone in on the true sales achieved through "The Works" versus the sales seen separate from this feature. It is important that these sales are analyzed carefully and the true driver of sales for this

game is determined. The conclusion of this research should help us determine what action to take and how removing it or changing it will affect the player. This analysis will be accomplished by the online product manager with the assistance from the sales manager and the marketing analyst.

### Analysis

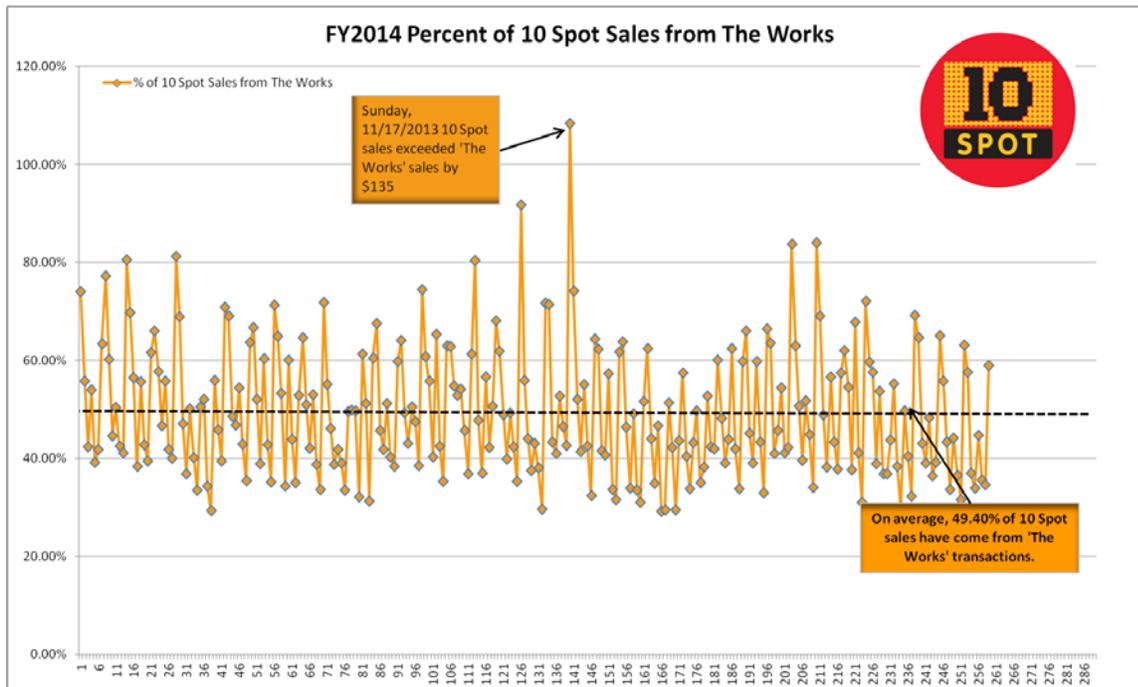
	2011 10S Weekly	2011 10S Sales
<b>Totals</b>	<b>\$714,293.00</b>	<b>\$722,688.00</b>
<b>Average</b>	<b>\$13,736.40</b>	<b>\$1,979.97</b>
<b>Sales Diff. FY2010</b>		<b>29.66%</b>

	2012 10S Weekly	2012 10S Sales
<b>Totals</b>	<b>\$765,892.00</b>	<b>\$765,892.00</b>
<b>Average</b>	<b>\$14,450.79</b>	<b>\$2,092.60</b>
<b>Sales Diff. FY2011</b>		<b>5.98%</b>

	2013 10S Weekly	2013 10S Sales
<b>Totals</b>	<b>\$702,475.00</b>	<b>\$703,858.00</b>
<b>Average</b>	<b>\$13,509.13</b>	<b>\$1,928.38</b>
<b>Sales Diff. FY2012</b>		<b>-8.10%</b>

	2014 10S Sales	2014 10S Weekly
<b>Totals</b>	<b>\$454,886.00</b>	<b>\$456,199.00</b>
<b>Average</b>	<b>\$12,294.22</b>	<b>\$1,715.03</b>
<b>Avrg Daily Diff. FY2013</b>		<b>-35.19%</b>

(Average indicated daily averages unless otherwise specified)



### Financial Projections

Fiscal Year 2014's projection was \$650,000. It is expected that the last quarter of this fiscal year will yield another \$180,000 in 10 Spot sales, with a final fiscal year total being approximately \$640,600, or 1.5% less

than projected. Promotion of this game is not recommended until the marketing group can determine if the game will go through a change, or be replaced by a new game. It is expected that sales for the game could reach \$550,000 in sales for Fiscal Year 2015.

**Fiscal Year 2015 Projection: \$550,000, same projection for Fiscal Year 2014 projected sales.**

**Fiscal Year 2016 Projection: TBD**

## **EZPLAY®**

### **Product Overview**

EZPLAY® has been a very popular game for the bar/casino establishments. The prize structures and payouts range from 70% to 82% which is in line with payouts offered by other forms of gaming throughout the state. As of March 2014, EZPLAY® average weekly sales for the progressive EZPLAY® games are \$57,525. The non-progressive games on average generate \$13,639 in weekly sales. So far, EZPLAY® game sales have contributed 6.76% to the total sales for Fiscal Year 2014.

