

Minutes of the Lottery Advisory Commission  
January 20, 2022

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 2:32 p.m. – 3:09 p.m., on Thursday, January 20, 2022. Representing the Commission by telephone were Chairman Mike Rud, Mr. Russ Hanson, Representative Karla Rose Hanson, and Senator Nicole Poolman. Representative Emily O'Brien 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. Jessica Seibel, administrative assistant. Representing Scientific Games was Dan Moran, general manager for North Dakota.

Approval of Minutes

Commissioner R. Hanson made a motion to approve the minutes of the October 27, 2021, meeting. Commissioner Poolman seconded the motion. The motion passed 4-0.

Approval of the Draft North Dakota Administrative Rule Changes to the Lotto America Game (Adding Monday Draw)

Mr. Miller presented the proposed rule changes relating to adding a Monday draw to the Lotto America game. Commissioner R. Hanson made a motion to approve the proposed administrative rules as presented. Commissioner Poolman seconded the motion. The motion passed 4-0.

Overview of Revenues and Expenses for Quarter Ended September 30, 2021 and Sales Activity for October -December 2021 (unaudited)

Mr. Anderson presented the overview of revenues and expenses for the quarter ended September 30, 2021. Total ticket sales increased \$1,889,129 or 32.19% compared to the same period last year. The increase was due to Powerball and Lucky for Life game changes and higher jackpots in 2021 compared to 2020. Total operating expenses increased \$1,222,212 or 27.70% compared to the same period last year. Prize expense increased \$919,063 or 29.16%, retailer commissions/bonuses increased \$90,341 or 32.85%, and contractual services expense increased \$87,419 or 14.99%. The increases to prize expense, retailer commissions/bonuses, and contractual services were a direct incremental relation to the increase in ticket sales. Marketing expense increased \$120,435 or 357.84%. The primary reason for the marketing expense increase was due to the promotion that ran when the Lucky for Life game changed to a daily draw on July 19, 2021. During this promotion players earned \$114,000 in promotional discounts.

Total ticket sales for Quarter Ending December 31, 2021, increased \$723,917 or 10.86% compared to the same period last year. This increase was primarily due to the Powerball jackpot reaching \$699 million and Mega Millions jackpot reaching \$376 million. In

addition, the Lucky for Life game change to a daily draw, along with the boost in sales from the Lucky for Life promotion and the additional Monday draw day sales for Powerball that began on August 23, 2021.

### 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 43,630 registered members. The following prizes were given away to players through the Points for Drawings program. Five iRobot Braava Wet Mops on November 9, 2021; One New Year New You Fitness Package on December 7; Two Troy-Bilt Snow Blowers on December 7; Five Supersonic Touchscreen Karaoke Systems all on December 7, 2021; and five Dyson Hair Dryers on January 11, 2022.

There are currently three Points for Drawings promotions in progress: One pair of Happy eBikes; Two HP Notebook Bundles; and five Apple AirPods Pro. Upcoming Points for Drawings promotions are LG 50" UHD webOS TV; Bison cooler bundle; Electric smart scooter; Amazon echo show; and 2022 Yamaha PTV golf cart.

During November 21 through November 29, 2021, a Black Friday/Cyber Monday 20% discount multi-use code was offered for Points for Prizes purchases using promotion code BFCYM2021. This was a multi-use code allowing players to use the code multiple times throughout the promotion. The code was used 176 times by 143 individual players, saving them 342,340 points. Compared to the 2020 promotion, this was a 183.9% increase in code usage (+114 usages), 180.4% increase in individual players (+92 players) and 25.4% increase in points saved (+69,290 points). This was the best promo code promotion in ND Lottery Players Club history.

December 1 through December 31, 2020, a Season Savings Spectacular promotion was held. Players received 15% off their entire Points for Prizes cart purchase by using promotion code HOLIDAY2021. This was a multi-use code allowing players to use the code multiple times throughout the promotion. The code was used 92 times by 82 individuals with 146,075 points saved. Compared to the 2020 promotion, this was a 100% increase in code usage (+46 usages), 78.3% increase in individual players (+36 players) and 78.3% increase in points saved (+52,666 points). This was the best Season Savings Spectacular promotion since inception in 2015.

The Lottery's annual 1,000 Point Signup Bonus promotion ran December 1 through December 31, 2021. All players that signed-up and completed registration during the prescribed promotional period received 1,000 bonus points upon completion of registration. There were 382 new completed registrants that each received the 1,000 point bonus. This is a 67.5% increase in registrants (month over month; +154 registrants) and a 28% increase in registrants compared to the fiscal year monthly average. Currently, all new membership signups receive a 250 point signup bonus.

