

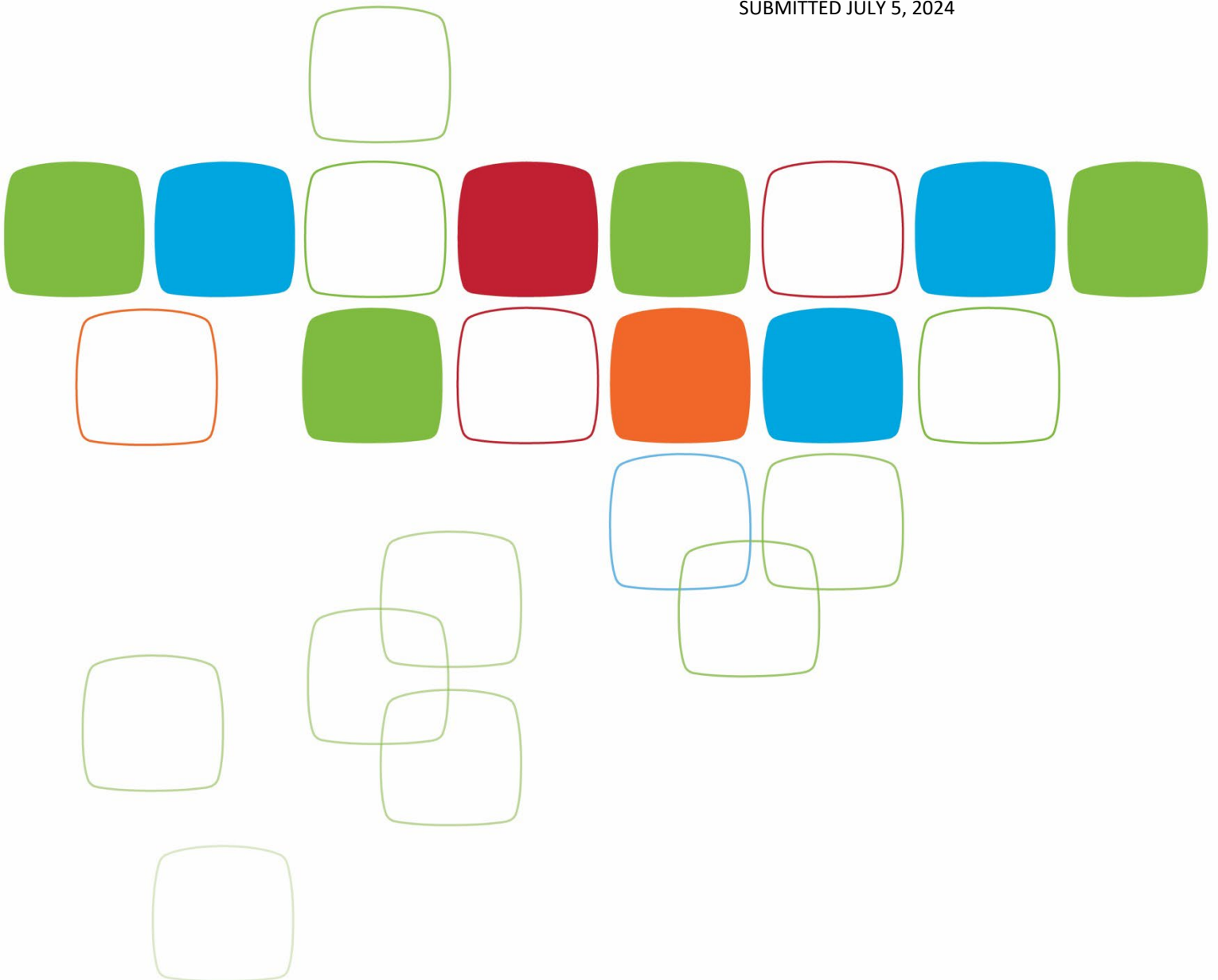


IDAHO LOTTERY STRATEGIC PLAN

FY2025 - FY2028

JEFFREY R. ANDERSON, DIRECTOR

SUBMITTED JULY 5, 2024



Mission

The mission of the Idaho Lottery is to responsibly provide entertaining games with a high degree of integrity to maximize the dividend for Idaho Public Schools and the Permanent Building Fund.

Vision

The vision for the Idaho Lottery is to become the highest performing jurisdiction in North America.