The goal of this product line is to optimize the launch schedule of games at all price points. To accomplish this, the Lottery must have a varied selection of games developed based on sound research and sales analysis. A very important objective for Fiscal Year 2015 and Fiscal Year 2016 is to carefully analyze how the games are performing and determine the best mix while keeping the game fresh and exciting for players.

The Lottery can draw some solid conclusions based on what has been observed and learned from retailers about the EZPLAY® games. Basically, players want a quick play style. Extended game designs, even for higher price point games, are not as desired because players generally cash tickets immediately upon printing the ticket. Also, the tickets do not need to contain the instructions or prize structures for the game, which reduces print time upon purchase. Game information is available on the MP terminal game screen.

Below is the current library of EZPLAY® games developed and launched:

\$1 Winter Wonder	\$2 Lucky Chips
\$1 Big Sky Bucks	\$3 Shake-A-Day ( <i>Progressive</i> )
\$1 Sunny Money	\$3 Montana Tripler
\$1 Piggy Bank Bucks	\$3 Simple 7's
\$1 Cast for Cash	\$5 Fast Fives
\$2 Three Card Poker ( <i>Progressive</i> )	\$5 Bullseye Bucks
\$2 Blackjack	\$5 Match for Money
\$2 Cash Toss	

In Fiscal Year 2014 a concerted effort has been made to build a game library and schedule game launches and end dates appropriate to the game theme and sales performance. As of current, the games below have been designed and are in development.

\$1 Spooky Loot	\$2 Gold Rush
\$1 Bunny Bucks	\$2 Stars And Stripes
\$1 Leafy Green	\$2 Merry Christmas To Me
\$1 Rides to Riches	\$2 9's In A Line
\$1 Blustery Bucks	\$3 Lucky Day
\$1 Sizzlin' Cash	\$5 Lets Make A Deal™
\$1 Pumpkin Patch	\$5 Montana Wild Joker
\$1 In Between	\$10 Montana High Roller

As described in the objectives below, game development will continue to be a priority for the online product department in Fiscal Year 2015 and Fiscal Year 2016. Utilizing the Intralot library of games designed by other states, and working with the Lottery's Scratch product staff who have a wealth of game ideas, will provide the tools necessary to design the right EZPLAY® games for Montana.

Below is the schedule that has been developed for the games either already developed or planned for development in Fiscal Year 2014 and in the first and second quarter of Fiscal Year 2015. As the market dictates, changes to this schedule will be made per the Marketing and Sales Director at the recommendation of the Online Product Manager.

<b>Specification and Game Launch Schedule</b>				
<b>Specification</b>	<b>May 2014</b>			
<b>Release Launch Date</b>	<b>11-May-14</b>			
<b>Games</b>	<b>Price Point/Name</b>	<b>Launch Date</b>	<b>Removal Date</b>	<b>Replacing Existing Game</b>
Sizzlin' Cash	\$1	15-Jun-14	1-Oct-14	Sunny Money
Stars & Stripe	\$2	29-Jun-14	3-Aug-14	
Gold Rush	\$2	11-May-14	TBD	Blackjack
Lucky Day	\$3	11-May-14	TBD	Simple 7's
Let's Make A Deal	\$5	11-May-14	TBD	Bullseye Bucks
<b>Specification</b>	<b>July 2014</b>			
<b>Release Launch Date</b>	<b>27-Jul-14</b>			
<b>Games</b>	<b>Price Point/Name</b>	<b>Launch Date</b>	<b>Removal Date</b>	<b>Replacing Existing Game</b>
Pumpkin Patch	\$1	1-Oct-14	1-Nov-14	Sizzling Cash
Blustery Bucks	\$1	12-Oct-14	1-Mar-15	Big Sky Bucks
Merry Christmas To Me	\$2	28-Nov-14	Jan-15	
9's In A Line	\$3	1-Sep-14	TBD	
MT Wild Joker	\$5	1-Jul-14	TBD	Fast 5's
<b>Specification</b>	<b>Dec-14</b>			
<b>Release Launch Date</b>	<b>1-Dec-14</b>			
<b>Games</b>	<b>Price Point/Name</b>	<b>Launch Date</b>	<b>Removal Date</b>	<b>Replacing Existing Game</b>
Spooky Loot	\$1	1-Sep-15	1-Nov-15	
In Between	\$1	1-Nov-14	TBD	Pumpkin Patch
Leafy Greens	\$1	1-Mar-14	TBD	

## Objectives

Based on the challenges and successes described above, the objectives for Fiscal Year 2015 are:

Objective #1: To fully analyze the EZPLAY® game performance by the marketing analyst. The questions that must be answered include, but are not limited to, what game themes perform better? What price points bring in the most revenue for the state? How long should games remain part of the game mix? This analysis will be conducted by the Marketing Analyst and the Online Product Manager.

