

Massachusetts State Lottery Commission Meeting

Executive Director's Report

Delivered by Paul R. Sternburg
November 27, 2012



Lottery Sales Update

- Lottery sales continue to climb with overall sales for the month up \$9 million over October 2011 sales. The prize payout for the month of October was 70.4 percent as compared to 71.2 percent for October 2011.
- The lower prize payout for the month brought our overall prize payout for the first four months of the fiscal year from 73.9 percent to 72.6 percent, a 1.3 percent reduction. The Lottery's net profit for these first four months is \$1.5 million behind last year, a marked improvement compared to the results through the first quarter, which were \$17.8 million behind. It is our belief that this trend will continue and the prize payout will return over the course of the fiscal year to the 72.3 percent payout assumed in our annual net profit projections. As previously explained, the payout percentage fluctuates based on the schedule or rate at which players cash in prizes.
- October sales increase can be attributed to a \$10 million increase in the Instant Ticket portfolio; a \$1 million increase in KENO sales; and, \$3 million in new sales brought in from the regional Lucky for Life draw game, which debuted in March 2012.
- Four draw games in the portfolio experienced sales decreases in October, including: a \$1 million decline in Mega Millions sales due to smaller jackpots compared to last year's offerings; a \$2 million decrease in Powerball sales due to smaller jackpots; a \$1 million decrease in Megabucks Doubler also due to smaller jackpots; and, a \$2 million decrease in Cash WinFall sales because there have been no sales since the game officially ended in January 2012.

Player Activated Terminal (PATs) Sales Update

The following is a recap of sales at locations with new PATs and at least one year of sales history with an Instant Ticket Vending Machine (ITVM). Sales quoted below include both PAT and over-the-counter sales at these locations:

- Three (3) Hudson News stores at Logan Airport have had PATs for 40 days, one of which was an existing retailer with an ITVM. During those 40 days, the one store that previously had an ITVM saw a \$24,052, or 24 percent, sales increase over the same time frame last year. This location generated a total of \$926,760 in 2011. If sales continue at the current rate, the result will be \$222,422 in additional sales.
- Martin's News at South Station has had a PAT for 47 days. Lottery sales for those 47 days were \$42,868 higher than sales for the same 47 days last year, or up 16 percent. Sales at this location totaled \$492,237 in 2011. A 16 percent sales increase in 2012 would translate to \$78,757 in additional sales.
- The Logan Airport Taxi Pool has also had a PAT for 47 days. Lottery sales for those days were \$33,387, or 18 percent, less than sales during the same time period in 2011. 2011 sales at this location totaled \$1,331,025. If sales decline at current rate, 2012 sales would decrease by \$239,584. Our sales team is working to determine the reason for this decline.

PAT sales at locations that were not Lottery agents last year:

- The nine CVS locations that were not Lottery agents last year have total sales of \$37,418 since receiving machines. CVS has had PATs at these locations for an average of 34 days.

Holiday 2012 Broadcast Advertising

Television:

- Flight dates 11/26 – 12/24
- One :30 spot; two :15 spots; and, one :10 spot
- :30 spot will air in primetime hours (both as full :30 & as two :15 in same block); :15 spots will run in all other dayparts
- :10 spots are added value
- Airing in both Boston & Springfield TV markets
- Stations include:
 - **BOSTON:** Direct TV, Cable, CSNNE, NECN, WBZ-CBS 4, WCVB-ABC 5, WFXT-FOX 25, WHDH-NBC 7, WLVI-CW 56, WSBK-MyTv 38
 - **SPRINGFIELD:** EGGB-FOX 6, WGGB-ABC 40, WSHM-CBS 3, WWLP-NBC 22, and Comcast Cable



Holiday 2012 Broadcast Advertising

Radio:

- Flight dates 11/26 – 12/24
- Product spots: :10 & :15 pre-recorded spots
- DJ endorsements: :10, :15, :30, :45 & :60s on-air endorsements
- Product spots airing in Boston, Cape Cod, New Bedford, Springfield, Worcester, Greenfield, Pittsfield & Ethnic radio markets
- DJ endorsements airing in Boston, Cape Cod, New Bedford, Springfield, Worcester & Greenfield radio markets
- Stations include:
 - **BOSTON:** WAAF-FM, WBMX-FM, WBOS-FM, WBZ-AM, WBZ-FM, WEEI-FM, WJMN-FM, WKLB-FM, WMJX-FM, WODS-FM, WROR-FM, WXKS-FM, WZLX-FM, WAMG-AM, WLLH-AM, WESX-AM
 - **NEW BEDFORD:** WFHN-FM, WJFD-FM
 - **SPRINGFIELD:** WAQY-FM, WHYN-AM, WHYN-FM, WMAS-FM, WSPR-AM
 - **WORCESTER:** WSRS-FM, WXLO-FM, WORC-AM
 - **GREENFIELD/PITTSFIELD:** WBEC-FM, WHAI-FM, WPVQ-FM, WUPE-FM

Holiday 2012 Broadcast Advertising

Sample Radio spots:

:10

- Only elves should stress out about presents. Shop Once. And shop for all with holiday tickets from the Mass. State Lottery. Available at a lottery retailer near you.

:15

- Don't let the holidays get your wrapping paper in a wrinkle. This season get the perfect gift for everyone on your list – with holiday Instant Tickets from the Massachusetts State Lottery. Shop once. And shop for all. Available at a lottery retailer near you.

:30, :45 & :60 DJ ENDORSEMENTS (sample talking points):

- Take the stress out of your holiday shopping. Shop once. And shop for all with holiday tickets from the Massachusetts State Lottery.
- The Massachusetts State Lottery has the perfect gifts for everyone on your list this season: holiday Instant “Scratch” Tickets, Season Tickets and SUPER 50/50 Raffle Tickets. They're fun and totally irresistible because they give everyone on your list – friends, family, coworkers, etc. – the chance to WIN big! And they're convenient to buy -- just stop by one of the Lottery's 7,400 local retailers today.
- When you give the gift of a Lottery Season Ticket, you're giving the chance to win without the work of entering! The numbers are played automatically, so any day could be the lucky one! Three, six, or 12 month Season Tickets are available for the Lottery's Mega Millions and Megabucks Doubler games!

Holiday 2012 Print Advertising

Boston Metro:

- Units: full page, front page mast banner, front page banner, interior pop up, exterior pop ups
- Insertion dates: 11/26, 11, 28, 12/7, 12/10, 12/12, 12/17, 12/19, 12/24

Full page

**SHOP ONCE
AND SHOP
FOR ALL**

You must be 18 years or older to play the Lottery.

SEASON TICKETS SUPER 50/50 RAFFLE THE LOTTERY

**SHOP ONCE
AND SHOP
FOR ALL**

masslottery.com THE LOTTERY

Mast banner

**SHOP ONCE
AND SHOP
FOR ALL**

For more information visit
masslottery.com
or your local
lottery retailer

SEASON TICKETS SUPER 50/50 RAFFLE THE LOTTERY

Exterior pop up

SHOP ONCE

Interior pop up

**AND SHOP
FOR ALL**

SEASON TICKETS SUPER 50/50 RAFFLE THE LOTTERY

For more information visit
MASSLOTTERY.COM
or your local lottery retailer

Holiday 2012 Print Advertising

Valpak:

- Unit: Single panel insert
- Insert date: 12/3/12 mailing
- 820,000 households
- Additional exposure on Valpak's digital network



SHOP ONCE

AND SHOP FOR ALL



You must be 18 year or older to play the Massachusetts State Lottery.



Holiday 2012 Digital Advertising

MEDIA TYPE: Display

- Components include: page takeovers, banner ads, sliding billboards, page re-skins, gift guide sponsorships, sponsored email blasts and newsletters, pre-roll video
- Outlets include: Boston.com, Boston Herald, CBS Boston, Comcast Xfinity, Comcast Sports Network, NECN, and ESPN Boston

MEDIA TYPE: Streaming Radio

- Components include: audio ads (web and mobile platforms), video ads (web and mobile), mobile banner ads
- Outlet: Pandora Radio
 - Personalized internet radio with 1.1 million monthly unique visitors in MA ages 18-54

MEDIA TYPE: Online Video

- Components include: 2.5 million pre-roll impressions and 500,000 banner impressions in MA only (ages 18-54)
- Outlet: Undertone
 - Premium ad network with channels including: Entertainment Weekly, Kaboodle, TV Guide, Bleacher Report, Nextag, People, ABC News, USA Today

Holiday 2012 Digital Advertising

Digital Advertising examples:

300x250 Holiday Banners



160x600 Holiday Banners



728x90 Holiday Banners



Holiday 2012 Out of Home Advertising

MEDIA TYPE: Digital Outdoor Billboards

- Three 14x48 Digital Billboards in high-visibility/high-traffic areas (93 Stoneham, Medford; 495 Lawrence)



MAKING HOLIDAY SHOPPING EASY IS OUR GIFT

THE LOTTERY
masslottery.com

You must be 18 years or older to play the Lottery.

The billboard features a green background with a scalloped top edge and hanging Christmas ornaments. On the left, there are three lottery tickets: 'Winner Green' (win up to \$2,500,000), 'Holiday Gifts' (win up to \$1,000,000), and 'Frosty The Doughman' (win up to \$50,000). The text 'MAKING HOLIDAY SHOPPING EASY IS OUR GIFT' is written in large, bold, red letters with a white outline. The 'THE LOTTERY' logo and website are in the bottom right corner. A disclaimer at the bottom center reads 'You must be 18 years or older to play the Lottery.'

MEDIA TYPE: Bus King Panels

- 250 total bus king panels (billboard type ads on side of MBTA buses)



ANY HOLIDAY. MOST STORES. EVERYONE ON YOUR LIST.

SHOP ONCE AND SHOP FOR ALL

THE LOTTERY
masslottery.com

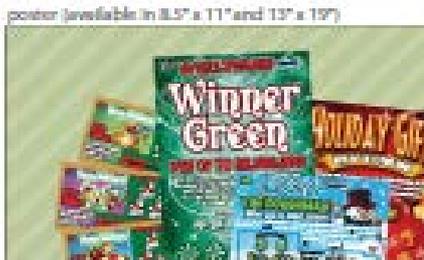
You must be 18 years or older to play the Lottery.