Values

- We operate the Idaho Lottery in accordance with the spirit and letter of the law that established its purpose
- We always conduct business in an ethical and honest manner
- We continuously strive to exceed the expectations of our customers, each other, and our community
- We are personally responsible for our individual performance
- We commit to operational excellence in all disciplines
- We cooperate with each other to create an environment that is conducive to great work
- We treat each other with mutual respect and cooperation
- We have fun

Lottery Strategic Goals

Idaho Code §67-7401 mandates the Idaho Lottery Director to operate the Lottery at the least public expense and the smallest staffing possible. Additionally, *Idaho Code* §67-7403 directs that the Lottery be operated to produce the maximum amount of net income to benefit the public purposes described in the chapter, consonant with the public good. As it relates to Peer Benchmark Performance Measures, the Director and Lottery Management Team goals are to be in the top quintile among their peer states in the areas of **Sales per Capita**, **Dividends as a Percentage of Sales**, and **Dividend Increase Percentage** and among the lowest quintile for **Administrative Costs as a Percentage of Sales**.

Team Lottery Core Functions

The first Idaho Lottery ticket was sold in 1989. *Idaho Code* 67-7403 mandates, “*The lottery shall be operated to produce the maximum amount of net income to benefit the public purposes described in this chapter...*”. Since that first ticket was sold, the Lottery has worked diligently to maximize the dividend for the good causes we support, Idaho Public Schools and the Permanent Building Fund. Each year Team Lottery (staff, partners, and key vendors) works to identify and successfully implement substantive initiatives to fulfill the mission and vision.

The Idaho Lottery is a self-funded and self-governing agency of the State of Idaho. In-house operations include Security, Marketing, Sales, Media Relations, Warehousing and Inventory control, Information Technology, and Fiscal Management. The Idaho Lottery operates with 50 full-time employees and works hard every day to provide funding for Lottery beneficiaries and to **DO GOOD** for education in communities everywhere in the State of Idaho.

Key Organizational Objectives

GROW COMMUNITY			
FY 2025 GOALS	OBJECTIVES	PERFORMANCE MEASURES	PERFORMANCE TARGETS / BENCHMARKS
Staff Community Ambassador Recruitment	Recruit and hire three Community Ambassadors to promote and deliver DO GOOD initiatives.	After complete turnover in these positions, we have successfully replaced them with new Ambassadors.	The target is to hire and keep all three Community Ambassadors as a long term part of Team Lottery. We are fully staffed at three at the time of this report.
Enhance VIP Engagement	Enhance communication and stickiness with potential and current VIP Club members using personalization, promotions and value.	Audit VIP Club and web statistics to determine time spent in the areas where enhancements are offered.	Increase player time spent in the VIP Club by 5%.
DO GOOD Portfolio Optimization	Evaluate current programs and identify opportunity gaps.	Conduct a survey with participants.	Identify 3 items that need improved or revised.
	Consider benefits of additional initiatives to benefit Music and Arts in classrooms.	As STEM programs evolve to consider music and art, we encourage the same in our classroom programs. Programs such as New Teacher recognition and Music Program assistance are in planning stages - analyzing to gauge feasibility.	Still in formative stages, if implemented ensure 100% communication regarding changes to schools.
Develop Storytelling Skills for Team Lottery	Teach and practice clarifying our message, connecting with customers and our beneficiaries to grow our business and community support.	Strategy Team members will practice storytelling. They will, in turn, work to educate all of TEAM LOTTERY to tell our story.	Every Idaho Lottery employee should be able to tell their Lottery story in 60 to 120 seconds.

GROW PEOPLE			
FY 2025 GOALS	OBJECTIVES	PERFORMANCE MEASURES	PERFORMANCE TARGETS / BENCHMARKS
Document Processes for Succession	The Lottery has pivotal, long term employees who are reaching the Rule of 90 or retirement age over the next few years. Succession planning and documentation is imperative for a smooth transition.	Each Idaho Lottery employee will have a submitted succession document a requirement of their Performance Appraisal.	The first completed documentation project has been hugely successful. We will continue with the goal of documenting all positions.
Identify Next Generation of Leaders	As we work with our internal Strategy Teams, we will watch for those who will be the next leaders for the Lottery, coming up through the ranks.	Create succession and budget plans to ensure the best, most comprehensive coverage in pivotal positions.	Continue to ensure all pivotal positions are filled internally with interested, capable employees, as appropriate and qualified.
New to Team Preparedness and Onboarding	Because we have little turnover, we do not have a polished onboarding process. Our goal is to improve and perfect this process.	Confirm with new hires that the process is smooth and without issue or communication gap.	Continued 100% new hire satisfaction related to onboarding.