Objective #2: Based on sound game analysis, new games will be designed with features desirable to players, and prize structures that will allow for better revenues and player experiences. Once initial analysis is complete, marketing staff will meet to discuss further ideas for game play styles and prize structure changes. Games will then be designed based on those discussions and scheduled for software development based on a set launch schedule.

Objective #3: Schedule EZPLAY® game launches and end dates two fiscal years in advance. Due to the length of time it takes to introduce games per the software development schedule, it is important that the Lottery have a large catalog of games available as the market dictates. Game designs will be based on the analysis mentioned above, and by what increases sales.

Objective #4: Continue to provide up-to-date winner information for EZPLAY® games. Currently, jackpot winners are displayed on a real-time list displayed on the MP advertising display. A refreshing of this screen is needed as well as specific winner awareness slides that depict real winners. The graphics designer will be tasked with updating this content.

Objective #5: Explore the options of utilizing scratch game licensed properties. The game Let's Make A Deal™ will be launched in May 2014, and this will be the first licensed property game introduced. As long as it is cost effective, the Lottery will investigate other licensed properties that would be revenue-generating.

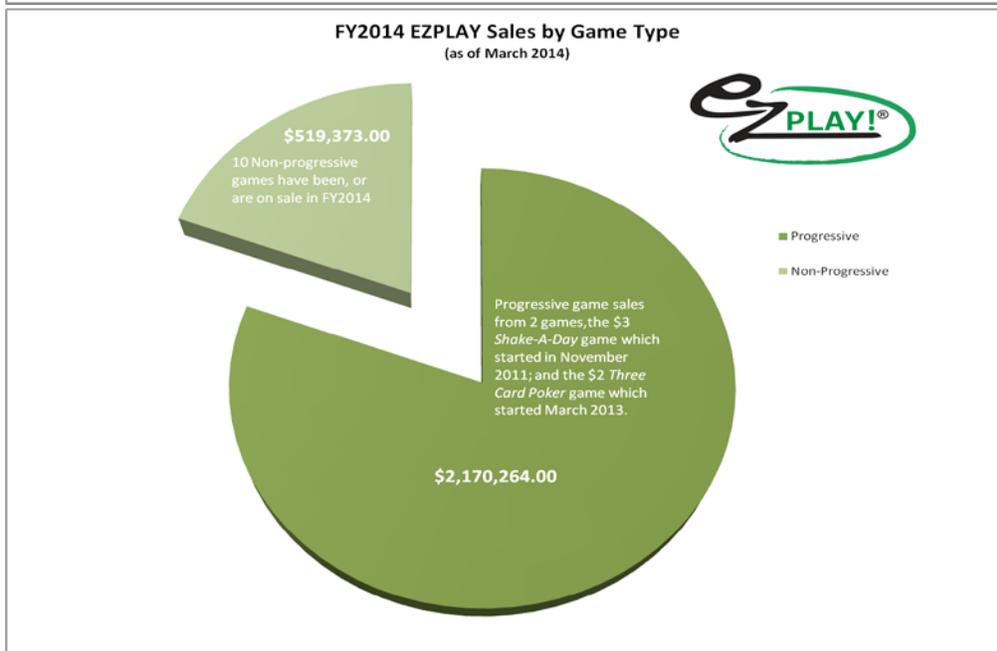
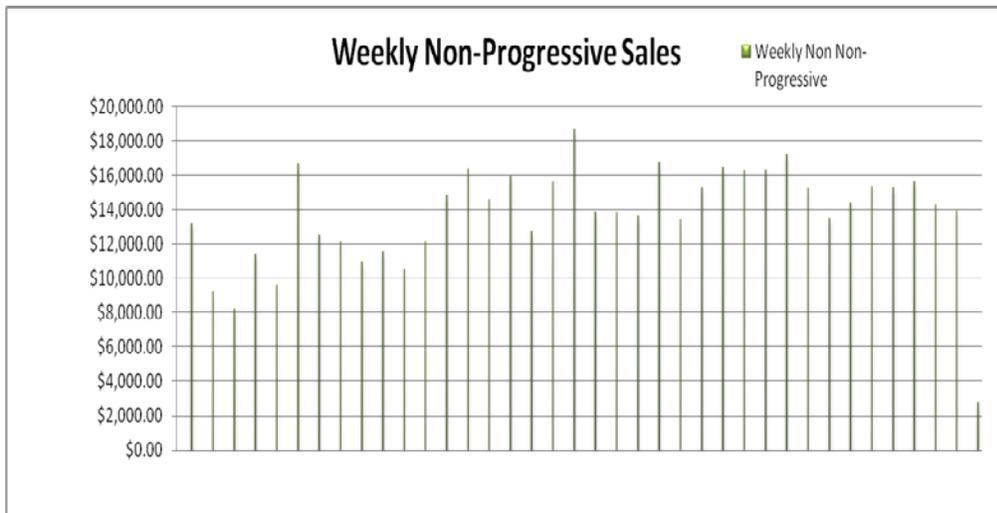
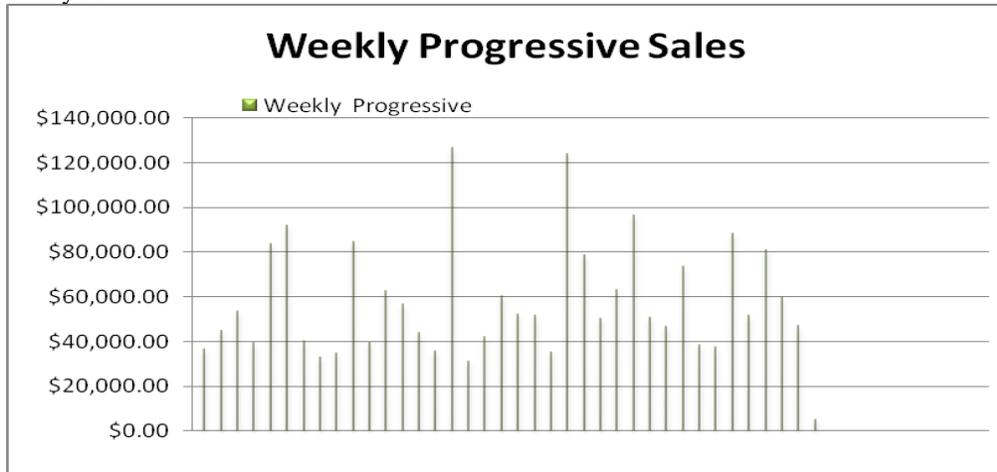
Objective #6: Investigate ways to increase validations back to the MP terminals. Since starting EZPLAY® in Fiscal Year 2012, the Lottery has consistently had above 32% of validations put back into the MP terminals – all largely from the EZPLAY® games. Players use their winning to purchase more tickets. This has been a desirable feature of the EZPLAY® product line and a useful function of the MP terminal. The Lottery will need to address any concerns or validation thresholds that may not be meeting the needs of the players or retailers.