The bus king panel features a green background with a scalloped top edge and hanging Christmas ornaments. On the left, there are three lottery tickets: 'Winner Green' (win up to \$2,500,000), 'Holiday Gifts' (win up to \$1,000,000), and 'Frosty The Doughman' (win up to \$50,000). The text 'ANY HOLIDAY. MOST STORES. EVERYONE ON YOUR LIST.' is written in large, bold, red letters with a white outline. Below it, 'SHOP ONCE AND SHOP FOR ALL' is written in smaller, bold, red letters with a white outline. The 'THE LOTTERY' logo and website are in the bottom right corner. A disclaimer at the bottom center reads 'You must be 18 years or older to play the Lottery.'

Holiday 2012 In-Store POS



discounted Season Tickets poster



poster (available in 8.5" x 11" and 13" x 19")

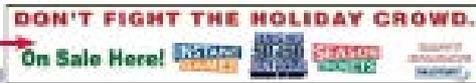


gift envelope (shown unfolded)

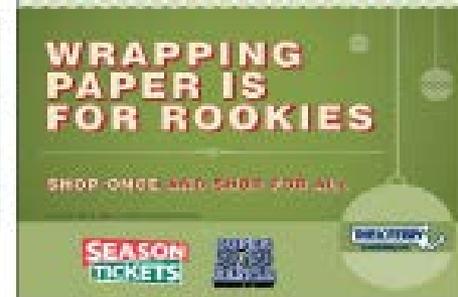


ISYS/Season Ticket sticker

4" x 18" monitor sticker



8.5" x 11" poster decal



Pictured:

- 8.5X11 Season Tickets Discount Poster
- 3" & 5" Employee Stickers
- LED Frame
- 11X2 Gas Pump & ITVM Stickers
- Lottery Holiday Gift Envelopes
- 8.5X11 & 13X9 Poster
- 4X4 ISYS/Season Tickets Terminal Decal
- 8.5X11 Poster Decal
- 4X18 Monitor Sticker

Not Pictured:

- 8.5X3.5 In-lane Cards and Supermarket
- 8.5X11 Responsible Play Poster

Holiday 2012 Online Assets Re-Skins

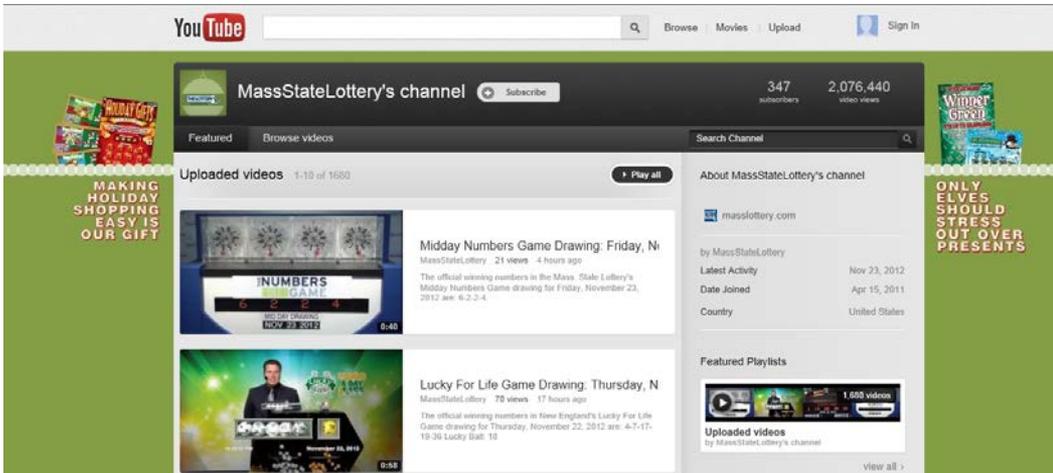
Facebook



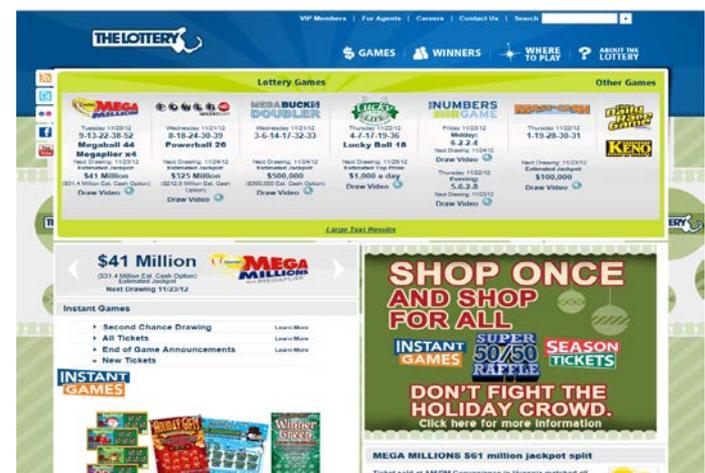
Twitter



YouTube



masslottery.com



Holiday Instant Tickets Sales



Happy Holidays

Price Point: \$1

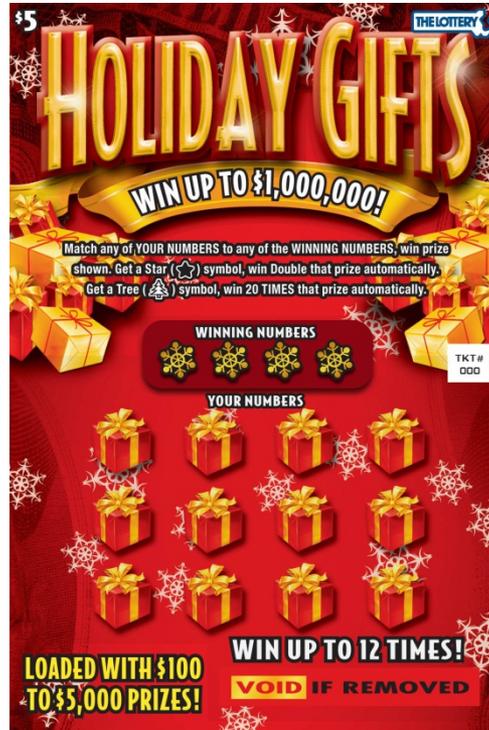
4 Week Sales: \$2,489,547



Frosty The Doughman

Price Point: \$2

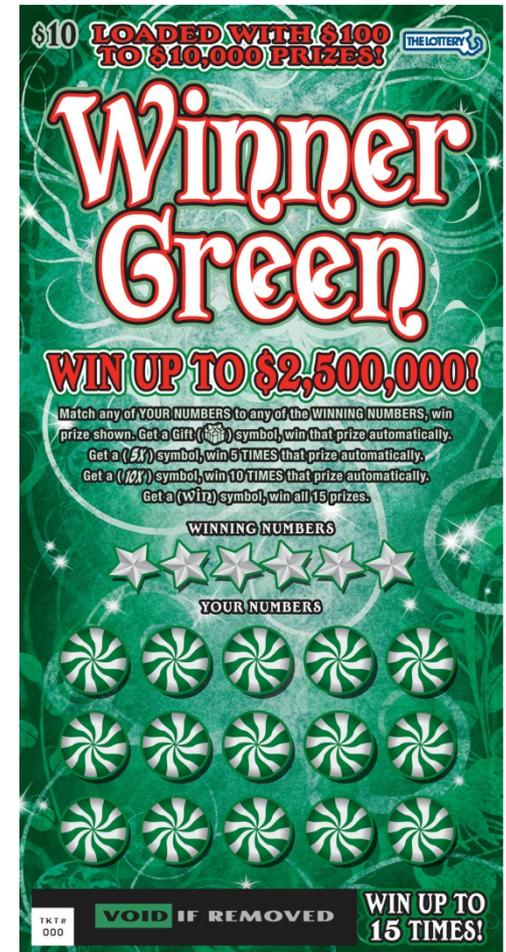
27 Days Sales: \$7,738,516



Holiday Gifts

Price Point: \$5

27 Days Sales: \$15,415,210

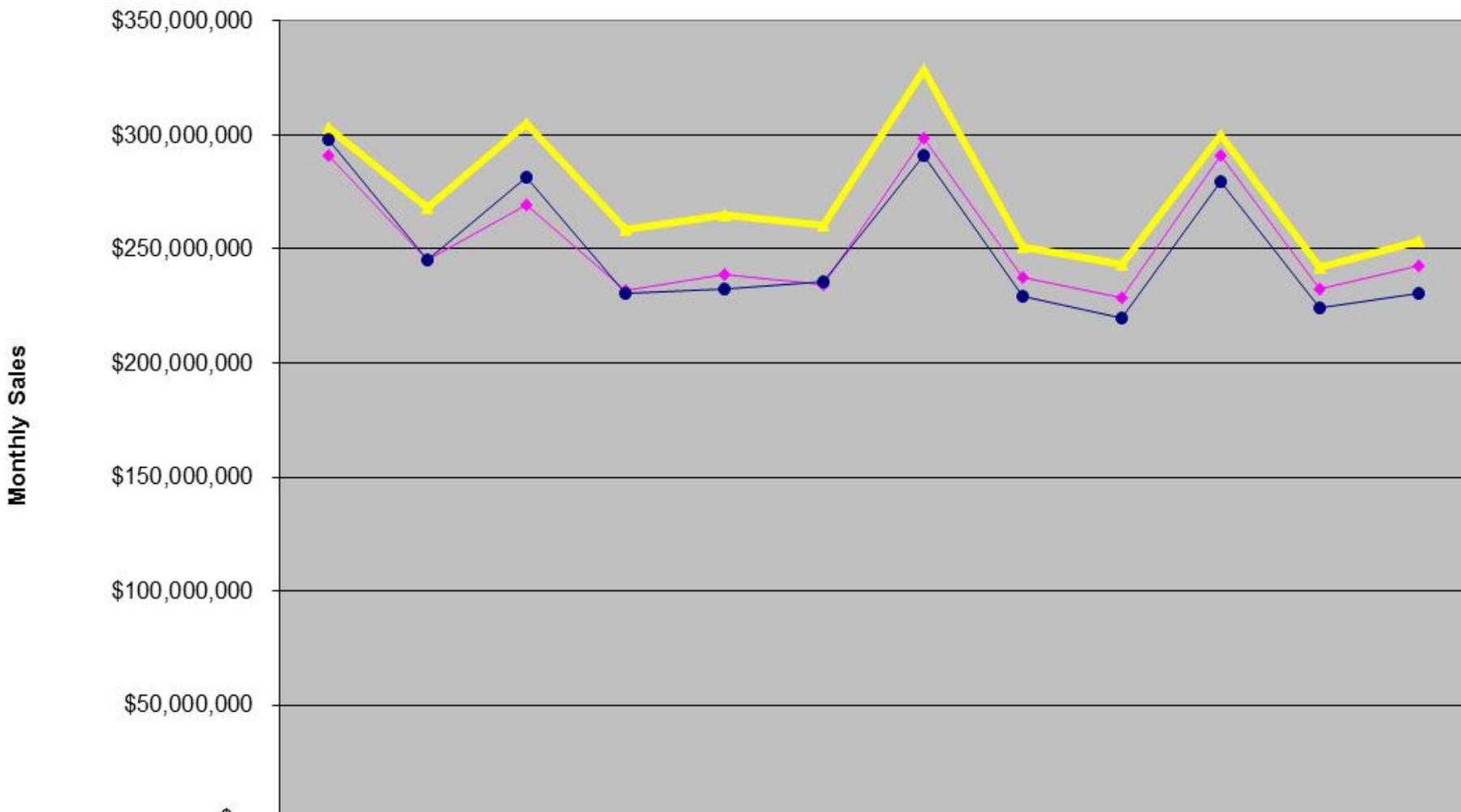


Winner Green

Price Point: \$10

27 Days Sales: \$17,353,120

Instant Game Monthly Sales November 09 thru October 12

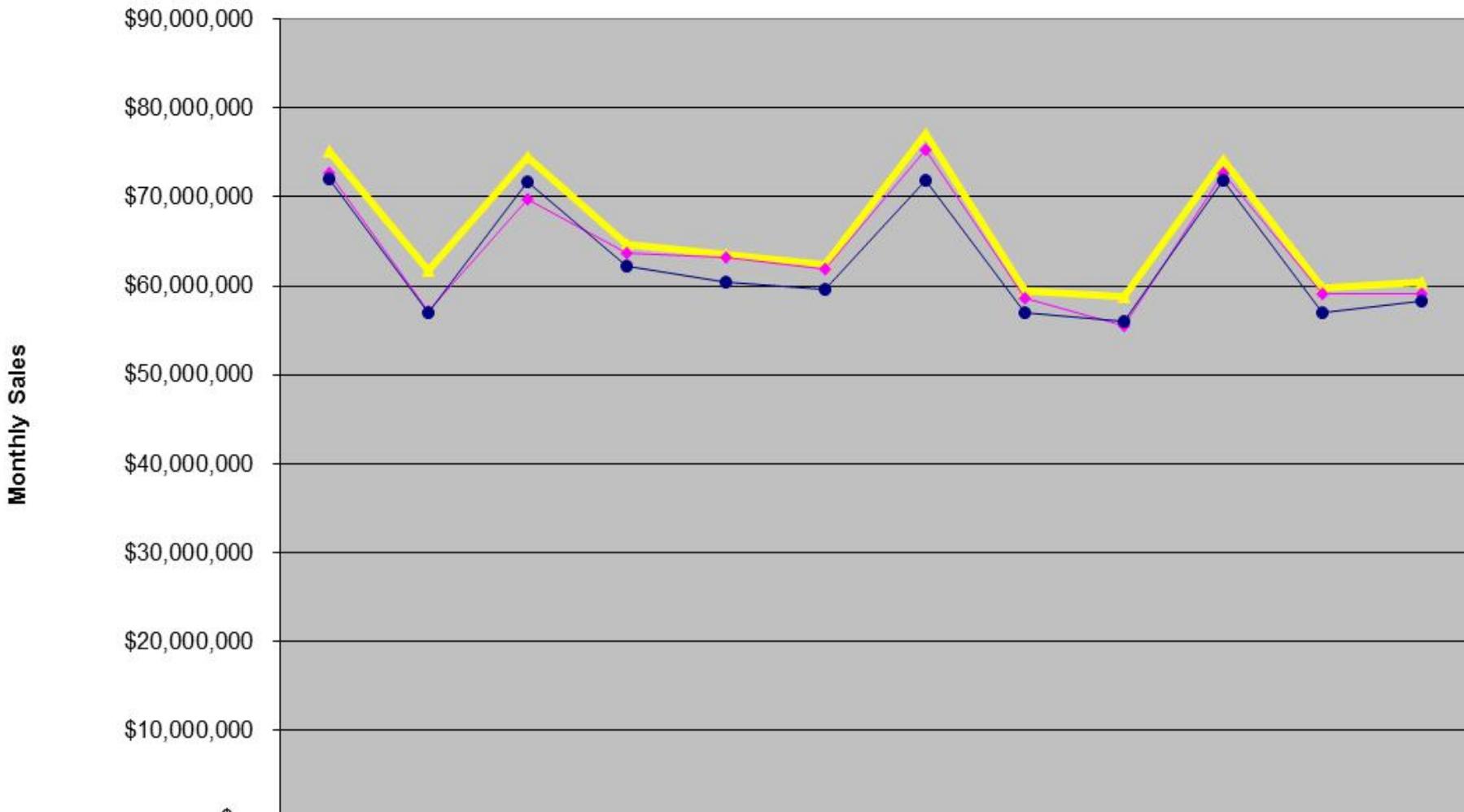


	November	December	January	February	March	April	May	June	July	August	September	October
Nov11-Oct12 Monthly Sales	\$303,379,35	\$268,100,44	\$304,922,07	\$258,796,18	\$265,035,53	\$260,496,09	\$328,476,22	\$251,119,38	\$242,954,61	\$299,867,08	\$242,270,66	\$253,282,06
Nov10-Oct11 Monthly Sales	\$290,680,77	\$245,104,18	\$269,511,06	\$231,842,54	\$238,933,61	\$234,649,19	\$298,916,07	\$237,818,40	\$228,848,53	\$290,742,92	\$232,227,72	\$242,861,84
Nov09-Oct10 Monthly Sales	\$297,786,35	\$245,199,92	\$281,620,02	\$230,670,56	\$232,736,74	\$235,776,65	\$290,738,59	\$229,453,15	\$219,634,23	\$279,756,65	\$224,154,31	\$230,266,51



Month Ending

KENO Game Monthly Sales November 09 thru October 12

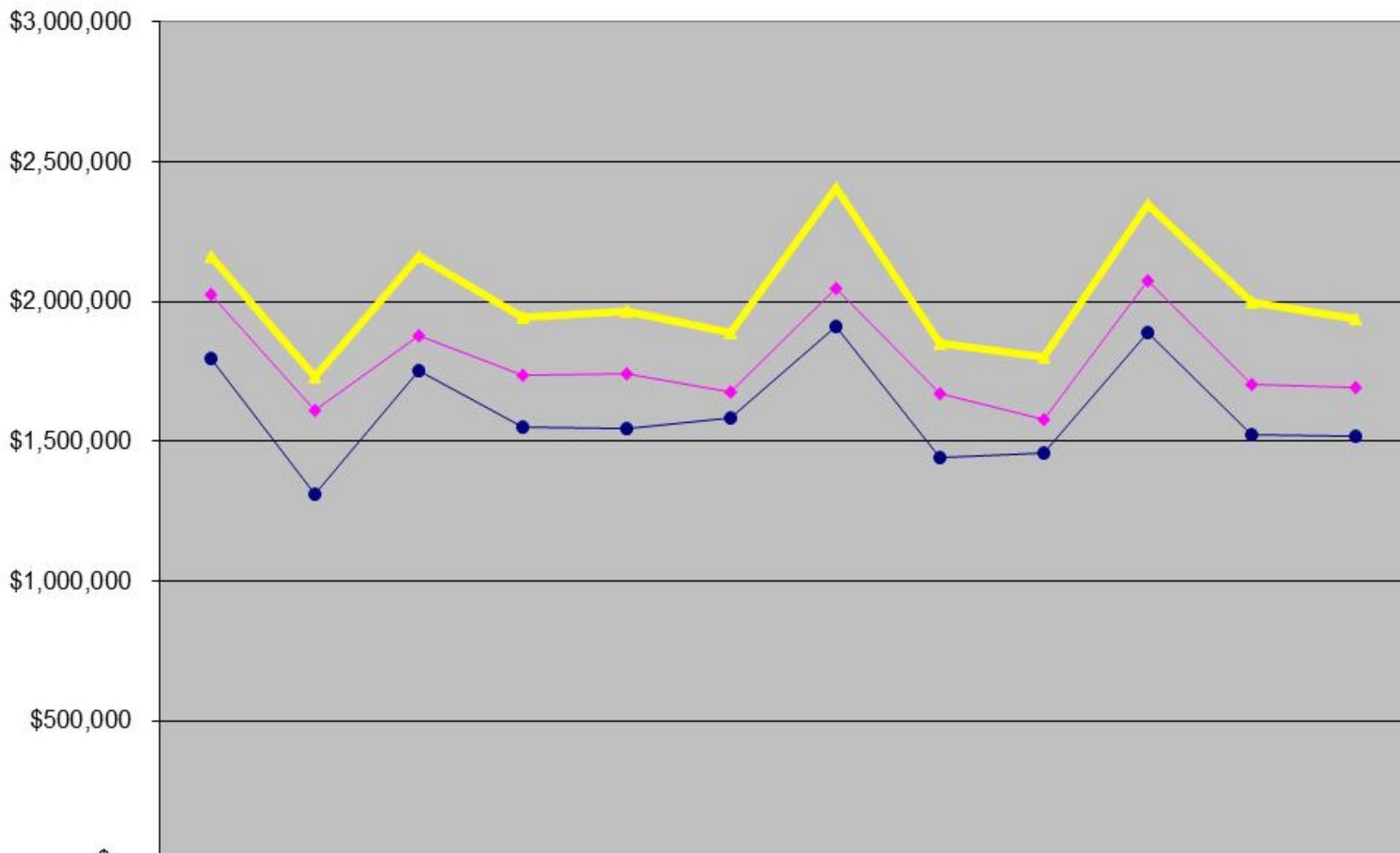


	November	December	January	February	March	April	May	June	July	August	September	October
Nov11-Oct12 Monthly Sales	\$75,178,823	\$61,681,424	\$74,466,681	\$64,684,172	\$63,579,007	\$62,438,549	\$77,066,745	\$59,496,498	\$58,834,238	\$74,168,553	\$59,776,650	\$60,406,576
Nov10-Oct11 Monthly Sales	\$72,659,946	\$57,173,914	\$69,753,994	\$63,723,343	\$63,268,022	\$61,946,220	\$75,374,599	\$58,609,862	\$55,511,595	\$72,637,541	\$59,167,172	\$59,077,681
Nov09-Oct10 Monthly Sales	\$72,043,331	\$56,913,417	\$71,790,468	\$62,282,300	\$60,463,763	\$59,646,060	\$71,815,309	\$56,906,312	\$56,082,403	\$71,819,357	\$56,939,601	\$58,222,815