GROW THE DIVIDEND

FY 2025 GOALS	AREA	OBJECTIVES	PERFORMANCE MEASURES	PERFORMANCE TARGETS / BENCHMARKS
GAME PORTFOLIO OPTIMIZATION	Scratch Games	BALANCE PORTFOLIO Create a system and maintain a balance in terms of theme, play style, and price for optimum performance and entertainment. Utilize research to gain insights.	Use indexing to determine success.	> 30% of games index 100+
		INNOVATION/NEW GAMES Launch innovative, new Scratch play styles, games, and/or promotions to increase Scratch sales through recommendations from the Scratch Game Innovation Team and research that identifies opportunity gaps.	New game sales index compared to other games	> 100+ index
		MANAGE PRIZE PAYOUTS Perform analysis of existing games to ensure prize payouts are appealing to players while also supporting Lottery goals.	Compare prize payouts year over year to determine whether changes in payout impact current year bottom line sales.	> Number of Tickets Sold
	InstaPlay Games	OPTIMIZE PRODUCT MIX Simplify game offerings and focus on the most popular rolling jackpot games. Optimize InstaPlay game portfolio by launching games with these play styles. Launch new national jackpot game.	Creating more games that players want will help increase sales each year.	> 3% Sales Increase YOY
		GROW AWARENESS Increase visibility of a simplified InstaPlay portfolio of games by changing the vending machine interface to show all offerings including clear labeling for easier awareness generation.	For awareness to be measured, we will measure the number of players playing InstaPlay.	> 5% increase in # of Players
	Draw Games	OPTIMIZE PRODUCT MIX Analyze and determine draw game purchasing drivers (prize levels, play styles, etc.) that are worthy of creating buzz, interest and sales so that they become the primary considerations for new draw game portfolio selection.	Create a score card that measures the success of games in the portfolio. Keep games that overperform.	Draw game score card including: - Sales - # of ticket sold - brand awareness - cannibalization vs. uniqueness
		PROMOTIONS Develop and launch secondary draw game promotions that create awareness and drive sales growth.	Grow awareness and secondary draw game sales and sustain lift.	> 3% increase in awareness > 5% increase in sales and > 1% lift sustained
FY 2025 GOALS	AREA	OBJECTIVES	PERFORMANCE MEASURES	PERFORMANCE TARGETS / BENCHMARKS
ENGAGE WITH PLAYERS	VIP Club	Increase engagement of the VIP Club by activating promotions, enhancing communication methods and strategies, providing sweepstakes and activities, and developing new opportunities to earn points and have fun.	1) Grow the number of VIP Club members. 2) Grow percentage of VIP Club Members with points	> 30,000 increase in VIP Members/Year > 10% decrease in VIP Members with 0 points
	Get Social	Grow our community through events and social channels to connect to customers, introduce Lottery to prospective customers, and engage with the community in engaging ways.	Track interactions and engagements at events and social media.	> 3,000 increase Facebook Followers > 1,000 increase Instagram Followers > 5% Event Transactions and Interactions
	Communication	Utilize CRM system to communicate and engage with players in a relevant manner about promotions, new games, and perks in a relevant manner to create connectiveness and entertainment.	Track email, texts, push notifications to measure engagement rates.	> 30% Open rate > 10% Click rate
FY 2025 GOALS	AREA	OBJECTIVES	PERFORMANCE MEASURES	PERFORMANCE TARGETS / BENCHMARKS
INCREASE FACINGS	Vending Machines	Increase vending machine placements at retail, to include additional atypical retail type placements to offer more tickets available for sale (facings) at retail. Explore additional vending machine placement at existing retail.	There are currently 485 vending machines in the field.	> 500 vending machines in the field by end of calendar 2024

COMPLIANCE

- Meet or exceed all industry standards for background checks
- Offer secure retailer only website for balancing and accounting
- Continuous process improvement to guarantee lowest costs for all processes
- Loss prevention classes available to all retail partners
- Investigate and prosecute all theft and fraud related to Lottery games
- Guard the honesty of charitable gaming
- Implement and monitor all mandated controls and verification systems

Performance Measures - Trends

Measuring an enterprise operation like the Idaho Lottery is effectively done by monitoring performance to plan as reported in the statement of revenues, expenditures, net income, and internal yardstick criteria.

The Lottery believes in the strength of a business model which is a balanced mix of games in the portfolio. This will deliver consistent sales growth and net income improvement. An Idaho Lottery mantra is “it’s not about the ticket, it’s about the transfer”. The forecast factors in anticipated Draw Game jackpot delivery is based on game matrix modeling.

Peer Benchmark Measures

The Idaho Lottery measures the Lottery’s performance against the Lottery industry as a whole and to a select group of peer jurisdictions. Peer group states were selected for similarity in marketplace and product portfolio, not size of population or overall sales. The peer group referenced below is comprised of Arkansas, Iowa, Kansas, Maine, Minnesota, Nebraska, New Mexico, Tennessee, and Vermont. The Idaho Lottery diligently strives to be an industry leader among peer states and all North American lotteries.