With the additional 100 MP terminals that are ready for installation the Lottery can anticipate minimally \$1.5 million in sales for Fiscal Year 2015 and Fiscal Year 2016 based on the average EZPLAY® sales per MP terminal in Fiscal Year 2014. The increased visibility of the product and the Montana Lottery brand in general, will only have positive effects on all products, but more so anticipated with the EZPLAY® games.

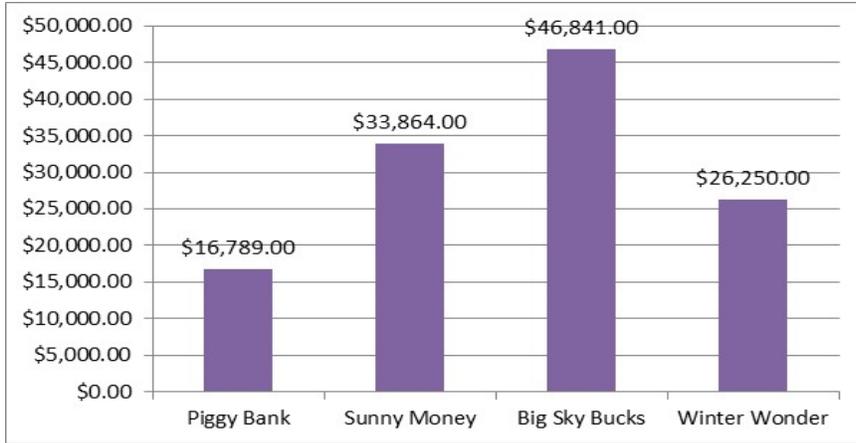
<b>Fiscal Year</b>	<b>Terminal Count</b>	<b>Daily Average Sales per MP</b>	<b>Weekly Average Sales per MP</b>
2012	243	\$47.38	\$327.45
2013	243	\$55.13	\$386.97
2014	263	\$53.34	\$326.59