Month Ending

Race Game Monthly Sales November 09 thru October 12

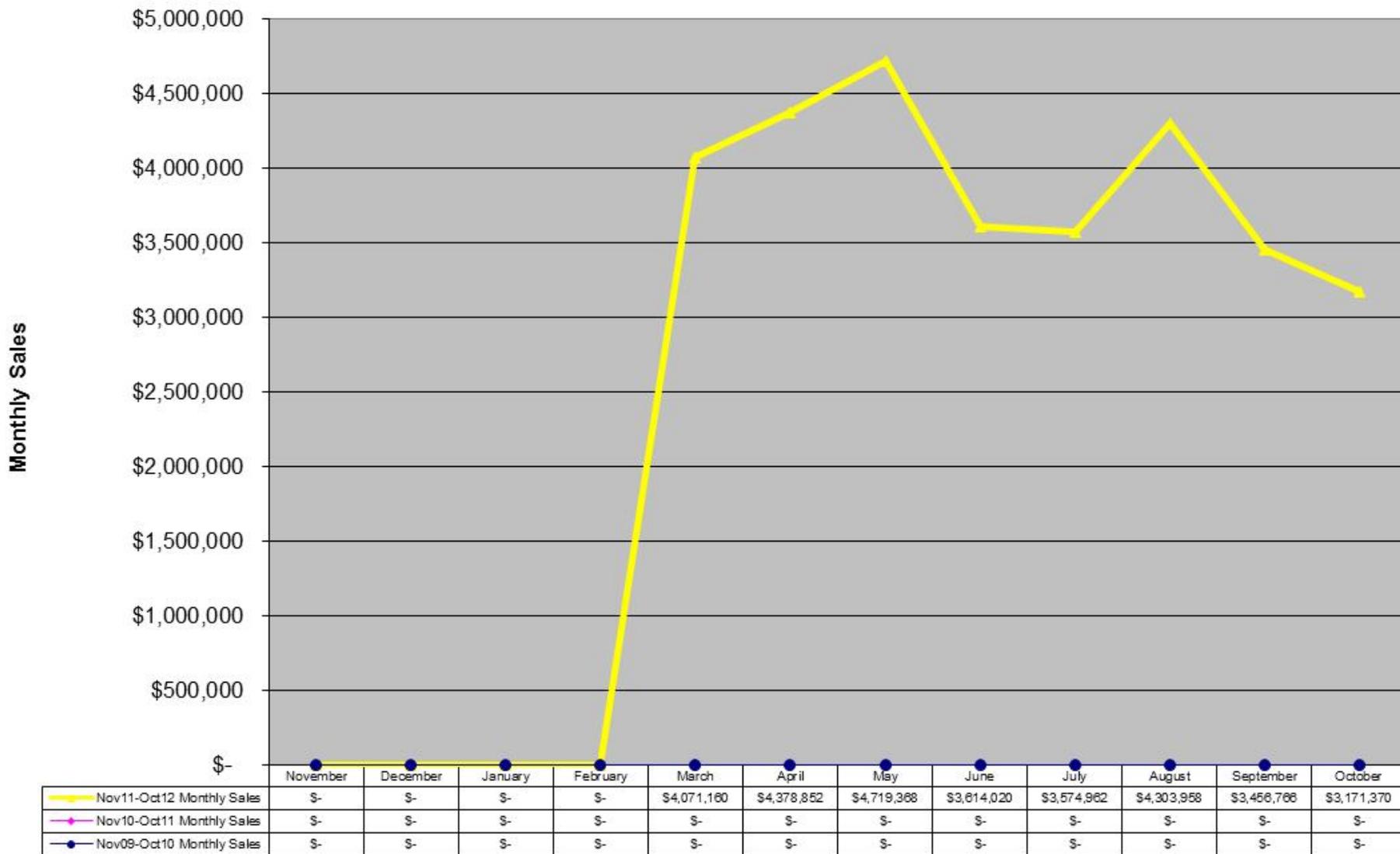


	November	December	January	February	March	April	May	June	July	August	September	October
Nov11-Oct12 Monthly Sales	\$2,160,773	\$1,733,166	\$2,162,232	\$1,941,576	\$1,966,920	\$1,889,649	\$2,406,140	\$1,847,873	\$1,802,060	\$2,345,349	\$1,999,691	\$1,938,989
Nov10-Oct11 Monthly Sales	\$2,026,063	\$1,608,235	\$1,878,607	\$1,736,019	\$1,744,067	\$1,676,092	\$2,045,327	\$1,671,117	\$1,578,823	\$2,072,780	\$1,704,618	\$1,693,344
Nov09-Oct10 Monthly Sales	\$1,794,758	\$1,309,946	\$1,749,829	\$1,547,939	\$1,546,623	\$1,582,824	\$1,908,279	\$1,439,126	\$1,458,654	\$1,890,989	\$1,520,639	\$1,517,425

Month Ending



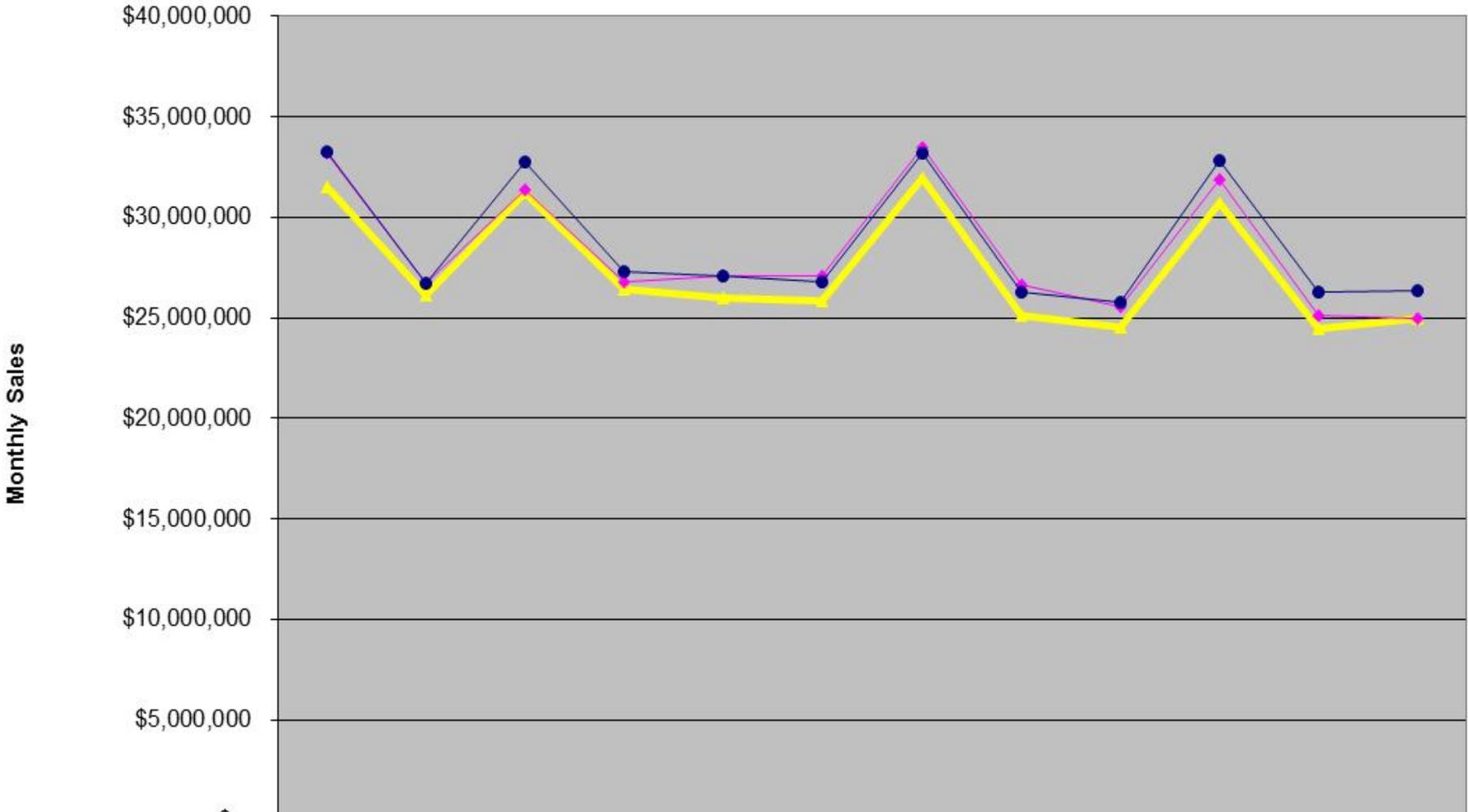
Lucky For Life Game Monthly Sales November 09 thru October 12



