

MEMORANDUM

Date: May 26, 2011

To: California State Lottery Commission

From: Linh Nguyen

Acting Director

Prepared By: Jim Hasegawa, Deputy Director – Business Planning & Research

Subject: Item 9(b) – Fiscal Year 2011-12 Business Plan

ISSUE

Should the California State Lottery Commission (Commission) approve the 2011-2012 Business Plan (Plan).

RECOMMENDATION

Staff recommends that the Commission approve the FY 2011-2012 Business Plan.

BACKGROUND

The Commission approved the California State Lottery (Lottery) 2010 - 2013 Business Plan at the meeting held on May 20, 2010. At subsequent Commission meetings, staff provided updates on the RENEW Projects outlined in this plan and the performance of Lottery sales. This 3-Year plan provided the framework to developing the FY 2011-2012 Business Plan. The seven strategic imperatives identified in the 3-Year Plan continue to guide the initiatives for the upcoming year. These strategic imperatives are:

- 1. Focus on turning around draw game sales
- 2. Ensure we are getting the most out of Scratchers®
- 3. Get the most out of our retailer network
- 4. Get the most for our marketing dollar

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- 5. Allocate our resources to maximize profit
- 6. Foster a performance management culture
- 7. Focus on building productive stakeholder relationships

DISCUSSION

While this year's business planning process used the 2010 – 2013 Business Plan as a foundation, the initiatives for the upcoming year were, again, developed through a team effort of key Lottery staff consulting with key business partners.

The initiatives for FY 2011-2012 driven by these strategic imperatives are detailed in the Plan and are organized around the four "P's" of Marketing – Product, Price, Place and Promotion. In addition, there are a category of strategic projects that build a stronger business infrastructure that bolster the Lottery's ability to better support all business initiatives.

Product Enhancements

Launch a \$10 Scratchers Product Category
Continue Refinements to the Scratchers Product Plan
Add New Game Features and Promotions to Hot Spot®
Develop and Implement a SuperLOTTO Plus® Promotion
Evaluate a Potential National Lottery Game

Improvements for the Places Lottery Tickets are Sold

Retailer Visitation Plan
Review of Scratchers Ticket Supply Chain
Network Optimization
Improvements in Retailer Communications
Applying the Principles of *Ex\$ell* to Key Account Locations
Streamlining a Retailer's Workload in Handling Lottery
Recruitment Plan for Future Hot Spot Locations

Promotions and Advertising

Continue MEGA Millions Branding Player Engagement with the Lottery's Website and Digital Communications Increase in Scratchers Playership

Optimizing the Business Infrastructure

Enhancements to Internal Communications, Coordination and Collaboration Documenting and Reviewing Lottery Processes Succession Planning Business Intelligence Gaming System Upgrade

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This Business Plan will allow the Lottery to attain many important financial milestones during FY 2011 – 2012. These include:

- Breaking sales records with the highest total in its 26 year history
- Reaching the \$1.2 billion mark in profits to public schools
- Increasing profits for the third year in row
- Providing more than \$1 billion to education for the 12th consecutive year

Approval of the Business Plan will allow the Lottery to begin the process of committing resources and developing a budget aligned with this plan, which will be presented at the next Commission Meeting on June 23, 2011.