The Pick & Click online play promotion, Buy \$10, Get A \$2 Discount, ran as a set of FLASH promotions in October. This was set up as FLASH promotions in which the sale

was promoted on the day of the promotion only. Players who spent \$10 on any game or combination of games or spent \$10 to extend a current Pick & Click online play, received a \$2 discount during the prescribed dates (October 4, 12, 20, and 28). For each increment of \$10 spent (e.g. \$20, \$50, etc.), a \$2 discount was applied to the purchase at checkout. The advertising expense was budgeted at \$10,000. The total advertising expense came in at \$9,038.29. The prize expense was budgeted at \$15,000. The total prize expense came in at \$16,584. Pick & Click online play sales for the four promotional days totaled \$63,884 with total discounts of \$16,584. Compared to a similar promotion that ran in October 2020, Pick & Click sales increased 72.3% (\$26,825) and discounts increased 63.4% (\$6,440.)

The Cash Dash retailer promotion ran November 7 through December 4, 2021. The qualifying purchase was one each of the Lottery's games with multipliers (Powerball with Power Play, Mega Millions with Megaplier, Lotto America with All Star Bonus, Lucky for Life and 2by2) for \$11. With the eligible qualifying purchase, players had a chance to instantly win \$5, \$20, \$100 or \$500. Cash Dash instant winners were chosen at random. The prize expense was budgeted at \$30,000. The total prize expense came in at \$29,975. The advertising expense was budgeted at \$40,000 (production, point sale items, radio, YouTube Pre-rolls, Midco CTV/OTT, digital billboards, and Facebook). The advertising expenses currently total \$31,266.39 (some costs yet to be billed). Lottery sales during the promotion totaled \$2,157,381. This was a 2.4% increase in sales when compared to comparable jackpots and a 2.5% increase in sales when compared to the 2020 Cash Dash promotion.

The Pick & Click online play promotion, Never Miss A Draw, ran December 1 through December 31, 2021. All purchases (new and/or extension) of 13 weeks, 26 weeks, 39 weeks, or 52 weeks received up to a 10% discount. The advertising expense was budgeted at \$18,000. So far, \$615.92 has been billed (most yet to be billed). The prize expense was budgeted at \$5,000. The total prize expense came in at \$5,462. Never Miss A Draw promotional sales totaled \$54,489 with players saving \$5,462 in discounts. This is a 13.8% increase in sales (+\$6,623) and a 15.7% (+\$742) increase in savings when compared to the 2020 Never Miss A Draw promotion.

A "flash" version of the Instant Luck promotion is currently in progress. The promotion ran January 9 – January 15 and will run again January 23 – January 29. This version had no point-of-sale in store and a limited advertising budget of \$5,000 which included radio and social media only. We utilized LIM screens and promotional images on tickets with zero cost. The qualifying purchase is a single draw, three play Lucky for Life ticket (\$6 value). With the eligible qualifying purchase, players receive a chance to instantly win a free \$2 Lucky for Life ticket, \$10, or \$100. Instant Luck winners are chosen at random. The advertising and prize expense budgets are set at \$5,000 and \$20,000 respectively. The total sales for Lucky for Life during that week were \$133,266. It was a 56% increase over the twenty-week, weekly sales average prior to the promotion. It was just about 10% better than the August 2020 Lucky for Life Instant Luck Promotion that we did for a full month.

The Lottery is planning a new promotion that will target Players Club members who have never funded and purchased a Pick & Click online play. Via our use of the OptiMove CRM platform and our Players Club database, we can specifically target the aforementioned players with an email that contains a promotion code that allows them to try Pick & Click online play for free. Currently, we are in the development phase with a plan to send out the promotion codes in mid-to-late February 2022. Further details and analytics will be provided at the next regularly scheduled Lottery Advisory Commission meeting.

The 2by2 Instant Win Promotion is scheduled to run Sunday, March 6 through Saturday, April 2, 2022. The qualifying purchase will be a single play, 7-draw 2by2 ticket for \$7. With the qualifying purchase, players will be eligible to instantly win a free 7-draw 2by2 ticket or \$500; winners will be chosen at random. This promotion will again be part of a multi-state 2by2 promotion. A majority of the prize expenses will be covered by the excess reserve in the 2by2 Grand Prize Pool. This was agreed upon, unanimously, by the 2by2 Group. Each participating state is allotted \$35,000 with a 10% buffer (\$38,500 total). At the conclusion of the promotion, the North Dakota Lottery will submit its total prize expense to the Multi-State Lottery Association. The advertising budget is \$40,000. The prize expense budget is \$7,000. Note: the prize expense of \$7,000 is the overage budgeted within the marketing budget in case we go over the \$38,500 prize expense allocation. The media buy includes radio, social media, YouTube Prerolls, Google Display ads, Programmatic Video and digital billboards.