Month Ending



Numbers Game Monthly Sales November 09 thru October 12

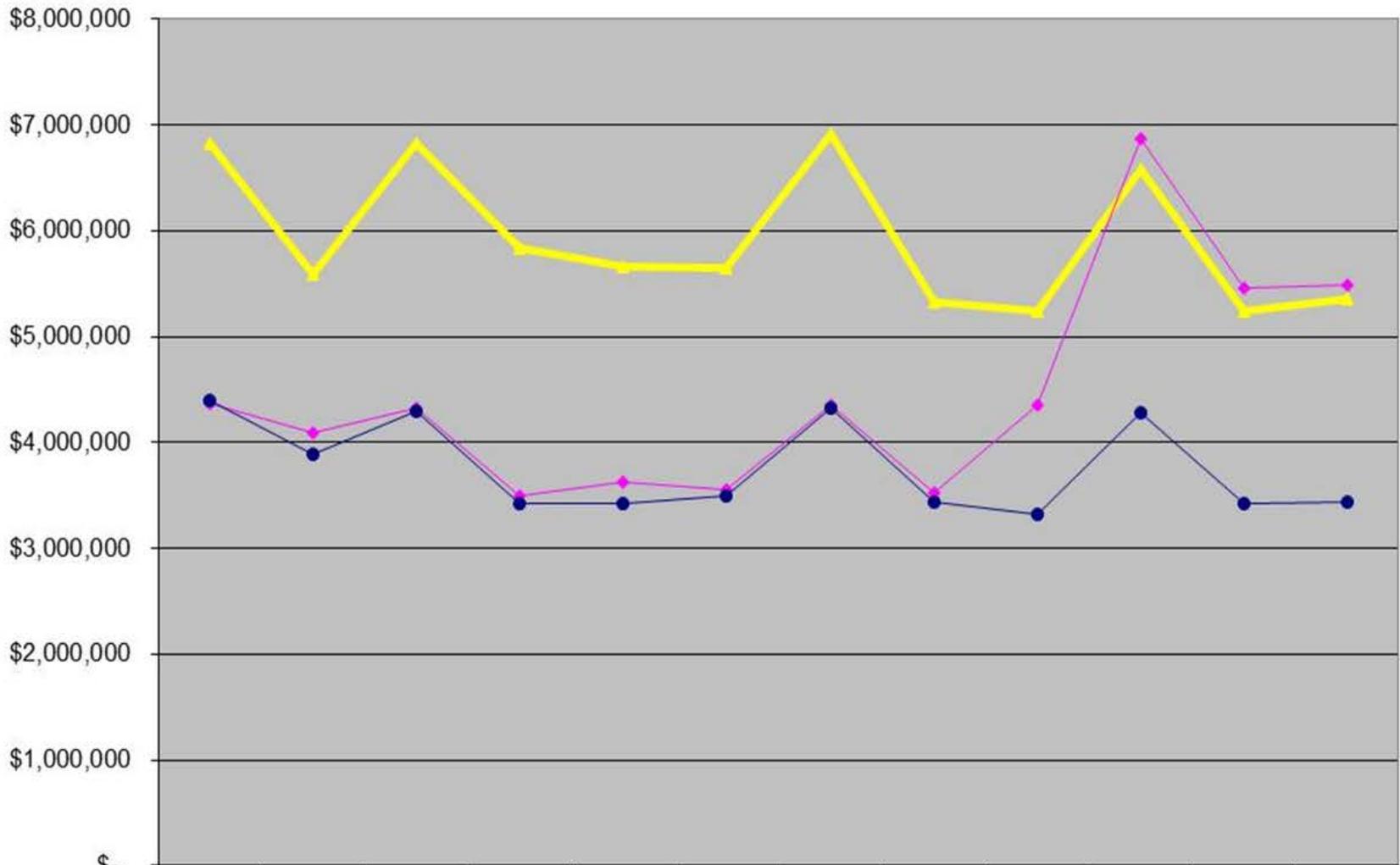


	November	December	January	February	March	April	May	June	July	August	September	October
Nov11-Oct12 Monthly Sales	\$31,502,648	\$26,103,834	\$31,223,074	\$26,412,960	\$25,986,016	\$25,821,532	\$31,954,317	\$25,122,691	\$24,550,515	\$30,735,573	\$24,467,660	\$24,978,979
Nov10-Oct11 Monthly Sales	\$33,189,633	\$26,725,004	\$31,355,851	\$26,812,928	\$27,063,003	\$27,070,774	\$33,498,382	\$26,620,647	\$25,548,523	\$31,896,957	\$25,134,513	\$24,989,841
Nov09-Oct10 Monthly Sales	\$33,272,384	\$26,680,618	\$32,764,621	\$27,275,789	\$27,076,648	\$26,805,374	\$33,217,899	\$26,306,650	\$25,780,080	\$32,843,654	\$26,268,575	\$26,342,732



Month Ending

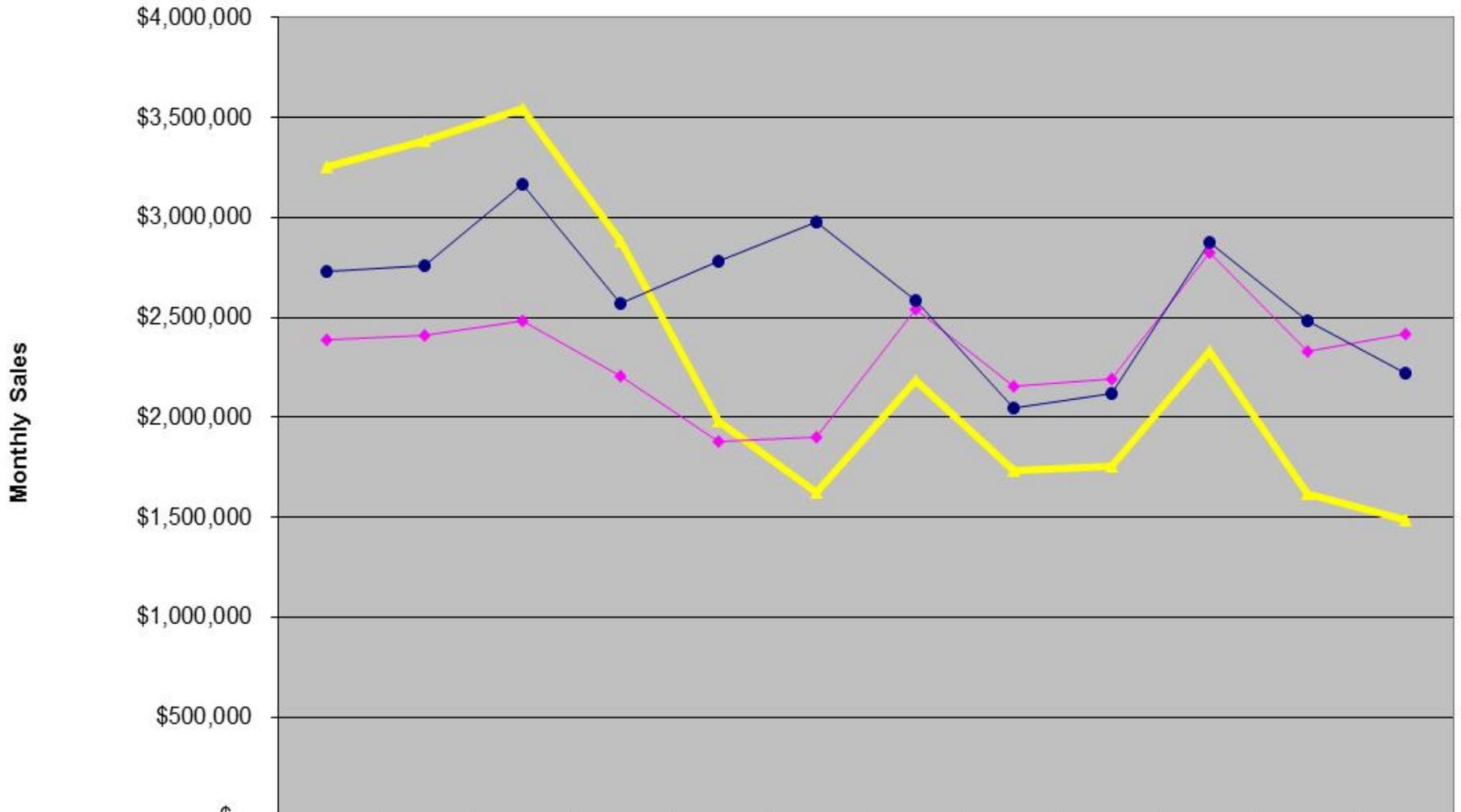
Mass Cash Game Monthly Sales November 09 thru October 12



	November	December	January	February	March	April	May	June	July	August	September	October
Nov11-Oct12 Monthly Sales	\$6,829,977	\$5,588,978	\$6,820,344	\$5,835,398	\$5,665,839	\$5,644,277	\$6,913,184	\$5,330,344	\$5,240,615	\$6,578,888	\$5,246,274	\$5,354,883
Nov10-Oct11 Monthly Sales	\$4,373,524	\$4,089,223	\$4,317,543	\$3,495,779	\$3,618,711	\$3,555,492	\$4,356,496	\$3,519,588	\$4,354,434	\$6,861,992	\$5,461,313	\$5,491,049
Nov09-Oct10 Monthly Sales	\$4,399,497	\$3,890,104	\$4,289,588	\$3,428,168	\$3,417,708	\$3,498,166	\$4,324,139	\$3,430,092	\$3,325,644	\$4,285,392	\$3,420,098	\$3,431,267

