



# **Commission Meeting**

**2010-13 Business Plan**

**May 20, 2010**



# Agenda

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- Context: 3 Year Business Strategy LN/RW
- Key Themes for 2010/11 LN
  - Tactical Priorities
  - Risks and Challenges
- 2010/11 Business Plan Components MB
  - Product Plan
  - Marketing Plan
- Accountability LN
- Next Steps LN

# Context: 3 Year Business Strategy





# Context: 3 Year Business Strategy

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We believe the key strategies that will help us achieve sustainable growth over the long term are:

- Focus on turning around Draw Based Game Sales
- Ensure we are getting the most out of Scratchers
- Get the most out of our retailer network
- Get the most for our Marketing Dollar
- Allocate our Resources to Maximize Profit
- Foster a Performance Management culture
- Focus on Building Productive Stakeholder Relationships





# Context: 3 Year Business Strategy

## Revenues:

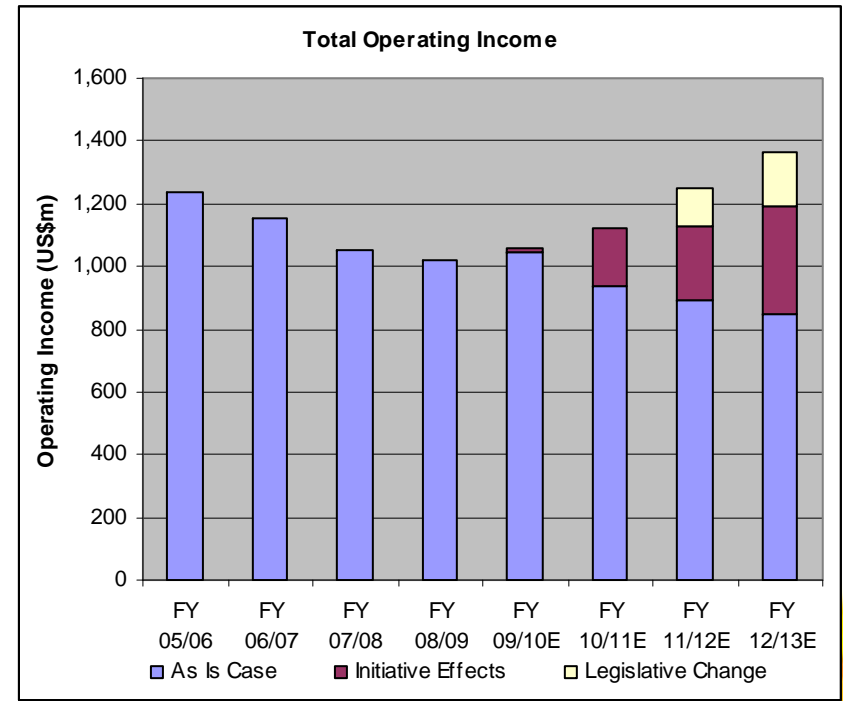
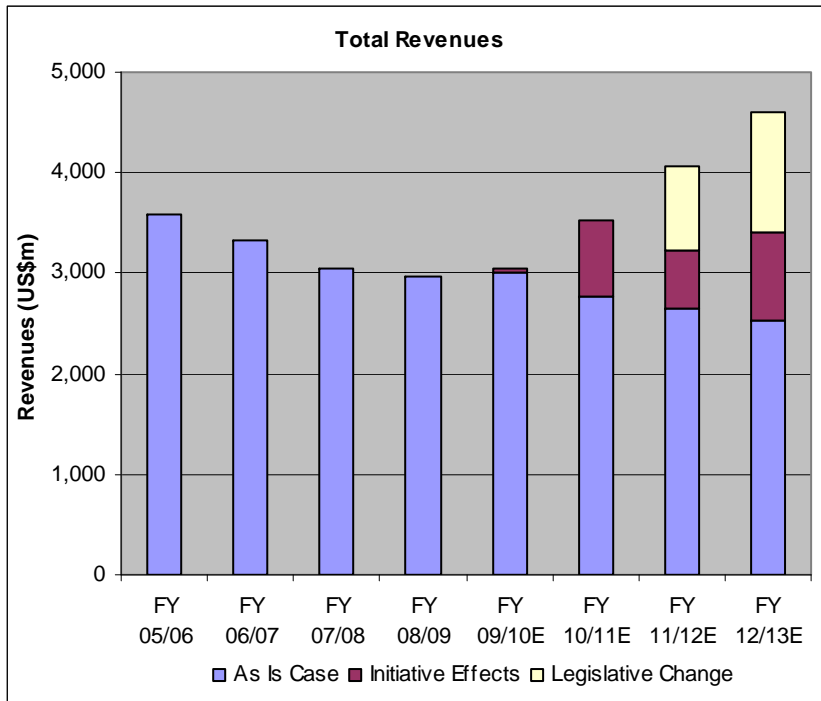
FY12/13 Do-Nothing: \$2.5bn