*(As of March 2014)*

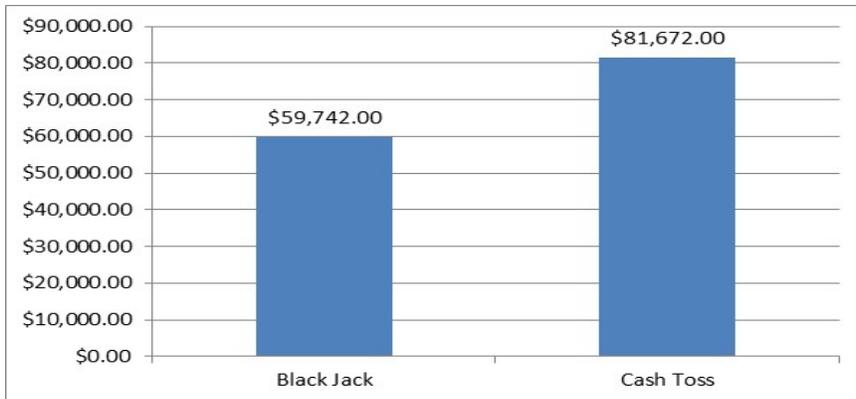
**Analysis**



**FY2014 \$1 Games**



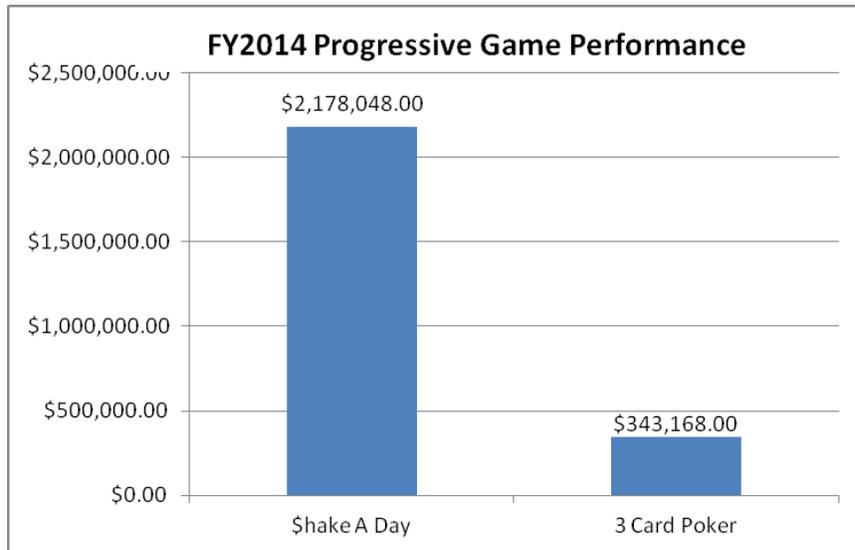
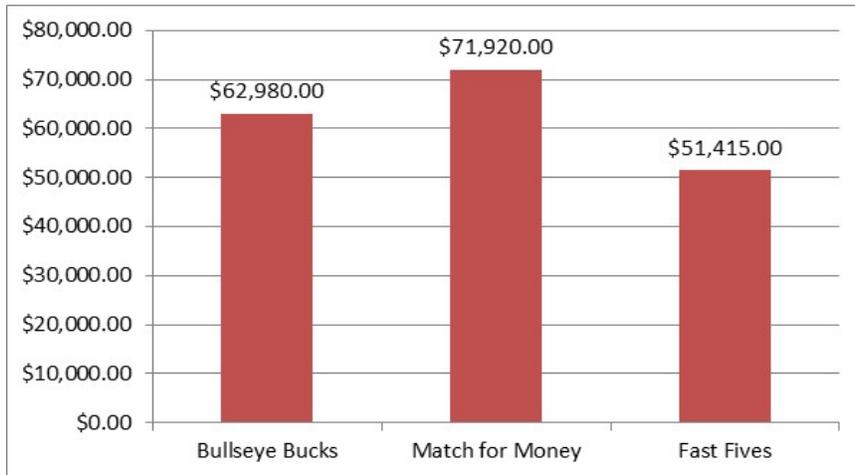
**FY2014 \$2 Games**



**FY2014 \$3 Game**



### FY2014 \$5 Games



### Financial Projections

Fiscal Year 2014's projection was \$4.5 Million. It is expected that the last quarter of this fiscal year will yield another \$1,500,000 in EZPLAY sales, with a final FY total being approximately \$4 Million. The projected sales for Fiscal Year 2015 are estimated to be \$4 million.

**FY2015 Projection: \$4,000,000 approximating FY 2014 sales**

**FY2016 Projection: \$4,120,000 or approximately a 3% increase from FY2015.**

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### Montana Sports Action

Montana Sports Action (MSA) is 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.

## **Fantasy Football /Fantasy Racing Overview**

In Fiscal Year 2014, Fantasy Football's average weekly sales were \$6,200, which is an 18% increase compared to last year's average weekly sales of \$5,241. So far this fiscal year, Fantasy Football and Fantasy Racing sales have contributed 0.42% to the total sales for Fiscal Year 2014.

Fantasy Football has benefited from the increased terminal network over the past year or more. The benefit has been small, but nonetheless a positive. The Lottery will continue to support the Fantasy Football product line with point of purchase brochures as well as advertising display specific content.

In Fiscal Year 2014, which encompasses sales from the last season of Fantasy Racing and a few weeks from this season, MSA Fantasy Racing's average weekly sales were \$1,493 which is an decrease compared to last year's average weekly sales of \$1,847. This equates to a 19% decrease in weekly average sales.

With the increased terminal installations, one would expect Fantasy Racing to experience an increase similar to Football's performed - but that was not the case. The popularity and short timeframe of the football season in the state of Montana is clearly more of a draw for MSA players than the NASCAR Sprint Cup series. Marketing support for this game will include point of sale materials and winner awareness.