The current contract for Marketing and Advertising Services with KK BOLD will end June 30, 2022. Both contract renewals have been executed. It was brought to our attention this year that a "Marketing Communications Services Pool" is already in place with the State Procurement Office. At this time, the vendor pool consists of eight marketing and advertising businesses that can be contracted with to provide marketing and advertising services. Recent discussions with the State Procurement Office would allow us to utilize this contract on a fiscal year by fiscal year basis. This would eliminate the need for a costly and time-consuming Request for Proposals process. Further details will be provided at the next regular scheduled Lottery Advisory Commission meeting.

#### Review of Sales Performance of the Powerball Game and Lucky for Life Game

Mr. Kopyy provided the following report.

The Lucky for Life game change started July 19, 2021. We moved from a 2-draw a week, Mondays and Thursdays, to a daily draw. Looking at the daily sales averages by month compared to year over year, September to September, October to October and so on, you can see that the daily sales each day increased significantly for the days that previously didn't have a draw. As expected, we didn't see much of an increase on Monday and Thursday, if anything a break even compared to previous years. The additional days you can see that there is a large increase in sales over the previous year when the draws were only done twice a week. Overall, a good sales increase and it's continued out through January 2022.

Monthly sales averages, you can see between September, October, November, and December range from 31% to 54% increase in comparable sales. The big thing looking overall, is the weekly sales comparison, to the 45-week average prior to the game change. Prior to the game change we're looking at around \$61,152 a week in sales. Since the game change, and after the promotion had ended (starting August 15, 2021) weekly sales on average are about 40% better than the weekly average prior to the game change. So currently we are averaging about \$85,000 a week in sales, where previously we are at \$61,152 a week in sales.

Going to the chart, the year prior to January 8, 2022, weekly sales, as you can see starting out going over the year back to August 2, 2020, averages were around \$60,000 with these peaks in here, being from the Lucky for Life Promotion. Powerball jackpot increased, but usually we are around the \$60,000. We had the big More Luck for Less Buck Promotion, that went at the same time as the Lucky for Life Game Change, and now we are up around \$80,000 to \$85,000 a week in sales. You can see on the chart prior to the game change we had about \$51,000 in sales for the week, and the week ending January 8, we are at \$84,956. Overall, you can see that the averages are doing well, and sales are doing well.

Next is the Powerball game change. The big intake here is in the previous 2-draws a week, there were 35 draws that took to get from \$20 million to \$630 million over the course of 122 days. With the game change adding in the Monday draw it took 41 draws, but only over a course of 93 days. Average daily sales during those runs, for the 2-draws a week, average daily sales were about \$36,000, average daily sales with the 3-draws a week up to about \$38,000, plus 5% per day. If you extract the way this particular one run or runs over a year, typically you could get in the 365 days, you could get four runs with the new 3-draws, with the previous 2-draws you would only hit about three runs in a year. Essentially, we can get the jackpots grew a little bit faster, over the course of days, where you can fit more of them in a year. Another comparison you can see on the chart, is the smaller jackpots, and this is dependent on the annuity factors when the Jackpots estimates are announced. But the 2-draws a week when you're looking at some sales between Sunday through Saturday, or weekly basis, the jackpot prior with 2-draws went from \$33 million to \$43 million, and the weekly sale was about \$128,865. Since then, a similar week Sunday through Saturday, the jackpot started at \$38 million and reached \$58 million. The total sales were \$145,559. The total of about \$16,000 in sales increased nearly 13%. Overall, from what we can see is the jackpots grew a little bit faster. There are more draws, but again the sales received a good increase.

## Omnibus Items

Mr. Miller provided the following report.

For the first six months of the fiscal year (through December 2021) unaudited ticket sales totaled \$15.33 million. This represents a \$2.7 million increase in sales or 21.43% compared to last fiscal year. The primary reason for the increase in sales was due to the two big Powerball jackpots of \$699 million in October and most recently \$459 million as it rolled into January, along with a Mega Millions jackpot of \$432 million in September.

This week the Office of the State Auditor began the Lottery's financial audit for the years ended June 30, 2021, and June 30, 2020. I anticipate the audit report will be presented at the next Lottery Advisory Commission meeting.

As you are aware, I will be retiring on May 1, 2022. We will have one more Commission meeting before then for final approval of the rule changes for Lotto America.

### Adjournment

Commissioner R. Hanson made a motion to adjourn. Commissioner K. Hanson seconded the motion. The motion passed 4-0. The meeting adjourned at 3:09 p.m.