FY 12/13 with initiatives & PP reform: **\$4.6bn**

## Net Profit:

FY12/13 Do-Nothing: \$0.85bn

FY 12/13 with initiatives & PP reform: **\$1.36bn**



# Key Themes for 2010/11





# Tactical Priorities for 2010/11

## 3 Year Strategic Imperative

Focus on turning around Draw Based Game Sales

Ensure we are getting the most out of Scratchers

## Tactical Priorities for 2010/11

- ✓ Develop options and implement SLP change
- ✓ Assess and decide on Powerball cross-sell
- ✓ Identify and make changes to Hot Spot to stimulate growth
  
- ✓ New Product Plan with adoption of:
  - ✓ Higher Prize Payouts
  - ✓ More efficient prize structures
  - ✓ Clearer focus on holiday/seasonality
- ✓ Continue to evolve trading meeting
- ✓ End-to-end review of distribution channel





# Tactical Priorities and Major Projects – 10/11

## 3 Year Strategic Imperative

Get the most out of our retailer  
network

Get the most for our Marketing  
Dollar

## Tactical Priorities for 2010/11

- ✓ Conduct Retail Pilot (in SF District)
- ✓ Roll out pilot to other districts
- ✓ Key Account Service, Comms and New Recruitment
- ✓ Review retailer incentives and compensation structures
  
- ✓ General Market Agency Selection
- ✓ Develop Econometric ROI model
- ✓ Continue support for (healthy) Draw Based Games in Market, year round
- ✓ Alignment to Scratcher product plan:
  - ✓ Adoption of HPP
  - ✓ 25<sup>th</sup> Year Anniversary





# Tactical Priorities and Major Projects – 10/11

## 3 Year Strategic Imperative

Allocate our Resources to  
Maximize Profit

Foster a Performance  
Management culture

Focus on Building Productive  
Stakeholder Relationships

## Tactical Priorities for 2010/11

- ✓ Back to basics initiatives – focus on core consumers
- ✓ Review investments and initiatives that do not generate compelling ROI
- ✓ Establish RENEW Scorecard and Governance Structure
- ✓ Regular Comms events
- ✓ Execute Stakeholder Management Plan
- ✓ Produce CSR Report



# Key Risks and Challenges

The following areas represent our greatest challenges in delivering the business plan next year

- **Making the correct decision on SLP**
  - There is clearly mandate for some kind of change to SLP – so we shouldn't do nothing – but stakes are high.
  - To mitigate this risk, we have taken a conservative view of SLP sales decline in the draft budget numbers
- **Making the correct decision on Powerball**
  - Initial launch effects in other states are (and should) be positive but may subside over 6-12 months to be ultimately negative (as we saw with MM/SLP in 2005).
- **Constrained Marketing Budget**
  - Various economic factors mean the additional sales revenue has limited flow down to admin and marketing.
- **Successful Implementation of Scratcher Strategy**
  - Scratcher sales for next year are forecast to increase by nearly 30%. Execution in the field is critical to achieving this.





# 10/11 – Latest Sales Projections

Sales targets for next fiscal year are currently being finalized, based on latest trends, impact of initiatives and adoption of AB 142:

Sales By Product	Revised Budget FY 2009-10
SuperLotto Plus	\$470,000
Fantasy 5	\$144,000
Daily 3	\$127,000
Hotspot	\$117,000
Daily Derby	\$12,000
Daily 4	\$28,000
MEGA Millions	\$490,000
Instant Tickets	\$1,718,000
<b>Total, Estimated Sales</b>	<b>\$3,106,000</b>
Investment Proceeds	\$45,000
<b>Total, Estimated Sales + Proceeds</b>	<b>\$3,151,000</b>



# 2010/11 Business Plan components

# Product Plan



# Product Plan - Overview

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## General synopsis:

- **MegaMillions** continues to display strength with robust roll-over response and increasing sales trends.
- **SLP** continues to display consistent downward sales trends of 10-15%.
- **Daily games** performance remains stable (+5% to -3% decline)
- **Hot Spot** has responded well to recent promotions and appears prime for potential further development in the short term.
- **Scratcher** performance in the last 5 months of the fiscal year has been particularly strong. AB 142 creates a further platform for significant growth in 2010/11.