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## **Montana Millionaire**

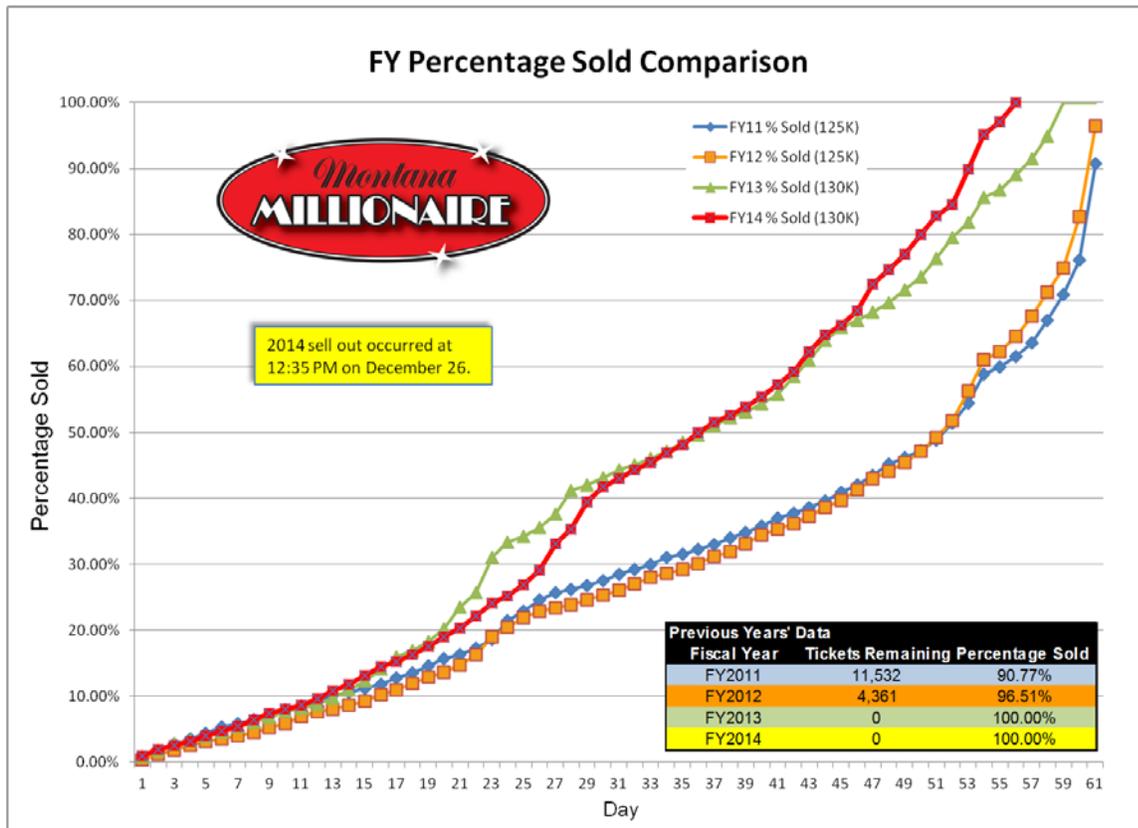
### **Product Overview**

Montana Millionaire is an annual raffle game offered by the Montana Lottery to players during the months of November and December. During that time players can purchase a limited number of \$20 tickets for a chance to win \$1 million. In addition, players can win \$100,000, \$10,000, and instant win prizes of \$500 and \$50. For the Fiscal Year 2015 game, we made some changes to the prize structure that will increase the revenue potential while keeping the player's experience in mind. These changes consist of

- Increasing the number of tickets from 130,000 to 135,000 which equates to an additional \$100,000 in revenue.
- Increasing the number of Instant Win prizes...75 more for the \$50 win and 75 more for the \$500 instant win...this all helps to improve the overall odds of winning.

We will maintain the two early bird drawings. In 2014 they will occur on Black Friday and our pre-millionaire draw on December 19. The time frame for the Fiscal Year 2015 early draws will be similar.

As we generally have time to analyze the game's performance after sales have ended in December and well before software specifications are submitted for the next raffle game, we use that time wisely to determine game enhancements that would ensure sell out of all the tickets available but also to ensure we are maximizing our revenue potential. For the FY2015 raffle game this will be the Marketing Department's approach for the future game.



## Financial Projections

Fiscal Year 2014's projection was \$2,600,000. As expected we sold all of the available 130,000 tickets for the game. To increase sales of the game, we have added an additional 5,000 tickets to the pool, adding an additional \$100,000 potential revenue.

**Fiscal Year 2015 Projection: \$2,700,000 same projection for Fiscal Year 2015 projected sales.**

**Fiscal Year 2016 Projection: TBD**

## Lucky for Life

### Product Overview

Upon Commission approval, the Montana Lottery will be launching a new multi-state Lotto game called Lucky for Life. One of the unique features of this game is the “for life” prizes available to players. Specifically, the game offers a top prize of \$1,000 a day for life and the second prize is \$25,000 a year for life. There are eight other ways to win prizes up to \$3,000. Lucky for Life's top prize is guaranteed to be paid to winners for a minimum of 20 years. Drawings are conducted every Monday and Thursday. Some additional details about the game include:

- Currently played in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
- In New England, the game was launched March 2012 and then enhanced in September 2013.
- The only Lottery game offering **2 “For Life” prizes**
- Each play **costs \$2**

- To play Lucky for Life right now in New England, players choose 5 numbers from a field of 43 and a Lucky Ball number from a field of 43.

We anticipate that the game launch will occur in January 2015. The prize structure for the game has been determined based on the states who are interested in participating and may still be revised.

