

Minutes of the Lottery Advisory Commission

June 30, 2017

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 9:03 a.m. – 10:27 a.m., on Friday, June 30, 2017. Representing the Commission was Mr. Russ Hanson with Mr. Mike Rud (Chairman), Representative Lois Delmore and Senator Nicole Poolman participating by telephone. Representative Thomas Beadle was absent. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Mr. Ryan Koppy, sales and marketing manager, Mr. Matt Anderson, account budget specialist, and Ms. Missy Steele, administrative staff officer. Representing KK BOLD were LaRoy Kingslie and Lexi Hanwell.

Approval of Minutes

Commissioner Delmore made a motion to approve the minutes of the April 19, 2017 meeting. Commissioner Poolman seconded the motion. The motion passed 4-0.

Overview of player survey

LaRoy Kingslie and Lexie Hanwell representing KK BOLD were in attendance to summarize the overview of the player survey that was taken in February 2017. 5.6% of Lottery players are Players Club members, up 2.9% since 2015. 29% of players are aware of the Players Club, up 12.2%, and 7.2% of respondents who have played Lottery games are likely to join the club, up 4.2% since 2015. Research shows that the points and prizes make up the benefit that was most liked by respondents. KK BOLD recommended continuing the Players Club ads and to keep trying to increase awareness of the club using targeted media platforms.

In the subscription services area, 21.8% of lottery players had heard of the service, 4.1% had used the service and 1.7% are currently using the subscription service. KK BOLD recommended rebranding the subscription service to target a bigger demographic.

In the emerging markets sector, 52.7% of respondents ages 18-34 have played the Lottery. 72.9% spend about the same time or more on entertainment than they did 12 months ago. KK BOLD recommends running the emerging markets campaign at least once a year to entice that specific age group to spend more on Lottery products.

Winner awareness and group play were two more areas that were queried. KK BOLD recommended using mass media to reach the non-frequent lottery players and also recommended creating a group play campaign.

Game awareness was up for Powerball, Mega Millions and Lucky for Life, and down for Hot Lotto and 2by2. Lottery players were playing less weekly and monthly than in 2013, but were playing more yearly. 9.1% of respondents would be very likely to use a mobile app. 3.1% of players would like scratch cards, and showed interest in playing the Lottery for the first time.

Representatives from KK BOLD left the meeting at approximately 9:20 a.m.

Overview of Revenues and Expenses and Sales Activity (Unaudited) for Quarter ended March 31, 2017 and April and May 2017 sales

Mr. Anderson presented the overview of revenues and expenses for the quarter ended March 31, 2017. Total ticket sales decreased \$8,169,644 or 55.46% compared to the same period last year. Total operating expenses decreased \$5,679,896 or 54.07% compared to the same period last year. Prize expense decreased \$4,354,647 or 56.76%, retailer commissions/bonuses decreased \$418,779 or 56.43%, and contractual services expense decreased \$835,620 or 53.29%. Players Club expenses remained the same. Marketing expense decreased \$38,581 or 26.56%. Other operating expenses decreased \$41,853 or 51.28%. The across the board decrease was due to the \$1.5 billion Powerball jackpot run in January 2016 that had record sales.

Total ticket sales for April and May 2017 decreased \$1,245,624 or 22.78% compared to the same period last year. The decrease was due to the \$429 million Powerball jackpot during the same time last year.

Overview of Marketing Activity and Short-Term Marketing Plans

Mr. Kopyy presented the overview of marketing activity and short-term marketing plans. The North Dakota Lottery Players Club has 22,454 registered members. The following prizes were given away to players through the Points for Drawings program: three Canon camcorders on May 2, 2017; two lawn care bundles on May 23, 2017; three iRobot Roomba vacuums on June 6, 2017. There are three other Points for Drawings promotions in progress including a Algoma Cloud 9 hanging lounger, a 65" Samsung Smart LED HDTV with Bose surround speakers, and an Outdoor Entertainment package. Upcoming Points for Drawings promotions include a New York City trip for two, a tailgate package, and an electronic dartboard cabinet.

The Lottery is currently running a point sign-up bonus promotion that awards new Players Club members 1,000 bonus points. This bonus was set to expire on May 31, 2017, but will be extended to June 30, 2017.

The Lottery ran a Flash sale subscription promotion on Wednesday, May 17, 2017. The qualifying purchase was any \$10 subscription or renewal. With the qualifying purchase, subscribers received a \$2 credit to their account. During the promotion, \$1,862 in credits was given to subscribers, total purchase amount was \$5,671 and total extension amount was \$4,004. Three new subscribers were added to the club. Advertising costs were \$48.24.