# Product Plan - Priorities

- As per the business plan, the FY 10/11 Key Areas of Product Development are:

- **SuperLotto Plus** → Address decline through a potential change/relaunch of game that addresses core issues
- **MegaMillions**
- **Fantasy 5**
- **Daily 3**
- **Daily 4**
- **Hot Spot** → Maximise short term performance through simple game development and adoption of AB142
- **Daily Derby**
- **Scratchers** → Implementation of revised Renew scratcher strategy and adoption of AB142



# Product Plan – SuperLotto Plus

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## Summary Status

- Objective to arrest decline in current game and hold revenues at \$400-\$450m/year
- Research currently ongoing.
- Current decision point planned for around end July – although likely to slip back
- Launch date for game change/new game planned for February 2011
- Consideration of Powerball cross-sell underway in parallel:
  - Analysis of performance in other states. Interim assessment is inconclusive and supports “wait and see” approach.
  - Quantitative research to be undertaken in California.







# Product Plan – Hot Spot

## Focus on Four Key Components

- Research Player/Retailer Attitudes and Gaming trends
- Define or re-define product offerings that meet player and retailer needs:
  - Use of Payout (AB142)
  - New Games
  - Promotions
- Determine the most practical and impactful methods to promote monitor games
- Re-evaluate current and investigate potential new distribution points

*A first wave of recommendations for immediate game changes for FY 10/11 will be completed by mid June.*





# Product Plan – Scratchers

There are a number of key principles that underpin next years game planning and execution:

## Efficient Use of Prize Payout

- Gradual adoption of AB142: 4% increase of prize payout at current price points
- Revamp prize structures to make better use of payouts
- Removal/replacement of irregular prize levels
- Create prize structure templates with increased frequency of wins
- Product differentiation

## Improve Scratcher distribution to meet player demand

- Retailer Classifications - level of service and inventory management aligned with sales
- Reduce number of games – create space for better performing games
- Revise vending/in-counter display guides - ensure the right games are featured

**Targeting \$482m Sales Increase over 09/10**





# Product Plan – Scratchers

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## Game Plan Highlights:

- 45-48 Games total
  - Increase ticket quantities to support HP demand
  - Launch games every 3 wks. (July –Sept)
  - 80% HP games by Sept.
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## Games by price point

- 15-16 \$1 games
  - 13-15 \$2 games
  - 11-13 \$3 games
  - 6-8 \$5 games
- (First \$10 game to launch in FY11/12)

## Payouts by price point:

- \$1 – 56-58%
- \$2 – 60-62%
- \$3 – 62-63%
- \$5 – 66-67%
- Overall Payout 61-62% (09/10 payout 57.5%)



# Marketing Plan



# Draw Games

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Celebrating 25 Years





# Draw Games

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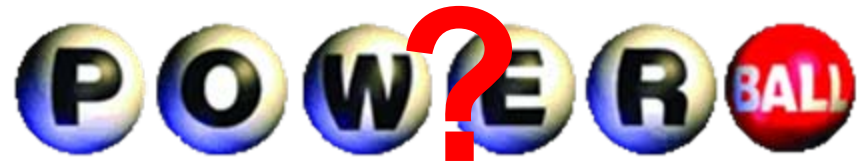


Celebrating 25 Years



## Other Draw Games

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Other ? game

# Scratchers

Enter 2nd Chance Draw ONLY at calottery.com/REPLAY

Match 3 like prizes, win that prize. Uncover a "10" in the "Quick \$10 Spot," win \$10 instantly!

**Win Pigs Fly**

**QUICK \$10 SPOT**

Win up to \$500!

Enter 2nd Chance Draw ONLY at calottery.com/REPLAY

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**MILLIONS IN CASH** plus 1 BONUS

**25 \$1,000,000 Prizes in Cash!**

**\$1,000,000 PRIZE!**

WINNING NUMBERS

YOUR NUMBERS

Chance To Win 10 Times or 20 Times Your Prize!

100001-000

Match any of "YOUR NUMBERS" to any of the four "WINNING NUMBERS," win that prize. Uncover a "10X" symbol to automatically win 10 times that prize. Uncover a "20X" symbol to automatically win 20 times that prize. Non-winning tickets are eligible for BONUS PRIZE. See back for more information.

Enter 2nd Chance Draw ONLY at calottery.com/REPLAY

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**5X CROSSWORD**

UNCOVER THE "BONUS" SPOT ABOVE AND MULTIPLY YOUR TOTAL WINNINGS BY THAT NUMBER.

