

Minutes of the Lottery Advisory Commission

April 16, 2019

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 7:31 a.m. – 7:47 a.m., on Tuesday, April 16, 2019. Representing the Commission were Mr. Russ Hanson and Mr. Mike Rud with Representative Karla Rose Hanson participating by telephone. Absent were Representative Thomas Beadle and Senator Nicole Poolman. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Mr. Ryan Kopyy, sales and marketing manager, Mr. Matt Anderson, account budget specialist, and Ms. Sonja King, administrative assistant.

Approval of Minutes

Commissioner R. Hanson made a motion to approve the minutes of the December 18, 2018 meeting. Commissioner K. Hanson seconded the motion. The motion passed 3-0.

Final Approval of the Proposed North Dakota Administrative Rule Changes Referencing “Person” to “Individual” and Replacing the Service Mark SM With [®] to Identify Registered Ownership of Lotto America and the All Star Bonus

Mr. Miller presented the proposed rule changes referencing “person” to “individual” and replacing the service mark SM with [®] to identify registered ownership of Lotto America and the All Star Bonus. There were no written or oral comments submitted. Commissioner K. Hanson made a motion to adopt the proposed rules as presented. Commissioner R. Hanson seconded the motion. The motion passed 3-0. The recommendation will be presented to Attorney General Stenehjem for final approval prior to moving forward with the rule adoption process.

Overview of Revenues and Expenses for Quarter Ended December 31, 2018 and Sales Activity for December 2018 and January – March 2019 (unaudited)

Mr. Anderson presented the overview of revenues and expenses for the quarter ended December 31, 2018. Total ticket sales increased \$5,899,018 or 88.83% compared to the same period last year. Total operating expenses increased \$4,181,494 or 90.21% compared to the same period last year. Prize expense increased \$3,164,430 or 95.98%, retailer commissions/bonuses increased \$291,789 or 88.35%, and contractual services expense increased \$733,239 or 129.03%. These increases were a direct incremental relation to the increase in ticket sales that also affected Prizes, Commissions and Contractual expenses. Players Club expenses remained the same. Other operating expenses decreased \$35,404 or 45.81%. Rent was paid twice during the quarter ended December 31, 2017 and a new color plotter was purchased during that time. Marketing expense increased \$27,709 or 58.83% due to the expense of extra jackpot alerts during the large jackpot runs.

Total ticket sales for March 31, 2019 decreased \$734,675 or 8.29% compared to the same period last year. The decrease was due to the \$521 million Mega Millions jackpot compared to the \$267 million jackpot for the same time this year. The Money Medal Madness promotion for the Lotto America game ran during the March 31, 2018 quarter. The Instant Luck promotion for the Lucky for Life game ran during the March 31, 2019 quarter.

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 currently has 34,713 registered members. The following prizes were given away to players through the Points for Drawings program: five Shiatsu foot massager/bath robe bundles on January 8, 2019; five XBOX One S gaming bundles, two 65" Samsung QLED smart TV's, and one bedroom furniture package on February 5, 2019. Five Nintendo Switch gaming bundles on March 5, 2019; five Dooney & Burke purse sets; and two Honda lawnmower bundles on April 9, 2019. There are three Points for Drawings promotions in progress including a one year Pick & Click online play, a Rowenta complete air care package, and a Pro Football game trip package. Upcoming Points for Drawings promotions include a pressure washer bundle, a GoPro camera bundle, a Deebot robotic vacuum, a home office package, and a DSLR camera.

During the month of January 2019, all Mega Millions tickets entered into the Players Club earned an additional 3X multiplier. In March 2019, all Lucky for Life tickets entered into the Players Club earned an additional 4X multiplier.

The Lottery launched an updated version to the Players Club Official Mobile Application. The new Android version added push notifications, force update, and analytics. The new iOS version added push notifications, force update, blank screen fix 12.0 and greater, and perpetual logged in state fix. On Wednesday April 3, the Lottery ran an 8-hour Pick & Click Flash Sale and utilized the push notification feature. 197 players received the notification.

The "Three Great Deals" promotion ran from November 5, through December 14, 2018. Mega Mondays, Lucky Wednesdays and All Star Fridays ran concurrently. Media included radio, point-of-sale, digital billboards, and online display. The advertising cost totaled \$26,009.79. The prize expense totaled \$16,619 in free 2by2 tickets. Sales increased an average of 3.5% across the three games.

The Lottery conducted a second re-branding campaign for the Pick and Click online play service December 10, 2018 through January 18, 2019. This campaign ran across several mediums including TV, radio, Facebook sponsored posts, YouTube pre rolls, and digital billboards. A "Buy \$10, Get a \$2 Discount" promotion also ran concurrently with the re-branding campaign from January 2, 2019 through January 18, 2019. The advertising costs billed so far is \$77,973.02 (total budget \$90,000). The prize expense totaled \$10,172 in discounts. Total sales increased 39.8 % compared to December 2018.

The "Instant Luck" promotion ran from February 3 through March 2, 2019. The qualifying purchase was a single draw, 3-play Lucky for Life ticket (\$6 value). With the qualifying purchase, players received a chance to instantly win a free \$2 Lucky for Life ticket, \$10 or \$100. Winners were chosen at random. The advertising costs billed so far is \$4,297.86 (total budget \$80,000). Players won \$34,826 in prizes. Lucky for Life sales increased 118% compared to the 26-week, weekly average. Total sales were \$525,852.

Player research was conducted in February 2019. An executive summary report will be given by KK Bold at the next LAC meeting.

A Pick & Click flash sale was held April 3, 2019. Players who purchased or extended any game received a \$2 credit to their wallet for every \$10 spent. Sales totaled \$16,022. 33 new subscribers signed up. This was the second highest sales amount for a flash promotion. The prize expense totaled \$2,992 in discounts.

The 2by2 7 Draw Promotion is scheduled to run May 5 through June 1, 2019. With a qualifying purchase of a single play 7-draw ticket, players will be eligible to win a free 7-draw 2by2 ticket or \$500. This promotion is part of a multi-state 2by2 promotion. Each participating state is allotted \$33,000 to cover prize expenses from the 2by2 Grand Prize Reserve Pool. The advertising budget is \$40,000 and prize expense is budgeted at \$33,000.

Mr. Kopyy also stated the ND Lottery, in conjunction with Dick Clark Productions will be holding a joint promotion called "New Year's Rockin' Eve". Players who purchase Powerball tickets and enter them into the Players Club during the promotion will be eligible to win one of two VIP trips to New York City during the ball drop. Hotel, airfare and spending money are included.

Omnibus Items

Mr. Miller stated ticket sales are on track to be the Lottery's second highest sales year, surpassing last year's \$31.2 million.

Adjournment

Commissioner R. Hanson made a motion to adjourn. Commissioner K. Hanson seconded the motion. The motion passed 3-0. The meeting adjourned at 7:47 a.m.