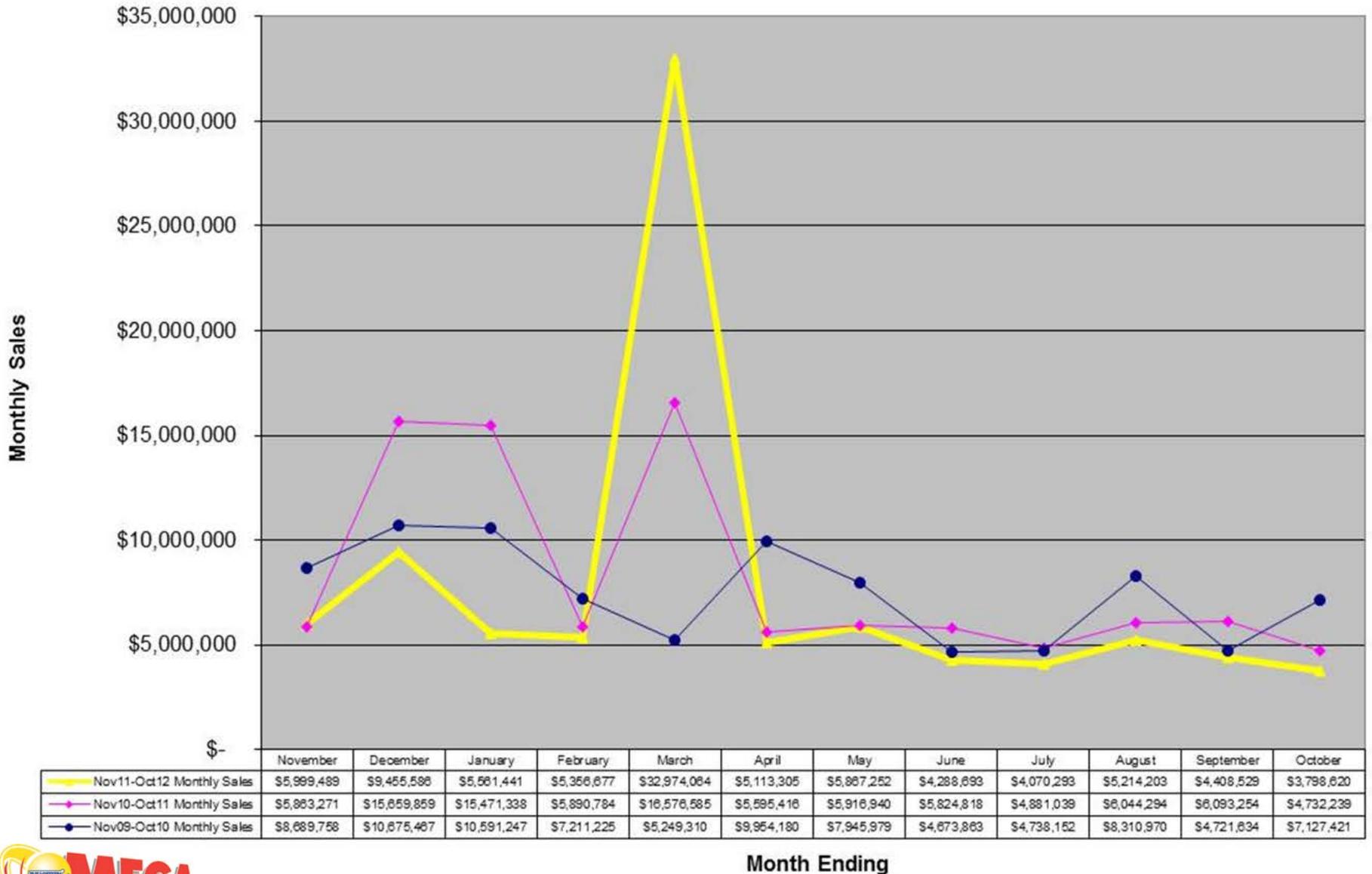


Megabucks Game Monthly Sales November 09 thru October 12

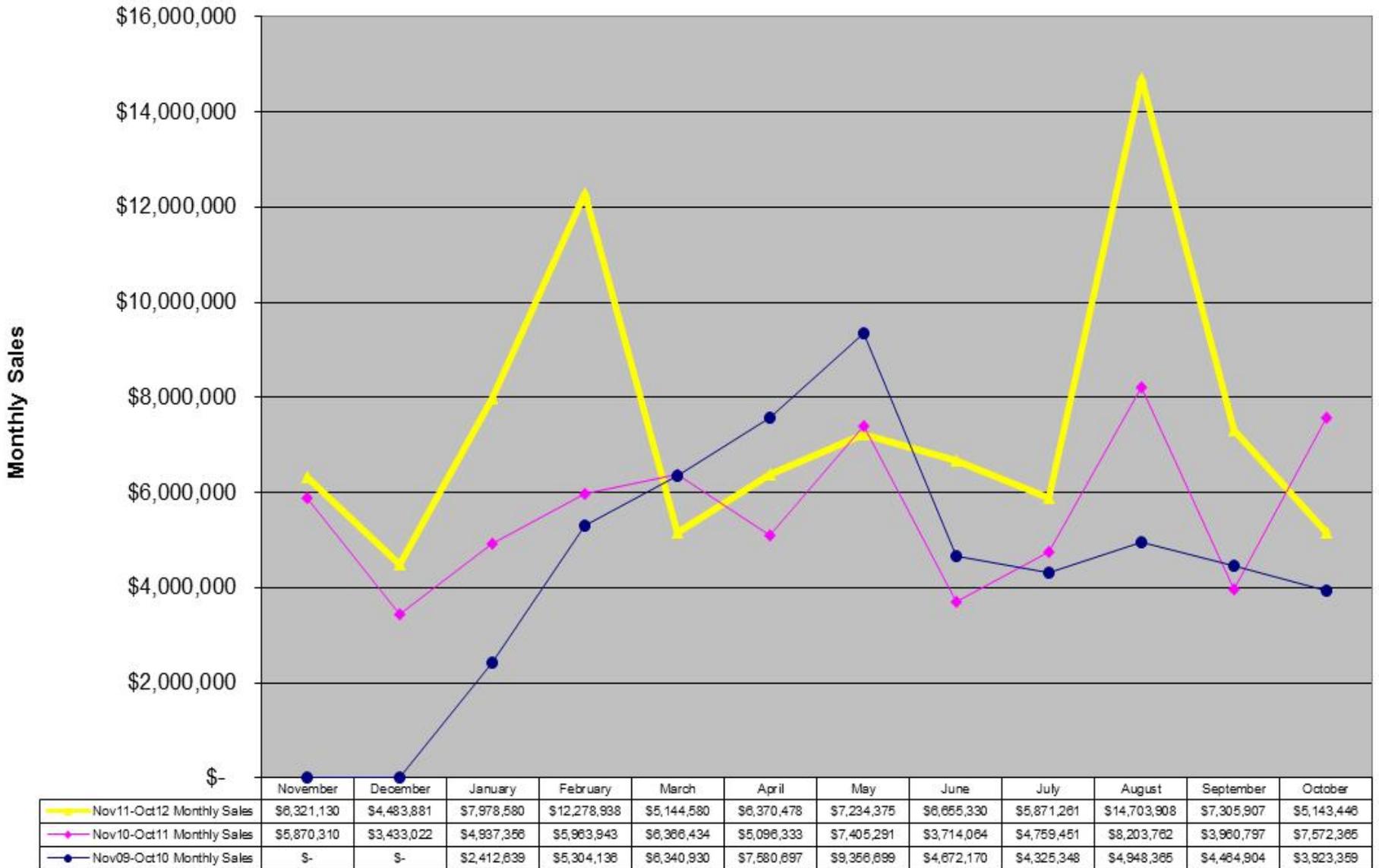


	November	December	January	February	March	April	May	June	July	August	September	October
Nov11-Oct12 Monthly Sales	\$3,249,651	\$3,381,264	\$3,540,270	\$2,879,330	\$1,980,570	\$1,626,691	\$2,186,470	\$1,730,305	\$1,754,484	\$2,330,748	\$1,616,040	\$1,482,273
Nov10-Oct11 Monthly Sales	\$2,389,826	\$2,409,018	\$2,481,937	\$2,205,105	\$1,878,503	\$1,900,644	\$2,538,472	\$2,155,685	\$2,194,423	\$2,823,960	\$2,327,303	\$2,418,913
Nov09-Oct10 Monthly Sales	\$2,730,667	\$2,761,509	\$3,165,619	\$2,570,280	\$2,776,858	\$2,974,056	\$2,584,907	\$2,047,968	\$2,120,276	\$2,871,261	\$2,485,109	\$2,220,819

Mega Millions Game Monthly Sales November 09 thru October 12



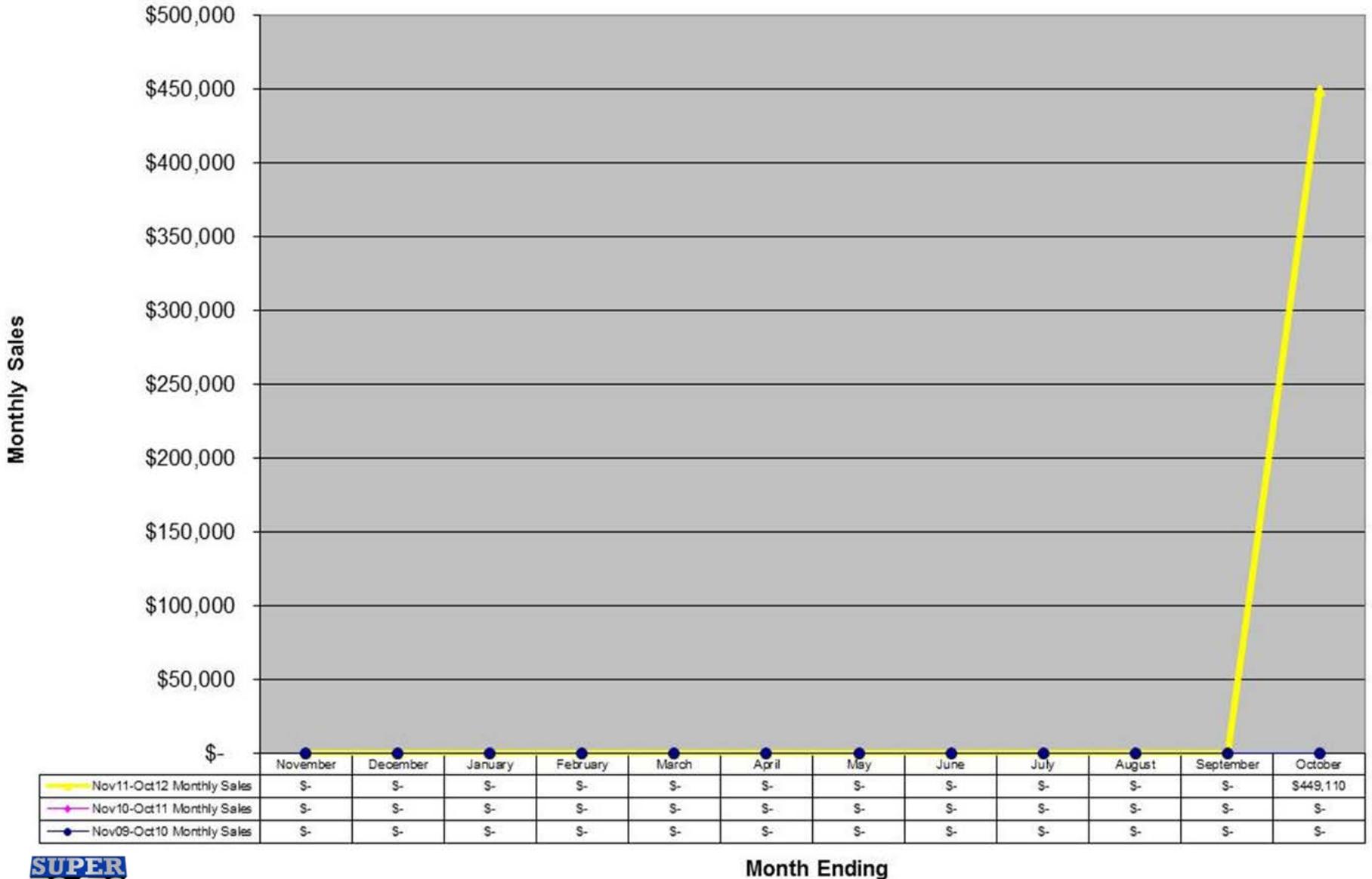
Powerball Game Monthly Sales November 09 thru October 12