Lucky for Life Regional Game with 14 Participating Lotteries - \$1,000 a Day Top Prize							
Wager Price:	\$2	Prize Pool:	59.43%	Draw Sales:	\$1,888,257	Top Prize awarded every	
Base matrix:	5 out of 43			Draw Wagers:	844,129	Weeks:	16.32
Bonus Ball:	16			Coverage:	3.9632%	Draws:	32.65
Jackpot Odds = 1:	30,821,472:00					# of Top Prizes Awarded per Year	
Net Sales (Gross - Free Bets):	\$61,642,844.00			Coverage Winners:			3.2
				Coverage Liability:			
Match	Winners	Odds	Prize	Liability	% of Net Sales	% of Prize Pool	
5 1	1	30,821,472:000	\$1,000/Day for Life	6,300,000.00	10.2201%	17.1959%	0.0306
5 0	17	1,813,027:765	\$25,000/Yr for Life	7,174,000.00	11.6380%	19.5815%	0.5207
4 1	215	143,355:054	5,000.00	1,075,000.00	1.7439%	2.9342%	6.5859
4 0	3,655	8,432:887	200.00	731,000.00	1.1859%	1.9953%	111.9606
3 1	9,030	3,413:231	150.00	1,354,500.00	2.1973%	3.6971%	276.6085
3 0	153,510	200:778	20.00	3,070,200.00	4.9806%	8.3802%	4,702.3452
2 1	123,410	249:749	25.00	3,085,250.00	5.0050%	8.4212%	3,760.3168
2 0	2,097,970	14:891	3.00	6,293,910.00	10.2103%	17.1793%	64,265.3850
1 1	817,050	49:950	6.00	3,702,300.00	6.0060%	10.1055%	18,901.5838
1 0	10,489,850	2:98	0.00	0.00	0.0000%	0.0000%	0.0000
0 1	982,598	32:019	4.00	3,850,392.00	6.2463%	10.5007%	29,486.4708
0 0	15,354,100	1:683	0.00	0.00	0.0000%	0.0000%	0.0000
	3,967,458	7,769		36,836,552.00	59.4335%		121,531.8081
							1,122,257.29

Based on population and lotto sales in each state, projected draw sales and per capita sales figures have been determined.

Adding a new game to the product mix does pose some important questions that must be answered. One important question relates to how this game will be incorporated into “The Works” and “Lucky 7” terminal features. These buttons allow retailers to print single draw tickets for multiple games with just one touch of the screen. How we will change the price point of these features must be addressed.

Draw	Per Cap*	Population	Draw Sales
Connecticut	0.066	3,590,347	\$237,297.33
Maine	0.037	1,329,192	\$49,706.17
Massachusetts	0.044	6,646,144	\$290,564.33
New Hampshire	0.045	1,320,718	\$59,089.33
Rhode Island	0.061	1,050,292	\$83,704.83
Vermont	0.029	626,011	\$17,977.67
		14,562,704	\$718,319.67

\* Estimated

Draw	Per Cap**	Population	Draw Sales
Arkansas	0.025	2,949,131	\$74,101.70
DC	0.084	632,323	\$53,205.30
Iowa	0.036	3,074,186	\$110,629.70
Idaho	0.040	1,595,728	\$63,057.25
Michigan	0.046	9,883,350	\$450,778.05
Minnesota	0.030	5,379,139	\$162,539.68
Missouri	0.036	6,021,988	\$219,742.19
Montana	0.036	1,005,141	\$35,883.93
		30,540,986	\$1,169,937.81

\*\*Estimated

It is estimated that per draw sales will average \$35,883, which is consistent with draw sales for Montana Cash, Wild Card and Hot Lotto.

## **Financial Projections**

The projected sales for FY2015 are estimated to be \$1,400,000 based on the late January game launch, and the possible difficulty of communicating a Monday/Thursday draw schedule.

**FY2015 Projection: \$1,400,000**

**FY2016 Projection: \$1,442,000 or approximately a 3% increase over FY2015.**

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# 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, we began to produce new content. Anecdotal response from retailers has been very positive, especially to the jackpots and winning numbers. The benefits of jackpot awareness have an overall impact on sales and player purchases.

In addition, winner awareness is also proven to drive sales and increase word of mouth marketing. With the ability for players to share their own winning moments, we can capitalize on the growth of players sharing their story to friends, enhancing the relationship with our players and reinforcing the message that winners happen.

### Objectives

- Ensure digital ad content is engaging, fresh, and relevant
- Enhance winner awareness by bringing winners to the forefront of digital ads
- Continue adding new Scratch game ads as the games start
- Increase player word of mouth marketing through social channels by sharing winner awareness stories via digital advertisements
- Increase interactive and experiential marketing abilities to engage players

### Activation Tactics

- Continue to develop a library of content for PAD playlists
- Coordinate with Sales Reps to develop materials to assist with PAD placement
- Look to expanding our abilities to use animation
- Add an interactive, wall mounted photo booth that has the ability to share winner photos straight to Facebook, Twitter and Instagram

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## Responsible Gaming Awareness

### Executive Summary

Currently, the Montana Lottery uses its website as its primary information source for players and retailers to find information on assistance with problem gambling. In addition, play responsibly messages are periodically incorporated, where appropriate, in our advertising. In addition, the Lottery develops PADs and PIDs as a means to share information about Montana's responsible gaming resources.