The Lottery ran a multi-state Powerball promotion called Power Cruise™. The promotion ran from February 5 through March 29, 2017. The 6 top prizes included a trip for two on a privately chartered Royal Caribbean Cruise Lines, *Brilliance of the Seas*® and 40 first prizes of \$500 cash. Six North Dakota Powerball players won a Power Cruise Trip Prize. The drawing was conducted on March 31, 2017. All six prize winners have been notified and the 40 \$500 prize winners' checks were mailed on April 11, 2017. New account activations totaled 2,412 new members, averaging 302 new account activations per week. Powerball sales increased approximately 6-8% over the course of the promotion. The total advertising budget was \$140,000. The total prize expense was \$57,798.78. Advertising expenses were budgeted at \$140,000 and so far \$129,269.25 has been billed.

Three separate promotions ran concurrently from May 1-May 26, 2017. Three Great Deals which consisted of Mega Mondays, Lucky Wednesdays and Hot Fridays were the promotions slated for that time period.

-Mega Monday, with the purchase of 5 plays of Mega Millions with the Megaplier for \$10; the player received a free Mega Millions with Megaplier ticket (\$2 value).

-Lucky Wednesday, with the purchase of 5 plays of Lucky for Life for \$10; the player received a free Lucky for Life ticket (\$2 value).

-Hot Friday, with the purchase of 5 plays of Hot Lotto with the Triple Sizzler for \$10; the player received a free Hot Lotto with Triple Sizzler ticket (\$2 value).

The advertising budget was \$10,000 and the costs billed so far have been \$8,521.24. Prize expense is budgeted at \$20,000 and the actual prize expense was \$28,982. The breakdown for prize expense was as follows:

1. Mega Mondays- \$4,672
2. Lucky Wednesdays- \$8,792
3. Hot Fridays- \$7,518

In recognition of the 25th anniversary of the Power Ball game, the Lottery will be offering a promotion called Power 25. This promotion will be available August 6 through September 2, 2017. Qualifying purchase is a single draw four play Powerball with Power Play ticket for \$12. Winners chosen at random will receive \$25 in cash. A majority of the prize expense will be covered by the excess reserve in the Power Play prize pool. Advertising cost will be determined at a later time.

The Marketing and Advertising Services contract with KK BOLD ends on June 30, 2017. The Lottery issued an RFP on March 13, 2017. Three vendors were invited to the Lottery office to give a 2-hour presentation. The deadline to submit a Best and Final Offer cost proposal was June 2, 2017. The notice of intent award was issued on June 2, 2017 to KK BOLD. No protests were received.

Approval to issue contract to KK Bold for marketing and advertising services

Commissioner Rudd made a motion to approve an issuance of contract to KK Bold for marketing and advertising services. Commissioner Delmore seconded. The motion passed 4-0.

Approval of the draft administrative rules for the changes to the Mega Millions game, repeal of the Hot Lotto game, addition of the Lotto America game, and miscellaneous rule changes.

Mr. Miller presented the draft administrative rules for the change to the Mega Millions game, the repeal of the Hot Lotto game, the addition of the Lotto America game and miscellaneous rule changes. Changes to Mega Millions will begin on October 28, 2017. Hot Lotto will be repealed as of October 29, 2017 and Lotto America will begin sales on November 12, 2017. Commissioner Poolman made a motion to approve the draft administrative rules presented. Commissioner Delmore seconded. The motion passed 4-0.

Review of the price proposal from Scientific Games for mobile application

Mr. Miller requested the Commission move into Executive Session for the review of the price proposal from Scientific Games for the mobile application. Commissioner Delmore made a motion to move into Executive Session. Commissioner Rud seconded the motion. The motion passed 4-0.

Commissioner Delmore made a motion to dissolve Executive Session. Commissioner Rudd seconded the motion. The motion passed 4-0. Executive session ended at 10:21 a.m.

Commissioner Rudd made a motion to pursue the mobile application feature including the e-slip at this time. Commissioner Poolman seconded the motion. The motion passed 4-0.

Omnibus Items

Mr. Miller followed up on Mr. Anderson's sales analysis through May; it looks as though the Lottery had its third highest year in sales.

Mr. Miller also stated that the next meeting for the LAC will be in mid-September so the rules adoption process can continue and meet the timeline needed for implementation.

Adjournment

Commissioner Delmore made a motion to adjourn. Commissioner Rud seconded the motion. The motion passed 4-0. The meeting adjourned at 10:27 a.m.