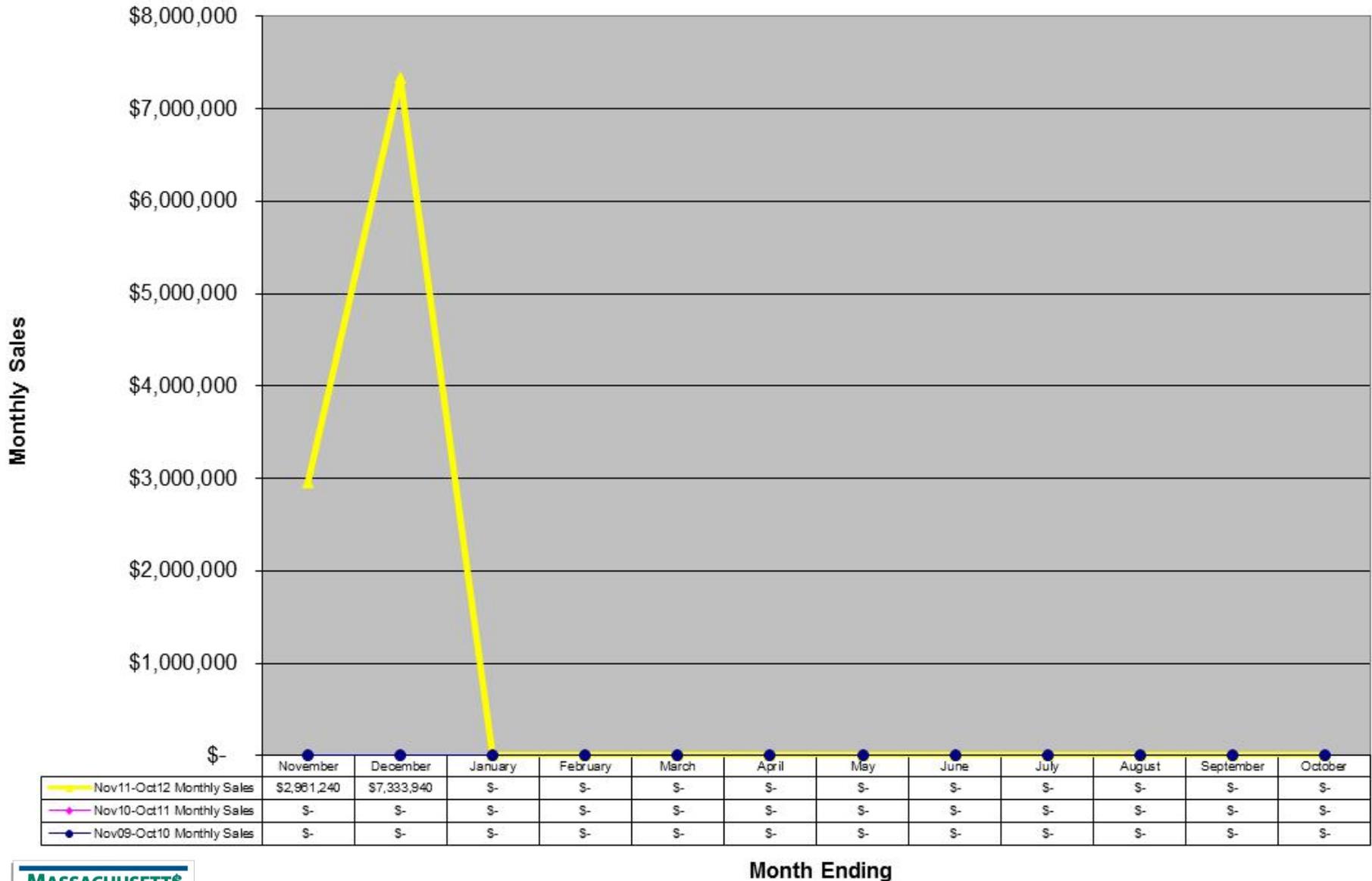
Month Ending



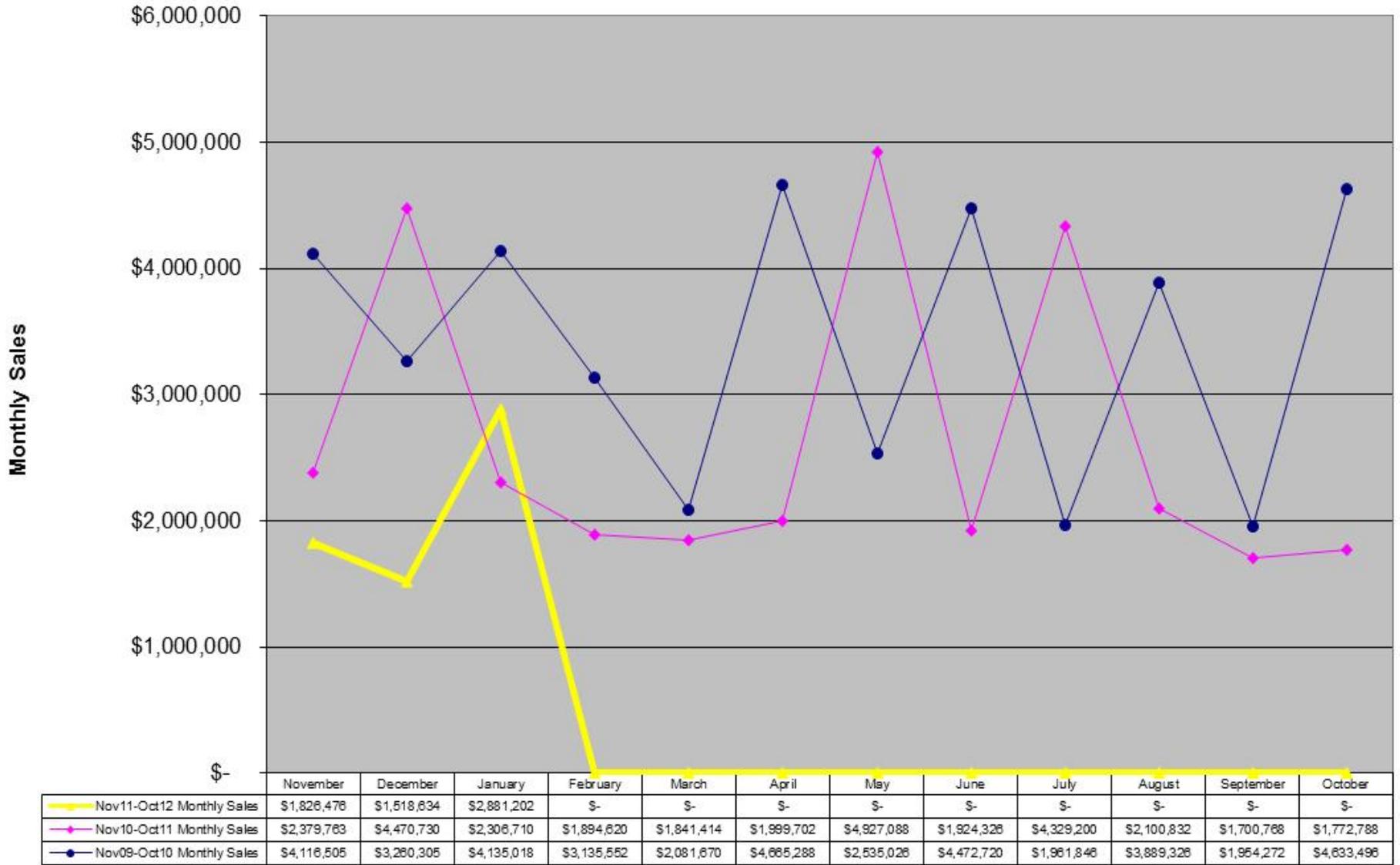
Super 50-50 Raffle Game Monthly Sales November 09 thru October 12



