

Minutes of the Lottery Advisory Commission

June 13, 2019

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 10:03 a.m. – 11:17 a.m., on Thursday, June 13, 2019. Representing the Commission was Mr. Russ Hanson with Mr. Mike Rud, Representative Karla Rose Hanson, Senator Nicole Poolman, and Representative Thomas Beadle participating by telephone. 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. Sonja King, administrative assistant. Also present were Mr. LaRoy Kingsley and Ms. Ashley Eggl from KK Bold.

Approval of Minutes

Commissioner R. Hanson made a motion to approve the minutes of the April 16, 2019 meeting. Commissioner Beadle seconded the motion. The motion passed 5-0.

Overview of Player Research

Mr. Kingsley and Ms. Eggl presented the findings from the 2019 ND Lottery Research Survey. The survey included Lottery Player Habits and Interests. There was not a drastic change in playing habits since the survey in 2013. KK Bold recommends continuing to offer a variety of both high odds/lower prizes and low odds/higher prizes to attract both groups of lottery players. In the interest area, players felt it was important to play games that were easy to understand and within a few miles of their homes. KK Bold recommends continuing to focus on ease of play and close to home messaging by promoting the Players Club, Pick & Click Online Play, and mobile app.

In the Players Club Awareness and Benefit awareness section, a 300% increase in Players Club membership and a 200% increase in Players Club awareness indicates the strides towards increasing awareness have been successful. KK Bold recommends promoting an incentive to join the Players Club to motivate consumers who are likely to join but have not yet finalized their account. Respondents to the Players Club benefits named earning points/prizes/more chances to win as something they like, along with ease of use. Although the data indicated many players are familiar with the Players Club, but still may not be very familiar with its benefits. KK Bold recommends running a Players Club campaign promoting the specific benefits of membership to continue to increase awareness of the Players Club itself as well as increasing awareness of the benefits that come with a membership.

In the area of Pick & Click Online Play Awareness, three of every ten players were aware of the Pick & Click Online Play. KK Bold recommends including campaigns focused on increasing while also promoting ease of use and its benefits.

In the area of Mobile App Awareness, 24.7% of respondents were aware of the mobile app and one of every two app users had used the app to check tickets, join the Players Club or use the ticket scanner. KK Bold recommends continuing to promote the specific benefits of the mobile app including its features and the ease of use, along with incorporating the mobile app in all promotional messaging and offering incentives to motivate consumers to download the mobile app.

Additional recommendations from KK Bold include continuing to implement a media mix of both online and traditional platforms to maximize efficiency and effectiveness; adding code to the Players Club website to better track what consumers are doing and where they are going; granting KK Bold access to promote sponsored ads on social media to allow for more well-rounded social media campaigns; starting an Instagram account; supporting group play on social media; promoting messaging to the emerging market of 21 to 30 year-olds; and change the research method to begin conducting exit interviews and/or online surveys to reduce costs.

Mr. Kingsley and Ms. Eggl left the meeting at 10:42 a.m.

Overview of Revenues and Expenses for Quarter Ended March 31, 2019 and Sales Activity for April and May 2019 (unaudited)

Mr. Anderson presented the overview of revenues and expenses for the quarter ended March 31, 2019. Total ticket sales for quarter ending March 31, 2019 decreased \$734,623 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 boosting sales.

Total operating expenses increased \$441,222 or 7.34% compared to the same period last year. Prize expense increased \$562,416 or 13.91%, (2019 included the full prize expense of a second tier Lucky for Life winner), retailer commissions/bonuses decreased \$34,564 or 7.94%, and contractual services expense decreased \$114,452 or 11.47%. Players Club expenses remained the same. Marketing expense increased \$9,507 or 5.31%. Other operating expenses increased \$16,762 or 39.11% due to the timing of payment of the NASPL dues for this fiscal year.

Total ticket sales for April 1, 2019 through May 31, 2019 increased \$1,092,810 or 26.36% due to Mega Millions jackpot reaching \$444 million in 2019, Lotto America's jackpot reached \$20.2 million in 2019 and a very successful 2by2 7-draw promotion that drove sales to record levels.

