

Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • Gordon Medenica, Director



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TO: Maryland Lottery and Gaming Control Commission
Gordon Medenica, Director

FROM: John Martin, Managing Director and Chief Revenue Officer

DIVISION: Sales

DATE: May 16, 2017

SUBJECT: Report for the May 2017 Commission Meeting

Following is a status update of ongoing and special projects in the Sales Division.

1) Sales

Instant sales continued to shine in April with a double digit increase of 22%; draw sales were flat compared to last year. Sales increased in Pick 3, Pick 4, Bonus Match 5, Keno and Racetrax. The jackpot games, (Mega Millions, Multi Match and Powerball), along with 5 Card Cash and Cash4 Life, were all down. Details below:

Year over Year Sales Growth for April Product Category by Store Segment

		DRAW/MONITOR	INSTANT	COMBINED
STATE	2017	\$103,717,751	\$64,704,580	\$168,422,331
	2016	\$103,877,260	\$53,012,841	\$156,891,528
	Difference	-\$159,509	\$11,691,739	\$11,530,803
	% YOY + / -	-0.2%	22.1%	7.4%
INDEPENDENT	2017	\$89,539,458	\$45,133,751	\$134,673,209
	2016	\$88,170,466	\$36,546,422	\$124,716,888
	Difference	\$1,368,992	\$8,587,329	\$9,956,321
	% YOY + / -	1.6%	23.5%	8.0%
	% of STATE SALES	86.3%	69.8%	80.0%
CORPORATE	2017	\$14,176,823	\$19,570,829	\$33,747,652
	2016	\$15,706,794	\$16,466,419	\$32,173,213
	Difference	-\$1,529,971	\$3,104,410	\$1,574,439
	% YOY + / -	-9.7%	18.8%	4.9%
	% of STATE SALES	13.7%	30.2%	20.0%

- Sales Management
 - The Sales Division completed another “Blitz Week” monthly campaign to improve the first week activation rates at all eligible instant ticket selling retailers. Many territories were challenged to meet their normal goals due to the line-up of \$1, \$2, and \$3 price points.
 - Top Blitz Week Performers for April:
 - Carolyn Mack - 89% (Blitz Week Champion)
 - Leroy Thorne - 87%
 - Scott Kershow - 85%
 - Currently working with the Human Resources department to fill four open positions. Offers have been made and accepted by three candidates to fill the DM positions.
 - David Browne and Deunka Wade, internal candidates, were promoted to the district manager position and will cover territories in Baltimore and Laurel/Bowie areas, respectively.
 - Michael Marcos, an external candidate, will be assigned a territory in Prince Georges County.
 - Sales management has been working strategically to provide coverage in the affected geographical areas until the new hires come onboard.
 - Sales continues to work with the claims department to recover un-submitted claim forms from April 2017.
 - In April, seven sales department personnel visited the Pollard Banknote (Instant ticket vendor) facility in Michigan to conduct a tour of the printing plant. The group was able to view the process, from beginning to end, of how instant tickets are made. The visit was very informative and appreciated by all in attendance.
 - Sales management will conduct a retailer instant ticket contest (Home Run Riches) based upon activations and settlements, during the month of May. The retailers with the highest amounts will be our guest for the Orioles game on July 17th.
 - Sales supported John Martin, Chief Revenue Officer, at nine Regional Advisory Board meetings throughout the state. These meetings were conducted over a three week period in April.
 - The DMs continued to support field inventory issues such as retrieving hard recall books, rotating stock that is over 90 days old and ensuring either pickup or activation of books that have been given a last activation date.
 - Sales in conjunction with the Wawa promotion, delivered and installed bollard covers to help communicate the promotion at the chain locations.

- Field Support
 - OnePlace
 - DMs began using the application to better plan initial instant ticket allocations. The DMs will also utilize the survey feature to conduct the quarterly ITVM audit in May.
 - Merchandising
 - Using the feedback of DMs, we adjusted our field promotional items to comply with the requested needs of the retailer network. Items such as play slip holders and paper cubes will be given a higher priority.
- Training
 - Dana Washington, Sales Training Manager, working with HR and James Butler, began the development of the agency's Customer Service Training initiative that will be presented to all employees in May/June.
 - The training manager also began work with our new hires and promoted personnel.
- Events
 - Sales supported the Communications department at the Savor Bowie Food, Wine/Music fest event in April.

2) Corporate Sales

We have launched our first Second Chance Chain Store Promotion with Wawa. Players enter Cash4Life tickets into My Lottery Rewards for an opportunity to win Free Gas for a Year from Wawa. The first week we saw an increase of Cash4Life sales of 18% over the week prior with over 350 entries into the second chance.

- Field Activity
 - Corporate team visiting all locations with current promotions in the market to ensure proper merchandising and execution of offerings.
 - New in store promotions program created for corporate accounts in order to capitalize on grand opening activities.
 - Met with Bob Hornberger, Anne Kerstetter and Wawa team for their bi-annual multi state meeting.
 - Working with Sheetz to finalize new promotion, which will run in the Q3 17 period.

3) Retail Recruitment

- Recruitment Results
 - 21 completed applications sent to Agent Administration in April for approval.
 - In the first half of May, 8 completed applications submitted for approval.
 - CY17 summary of total applications processed and installed = 51.
- Trade Show Activities
 - Of the twelve (12) leads recruited at the 43rd Annual Ocean City Hotel-Motel Restaurant Association Spring Trade Expo three (3) applications are in the process of completion for licensing.
- Prospecting Activities
 - Made an initial call with James Young, Director of Corporate Sales, on a new chain with 27 locations.

4) Analysis & Reporting

The Analysis and Reporting Department evaluated the impact the \$30 ticket had on other price points at launch, specifically the \$20. While the \$30 ticket resulted in record instant ticket sales, the impact to the April launch of a new \$20 ticket was minimal.

We compared the November launch (\$2, \$5, \$10, and \$20) to the April launch of the same price points. The November \$20 launch was 22% of launch week sales. The April \$20 launch was 19% of sales. The other price point we have seen impacted was the \$10. In November the \$10 ticket accounted for 27%, whereas in April the \$10 launch accounted for 24% of instant sales. These decreases are likely due to the decrease in facings at retail to allow for facings of the \$30. However, the overall weekly sales since the introduction of the \$30 ticket have been positive year over year by at least \$2.1 million per week.