\$10 Million Raffle Game Monthly Sales November 09 thru October 12

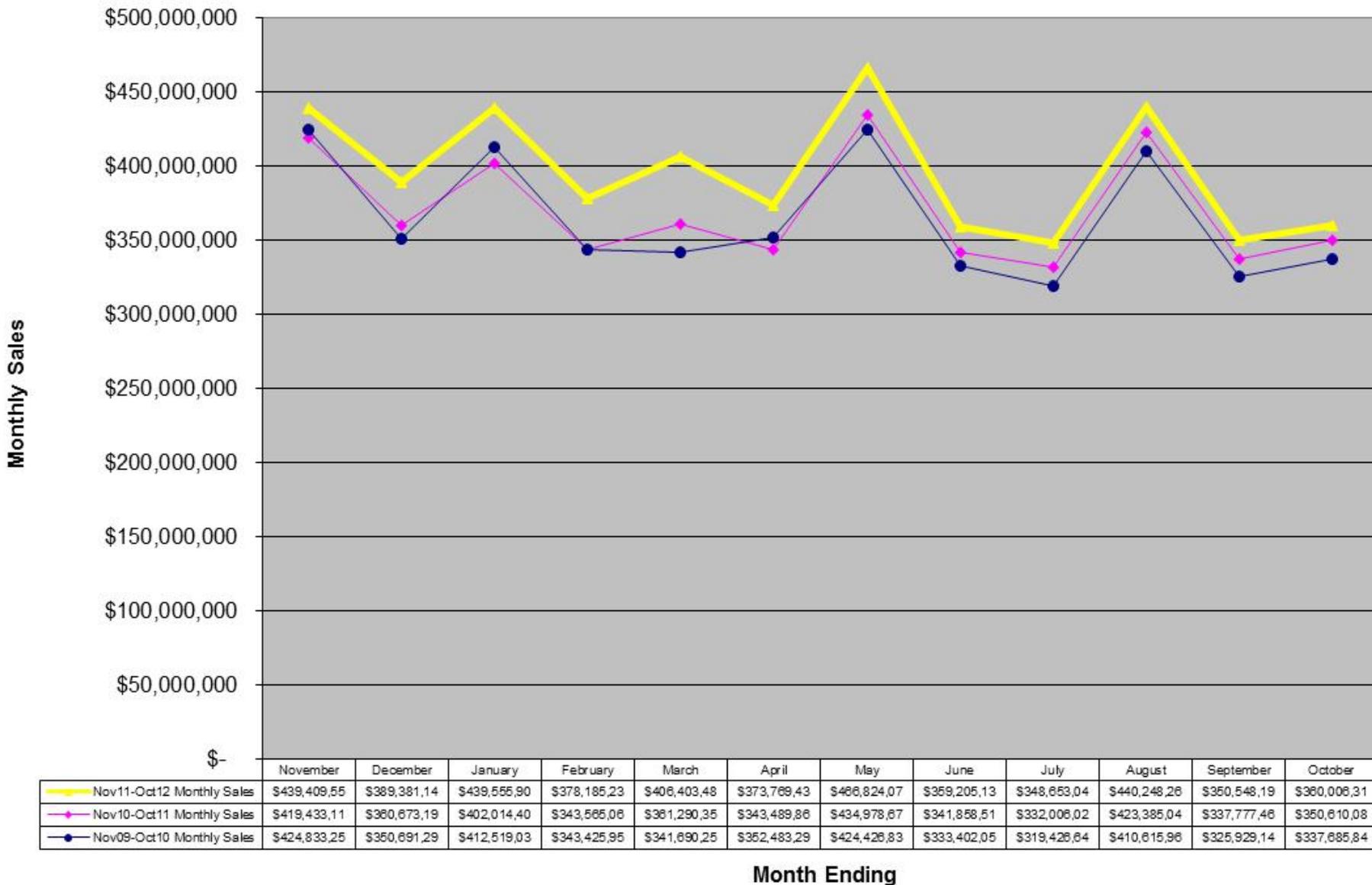


Cash Winfall Game Monthly Sales November 09 thru October 12

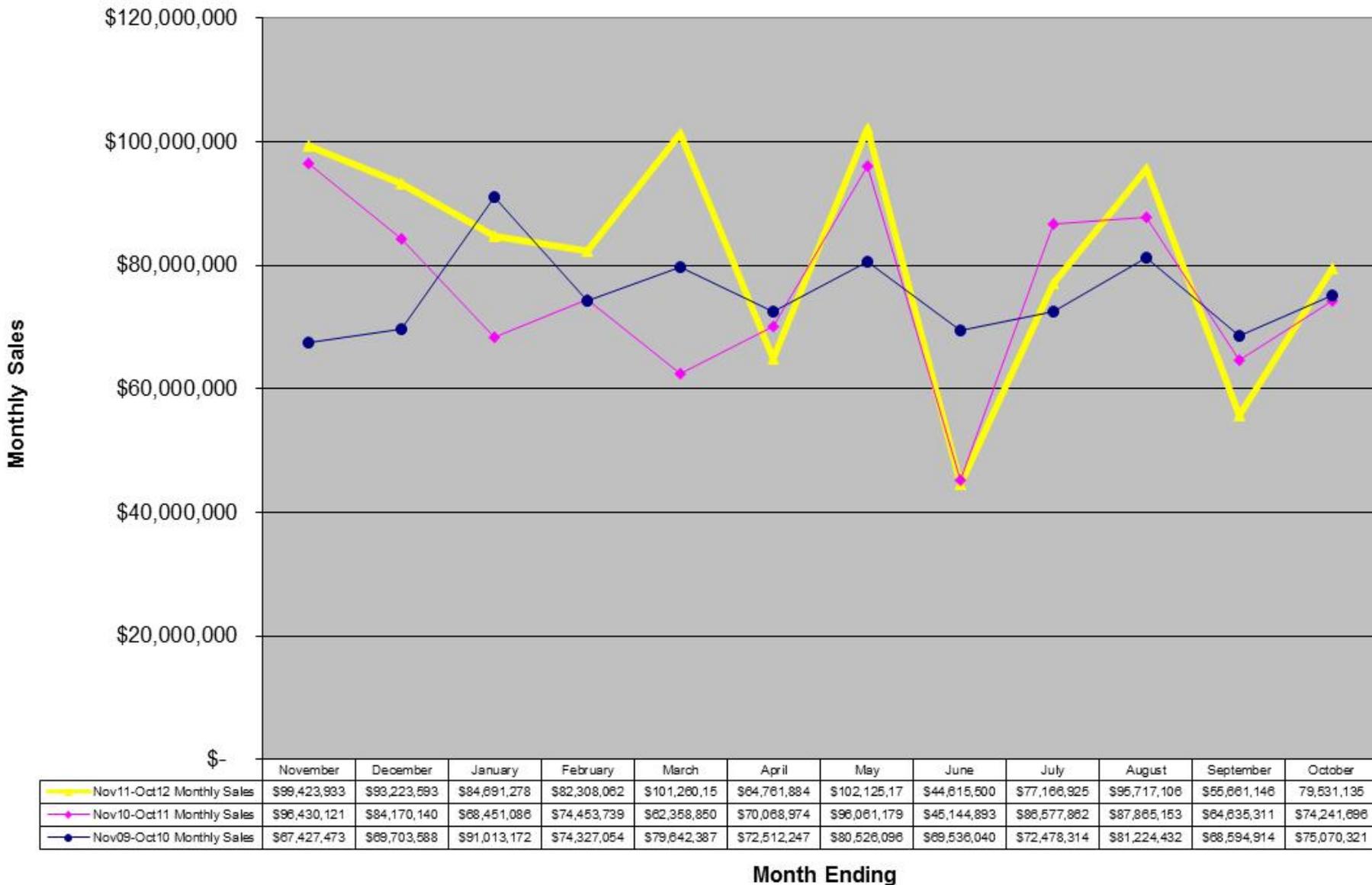


Month Ending

All Game Monthly Sales November 09 thru October 12



Net Profit Monthly Sales November 09 thru October 12



MSLC Revenue Results

October FY13 vs. FY12

(\$ millions)

Through October 27, 2012

	<u>FY13</u>	<u>% of Total</u>	<u>FY12</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Instant Tickets	\$253	70.4%	\$243	69.3%	\$10	4.3%
MegaMillions	4	1.1%	5	1.3%	-1	-19.1%
Powerball	5	1.4%	8	2.2%	-3	-32.9%
Keno	60	16.8%	59	16.9%	1	2.2%
Mass Cash	5	1.5%	5	1.6%	0	-1.6%
Race Game	2	0.5%	2	0.5%	0	11.8%
Lucky For Life	3	0.9%	0	0.0%	3	100.0%
Cash WinFall	0	0.0%	2	0.5%	-2	-100.0%
Numbers Game	25	6.9%	25	7.1%	0	0.0%
Raffle Game	0	0.1%	0	0.0%	0	2145.0%
Megabucks	1	0.4%	2	0.7%	-1	-38.3%
Total	\$360	100.0%	\$351	100.0%	\$9	2.7%

Instant Tickets	\$253	70.4%	\$243	69.3%	\$10	4.3%
Online Games	107	29.6%	108	30.7%	-1	-1.0%
Total	\$360	100.0%	\$351	100.0%	\$9	2.7%

MSLC Revenue Results

Year-to-Date FY13 vs. FY12

(\$ millions)

Through October 27, 2012

	<u>FY13</u>	<u>% of Total</u>	<u>FY12</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Instant Tickets	\$1,038	69.3%	\$995	68.9%	\$44	4.4%
MegaMillions	18	1.2%	22	1.5%	-4	-19.7%
Powerball	33	2.2%	25	1.7%	8	34.7%
Keno	253	16.9%	246	17.1%	7	2.8%
Mass Cash	22	1.5%	22	1.5%	0	0.9%
Race Game	8	0.5%	7	0.5%	1	15.7%
Lucky For Life	15	1.0%	0	0.0%	15	100.0%
Cash WinFall	0	0.0%	10	0.7%	-10	-100.0%
Numbers Game	105	7.0%	108	7.5%	-3	-2.7%
Raffle Game	0	0.0%	0	0.0%	0	0.0%
Megabucks	7	0.5%	10	0.7%	-3	-26.5%
Total	\$1,499	100.0%	\$1,444	100.0%	\$56	3.8%

Instant Tickets	\$1,038	69.3%	\$995	68.9%	\$44	4.4%
Online Games	461	30.7%	449	31.1%	12	2.6%
Total	\$1,499	100.0%	\$1,444	100.0%	\$56	3.8%

Lottery Reform Scorecard

Procurement

- The Lottery met last week with the General Counsel of OSD to discuss Lottery procurement reform initiatives, various OSD requirements, and address questions regarding the Lottery's responsibilities as an OSD Level II department.

Operations

- The Lottery has distributed to the Massachusetts Gaming Commission and the Attorney General's Office a first draft of proposed legislation addressing the Gaming Commission's recommendation to the Legislature for charitable gaming reform. The legislation would transfer regulatory powers of raffles and bazaars to the Lottery, expanding the Lottery's Audit and Control Department's charitable gaming operations. The Commissioner of Public Safety will be kept apprised of any possible legislative change that may affect permit applications subject to her approval.
- The Lottery is finalizing reform of its policy and procedures for conducting monitoring and testing of sales agents' cashing practices.

Supplier Diversity Plan

Operational Services Division

- Accounts for 10% or more of evaluation points of large bids
- M/WBEs may not earn points as prime vendors
- Bidders must make a significant commitment to partner with an M/WBE
- Partnerships through SDO certified M/WBE for subcontracting, ancillary use or growth and development (education, training, mentoring)
- Must submit a completed SDP Plan Form with financial commitment

Office of the State Treasurer

- Accounts for up to 5% of evaluation points of large bids
- M/WBEs may earn points as prime vendors
- Bidders as M/WBEs or who partner with M/WBEs will be found “Advantageous”
- Partnerships through any state certified M/WBE for subcontracting, ancillary use or growth and development (education, training, mentoring)
- Must submit a completed SDP Plan Form with financial commitment

Thank you for the opportunity to share this information. We look forward to your feedback and to further discussion on these figures, as well as other Lottery initiatives.