Overview of Marketing Activity and Short-Term Marketing Plans

Mr. Kopy presented the overview of marketing activity and short-term marketing plans. The North Dakota Lottery Players Club currently has 35,717 registered members. The following prizes were given away to players through the Points for Drawings program: five Dooney & Burke purse sets and two Honda lawnmower bundles on April 9, 2019; ten one-year Powerball Pick & Click online plays, and one trip for two to any pro football game on May 7, 2019. There are three Points for Drawings promotions in progress including a Sun Joe and Snow Joe electric pressure washer, Rowenta air care package, and a home office package. Upcoming Points for Drawings promotions include a GoPro camera bundle, a Deebot robotic vacuum, a DSLR camera, and a Key West trip.

In March 2019, all Lucky for Life tickets entered into the Players Club earned an additional 4X multiplier. During the month of May 2019, a 15% discount was offered on Points for Prizes cart purchases with a promo code of MOMSDAY15.

The Lottery launched an updated version to the Players Club Official Mobile Application. The new Android and iOS version added geo-location services from GeoComply and the Android fixed the auto log out issue.

May 5 through June 1, 2019 the Lottery ran a 2by2 7 draw promotion. The qualifying purchase was a 7 draw 2by2 ticket for \$7. With the qualifying purchase players could randomly win a free 7 draw 2by2 ticket or \$500. Prize expense was budgeted at \$33,000, which was covered by the excess reserve in the Grand Prize Pool. The remaining \$9,173 was expensed to marketing. Weekly sales increased and all four weeks were record setting with week three holding the record for highest weekly sales in 2by2 history. The overall increase in weekly sales compared to the 26-week, weekly average was 85.9%.

A Pick & Click online play promotion is going on through June 30 2019. *Never Miss a Draw* gives Pick & Click online players up to a 10% discount on purchases or extensions of 13,26, 39 or 52 weeks.

Pick & Click online sales have surpassed \$1.51 million for this fiscal year.

The 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. The promotion will take place from July 7 through August 31, 2019. Every Powerball ticket entered will receive one entry and Powerball with Power play tickets will receive two entries per ticket. The advertising budget is set at \$120,000 and prize expense is set at \$15,000. Two North Dakota Powerball players will win this prize and a chance to win \$1 million. Drawing will take place on September 3, 2019.

Acceptance of the Audit Report for the Fiscal Years Ended June 30, 2018 and 2017

Mr. Miller recommended the Lottery not request a representative from the Office of the State Auditor to present the audit report since there were no recommendations in the report. The Commission agreed. The Commission serves as the audit committee for the Lottery so Mr. Miller requested acceptance of the audit report for the fiscal years ended June 30, 2018 and 2017. Commissioner R. Hanson made a motion to accept the report. Commissioner Poolman seconded. The motion passed 5-0.

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.

Mr. Miller attended the June 11 Administrative Rules Committee meeting to describe the procedures followed by the Lottery in adopting the rule changes. The Committee had no concerns about the rule changes. The rule changes will be published effective July 1, 2019.

A U.S. District Court Judge ruled in favor of the New Hampshire Lottery Commission in its lawsuit against the federal government over its interpretation of the Wire Act. In a summary judgement issued on June 3, 2019, the U.S. District Judge ruled that the Wire Act only applies to sports betting and not lotteries or other forms of state-sanctioned gaming. A June 12, 2019 letter from the DOJ has extended the June 14, 2019 DOJ deadline for businesses to bring their operations into compliance with federal law to December 31, 2019 or 60 days after entry of final judgment in the New Hampshire litigation, whichever is later.

The current online lottery system and services contract with Scientific Games International continues through June 30, 2022 with a possible extension for a period up to 24 months. Mr. Miller has requested Scientific Games International to provide incentive options for the Lottery's consideration extend the contract.

Adjournment

Commissioner R. Hanson made a motion to adjourn. Commissioner Poolman seconded the motion. The motion passed 5-0. The meeting adjourned at 11:17 a.m.