### Objectives

Use the Lottery's digital assets to incorporate the resources of North American Association of State and Provincial Lotteries (NASPL) to increase awareness of available responsible gaming resources in Montana and to move awareness of those resources across all marketing channels.

## **Activation Tactics**

- Upgrade the Lottery's website and video displays (PADs and PIDs) to include information to assist and encourage people to gamble responsibly and to seek help if needed.
- Share the NASPL video assets with all Lottery employees as a means to educate them on the need to be part of responsible gaming initiatives.
- Consider offering the NASPL video assets to Lottery retailers through trade associations and corporate contacts to assist their efforts in responsible gaming.

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## **Events/Sponsorships/Promotions**

### **Events and Sponsorships**

The 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 and the Montana State Fair while exploring viable options and promotional or sponsorship opportunities across the state.

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.

In addition to the fairs, we also sponsor the athletics programs and participate in football game events at both major universities.

### **Promotions**

The Communications department of the Montana Lottery supports promotional activities planned and implemented by the Sales department as well as the product development departments (Scratch and Online). Our role is to ensure adequate consumer and retailer awareness, and that digital and other communications channels are effectively used to communicate planned promotions. In addition, during events conducted by the Communications department, promotional and sponsorship activities are geared to reward players, increase visibility of the Lottery, and gain support from promotional and sponsorship partners.

### **Objectives**

- Operate events more efficiently and cost effectively with updated procedures and scheduling
- Increase statewide visibility to build top of mind awareness
- Reach a younger target audience
- Continue to create and maintain the brand relationship with players

### **Activation Tactics**

Event sponsorships

- Montana Folk Festival
- Montana State Fair

Other sponsorships and events

- University Athletics
- Other small events (big winners, radio remotes, Retailer of the Year, etc.)
- As needed retailer events

Promotions

- Provide promotional support as needed and calendared to enhance efforts of the Sales Department and the Online and Scratch product departments.

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## 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 we 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. 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
- Increase player rewards and engagement through emails and contact with the players

### Activation Tactics

- Closely monitor player support issues to identify required system changes
- Increase the budget allocation 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.
- Add new features such as gift card opportunities, iTunes song gifts, social media integration
- Continue to look for ways to improve the look and layout of our emails and all interaction with the players
- Utilize surveys and player polls to seek input, to give players a "voice," improve one-on-one experiences, and encourage further interaction with the Montana Lottery

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## Social Media

### Executive Summary

Facebook is the cornerstone of our social media program. We post daily (and often multiple times per day) with information about jackpots, new games, promotions, winners, and other topics. Our posts often receive comments, likes, and shares. Presently we have 22,000 likes on Facebook.

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 feed, and our Twitter feed is embedded into our website. Occasionally we receive retweets, especially from retailers. Our Twitter presence is smaller than Facebook, with 1,087 followers. We have increased our Twitter usage and follower base over the past year, but we have the opportunity to continue growing.

Beyond Facebook and Twitter, we have officially launched Pinterest. We have over 100 followers on Pinterest. We continue to use YouTube to host TV spots and winner videos.

We continue to research and evaluate new Social Media outlets as they emerge. At this time we plan to explore Vine for additional social media presence and before the end of Fiscal Year 2015, we will have added Instagram.

In Fiscal Year 2014, we launched our first Social media promotion called Scratchapalooza and it was a success. This was a promotion run through our social media outlets and supported in-house. This promotion ran the entire month of February. It increased our membership on all social media outlets as well as our Player's Club. Further promotions should be viable for us using these outlets and the information we gained from the success of Scratchapalooza. These types of promotions in the future are necessary to increase our presence and continue to strengthen the relationships we have with players and retailers. We plan to continue launching promotions on Social Media based on the success of Scratchapalooza.

### **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, Pinterest, Instagram and Vine
- Continue to run contests and promotions through social media outlets following a rotating promotional calendar

### **Activation Tactics**

- Implement a calendar of promotions tied to social media with giveaways such as premiums, tickets, and other prizes
- Utilize Vine as part of Twitter operations
- Utilize Instagram as part of Facebook operations

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## **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. It is also a powerful advertising tool for the Lottery.

Website improvements are ongoing. By the end of Fiscal Year 2013, we re-launched the retailer and media portals. We are also in the process of refreshing individual game pages to be more visually appealing.

We are in the process of updating the Find a Retailer sections and looking at rearranging the layout to allow players to more easily find a retailer.

### **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
- To allow for better access for players using smart phones and tablets
- To increase engagement through the website

### **Activation Tactics**

- Evaluate to optimize information architecture
- Remove or repurpose underused or unused pages
- Develop video content to use for retailer and player training
- Add a retailer portal section
- Allow for social media integration as well as enhancing landing pages using video and music playlists from Spotify