Peer comparison criteria include, but is not limited to, Idaho Lottery performance compared to the mean and median percentage change in:

1. Retailers per capita
2. Dividend change
3. Dividend to sales
4. Advertising to sales
5. Sales per capita
6. Administration costs to sales
7. Overall sales
8. Prize expense to sales

Performance Target

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Draw Sales					
Powerball	\$48,384,049	\$42,000,000	\$42,500,000	\$43,000,000	\$43,500,000
Mega Millions	25,771,679	26,000,000	26,250,000	26,500,000	26,750,000
Pick 3	2,312,624	2,325,000	2,350,000	2,375,000	2,400,000
Lotto America	2,729,112	2,750,000	2,800,000	2,850,000	2,900,000
Weekly Grand	1,557,476	-	-	-	-
Lucky for Life	5,470,698	5,450,000	5,500,000	5,550,000	5,600,000
Idaho Cash	2,086,774	2,100,000	2,125,000	2,150,000	2,175,000
Five Star Draw	1,917,130	2,000,000	2,050,000	2,100,000	2,150,000
Pick 4	1,247,969	1,250,000	1,275,000	1,300,000	1,325,000
Raffle	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Total Draw Sales	95,977,511	88,375,000	89,350,000	90,325,000	91,300,000
Scratch™ ticket sales	242,720,510	247,250,000	251,750,000	254,500,000	257,000,000
PullTab ticket sales	82,253,070	82,500,000	83,000,000	83,500,000	84,000,000
Total Sales	420,951,091	418,125,000	424,100,000	428,325,000	432,300,000
Other Revenue	799,476	750,000	760,000	770,000	780,000
Total Expenditures	337,999,716	336,590,000	341,400,000	344,800,000	348,000,000
Net Income	<u>\$83,750,850</u>	<u>\$82,285,000</u>	<u>\$83,460,000</u>	<u>\$84,295,000</u>	<u>\$85,080,000</u>
DIVIDEND ESTIMATE	<u>\$84,000,000</u>	<u>\$82,000,000</u>	<u>\$83,000,000</u>	<u>\$84,000,000</u>	<u>\$84,500,000</u>

Key External Factors

Big Jackpot Games

Powerball and *Mega Millions* have an outsized influence on Idaho Lottery sales performance and dividend contribution. Customer interest in these games increases considerably and quickly when the size of the advertised jackpots in these big Draw Games reach hundreds of millions of dollars. Ticket sales increase significantly when advertised jackpots reach \$400,000,000 and higher. Transfers to our beneficiaries are positively impacted by these games since they represent the highest gross margin offerings in our product portfolio. Game prize matrix modeling (the random odds of winning a prize on each ticket) shows advertised jackpots exceeding \$400 million are the statistical exception, not the rule. Hence, our future sales forecasts for these games are always conservative. When enormous jackpots do occur, the resulting increase in net revenues directly benefits the good causes we support.

General Conditions of the Economy

Inflationary pressures on consumer goods, fuel, and housing are external factors that have unpredictable impacts on lottery consumer behavior.

Succession Planning, Recruitment, Retention

Idaho's flourishing economy requires an annual reassessment of wage rates to remain competitive in the marketplace. Half of our employees are "deskless workers" who work directly with the public and/or do physical labor while the other half are high-technology and/or subject matter experts in a unique business. Almost 20% of the Lottery workforce is eligible to retire between 2024 and 2027. Recruitment and retention success is essential. The Idaho Lottery relies on 50 state employees to responsibly operate a \$400+ million enterprise that includes 1,200 private-sector points-of-distribution, which has delivered over \$1.3 billion to Idaho public schools and buildings since the first ticket was sold in July 1989.

Modern Customer Expectations

According to the 2023 report from Federal Reserve Bank Services, cash is the payment choice for 18% of customer transactions. Debit is the payment choice for 29% of transactions, 61% more than cash.

(Source: <https://www.frbservices.org/news/fed360/issues/061523/cash-2023-diary-consumer-payment-choice>)

Idaho Lottery self-service ticket dispensing devices represent 42% of sales. These customer-operated terminals accept cash only. Retailers and citizen customers desire the debit card (not credit card) option for customers using self-service ticket dispensers. Self-service devices offering a myriad of products currently accept this payment option. Intralot, the Idaho Lottery's equipment supplier, will improve the customer experience with debit card readers in Idaho when the restriction of cash-only in vending is changed to allow for debit acceptance as payment.

Other

Other external factors that may impact the Lottery's ability to deliver performance to plan include, but are not limited to, persistent inflationary pressure that affects consumer spendable income; the ability to be nimble in responding to rapidly changing consumer preferences in games of interest and retail market conditions; changes to our business model, product portfolio, and sales as a result of legislative action or inaction; the inability of our major vendors to meet contractual terms for service; and Acts of God.