**PRIZE KEY**

2 WORDS	TICKET
3 WORDS	\$4
4 WORDS	\$5
5 WORDS	\$10
6 WORDS	\$20
7 WORDS	\$50
8 WORDS	\$100
9 WORDS	\$1,000
10 WORDS	\$20,000

See Back For How to Play Instructions.

**WIN UP TO \$20,000**

**CHANCE TO WIN 3X, 4X or 5X YOUR PRIZE!**

100001-000

calottery™

Enter 2nd Chance Draw ONLY at calottery.com/REPLAY

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**7-11-21**

**WIN UP TO \$7,777!**

Add all 3 numbers for each game. If total is 7, 11 or 21 in a single game, win prize shown for that game.

GAME 1	GAME 2	GAME 3
★ ★ ★	★ ★ ★	★ ★ ★
PRIZE	PRIZE	PRIZE
GAME 4	GAME 5	GAME 6
★ ★ ★	★ ★ ★	★ ★ ★
PRIZE	PRIZE	PRIZE

OVER \$2.7 MILLION IN PRIZES FROM \$70 - \$700

100001-000

calottery™





Must be 18 or Older to Play

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WINNING NUMBERS / CASH VALUE



APRIL 30 JACKPOT

\$ 224 MILLION

\*Estimated

calottery GAMES











Play for Millions

4 days a week!

(USE THE OTHER 3 DAYS TO PRACTICE YOUR VICTORY JUMP.)



TUE WED THU FRI SAT

1 2 3 4

ust won \$5 in Eldorado Hills • Danny Rentschler just won \$2,000 in Sacramento • Bill Sykes just won \$500 in Carmichael • Matt Ralle





# Marketing Plan Timeline 2010-11

## Assuming Baseline Funding

Quarter 1	Quarter 2	Quarter 3	Quarter 4
<ul style="list-style-type: none"> <li>• Mega Millions Brand Advertising &amp; Jackpot Alerts (LA/SF)</li> <li>• 25<sup>th</sup> Anniversary</li> <li>• NFL Sponsorships</li> <li>• Mega Millions Mall Tours</li> <li>• Fairs &amp; Festivals</li> <li>• AEG/LA LIVE</li> </ul>	<ul style="list-style-type: none"> <li>• Mega Millions Brand Advertising &amp; Jackpot Alerts (LA/SF)</li> <li>• NFL Sponsorships</li> <li>• Holiday Tour</li> <li>• AEG/LA LIVE</li> </ul>	<ul style="list-style-type: none"> <li>• SuperLotto Plus or Powerball Advertising (state-wide)</li> <li>• New Game events</li> </ul>	<ul style="list-style-type: none"> <li>• Mega Millions &amp; Jackpot Alerts (LS/SF)</li> </ul>





# Marketing Plan Timeline 2010-11

## Assuming Availability of Funds

Quarter 1	Quarter 2	Quarter 3	Quarter 4
<ul style="list-style-type: none"> <li>• Mega Millions Brand Advertising &amp; Jackpot Alerts (LA/SF)</li> <li>• 25<sup>th</sup> Anniversary</li> <li>• NFL Sponsorships</li> <li>• Mega Millions Mall Tours</li> <li>• Fairs &amp; Festivals</li> <li>• AEG/LA LIVE Sponsorships</li> </ul>	<ul style="list-style-type: none"> <li>• Mega Millions Brand Advertising &amp; Jackpot Alerts (LA/SF)</li> <li>• NFL Sponsorships</li> <li>• Holiday Tour</li> <li>• AEG/LA LIVE Sponsorships</li> </ul>	<ul style="list-style-type: none"> <li>• SuperLotto Plus or Powerball Advertising (state-wide)</li> <li>• New Game events</li> <li>• AEG/LA LIVE Sponsorships</li> </ul>	<ul style="list-style-type: none"> <li>• Mega Millions &amp; Jackpot Alerts (LS/SF)</li> <li>• Scratchers Advertising (LA/SF only)</li> <li>• Scratchers events</li> <li>• SuperLotto Plus or Powerball Advertising (state-wide)</li> <li>• MLB Sponsorships</li> <li>• AEG/LA LIVE Sponsorships</li> </ul>

# Accountability

# Accountability

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- Performance Measures as set out in the Scorecard
- Roadmap – Enforces adherence to schedule
- Regular Reporting:
  - Steering Committees
  - Commission Meetings
- All information publicly available (commission meetings and published on the Internet)

# Next Steps



## Next Steps

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### What

### When

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- |  |             |
|--|-------------|
| • RENEW Scorecard Published                        | • 6/15/2010 |
| • Finalization of budgets and business plan detail | • 6/24/2010 |
| • First Renew Program Steering Committee           | • June      |

