

Lottery Declining Sales Assessment Study

Presentation For:



Study Objectives

1. Assess the overall profile of Maryland Lottery players with a decrease in play of Keno, Daily Draw and Scratch-off games
2. Analyze the reasons for the decrease and anticipated change over the next year
3. Explore potential features to improve play
4. Measure the familiarity with current advertising and promotions
5. Assess casino play within the “decreasing play” lottery segment
6. Analyze the impact of casino gaming on Keno, Daily Draw and the Scratch-off Lottery games
7. Assess the awareness and potential impact of upcoming casinos

Methodology

I. Recruiting Participants

Declining lottery players were recruited by e-mail from a database of lottery players provided by The Maryland Lottery. Potential participants were screened on pre-determined criteria during the recruiting process.

II. Screening Criteria

Respondents were screened for the following criteria:

1. Required to be 18 years of age or older
2. Required to play at least a few times per year
3. Lottery spend has declined over the past 12 months

III. Survey Vehicle

Each participant was e-mailed a communication that contained introductory information and a link to the survey. A total of 600 responses (200 per game) were captured by October 4, 2013.

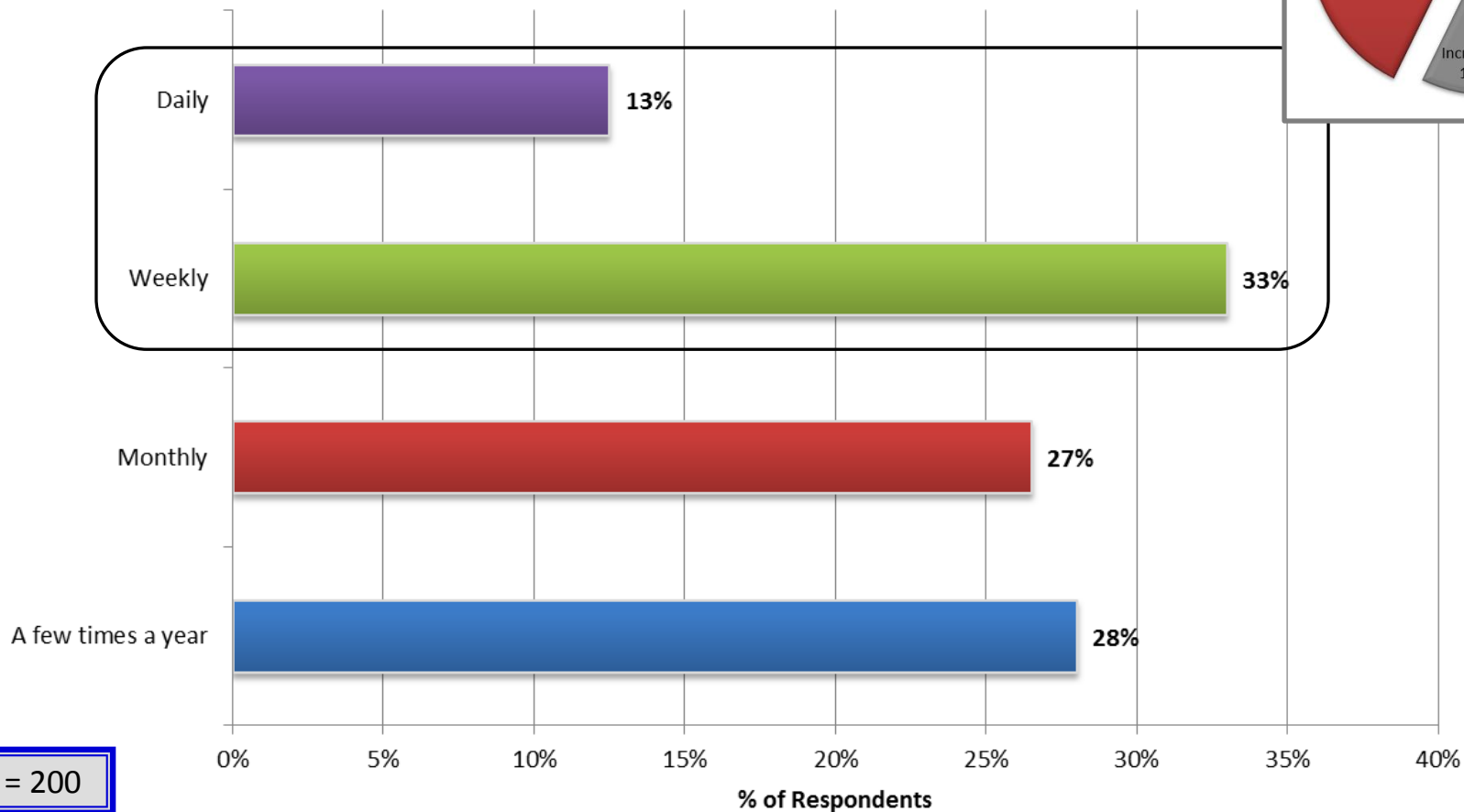
IV. Incentive

To enhance the response rate, potential participants were offered a scratch-off ticket for completing the survey.

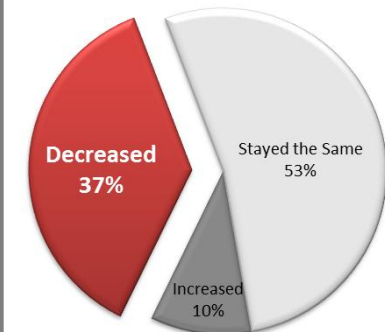
Assessment of Declining **Keno. Players**

Frequency of Keno Play

▪ **33%** of the declining Keno players surveyed are playing **weekly**, while **13%** typically play Keno **daily**



% of Total Respondents Invited to Participate in Survey
(Based on Screener Data, n = 610)



Monthly Keno Expenditure

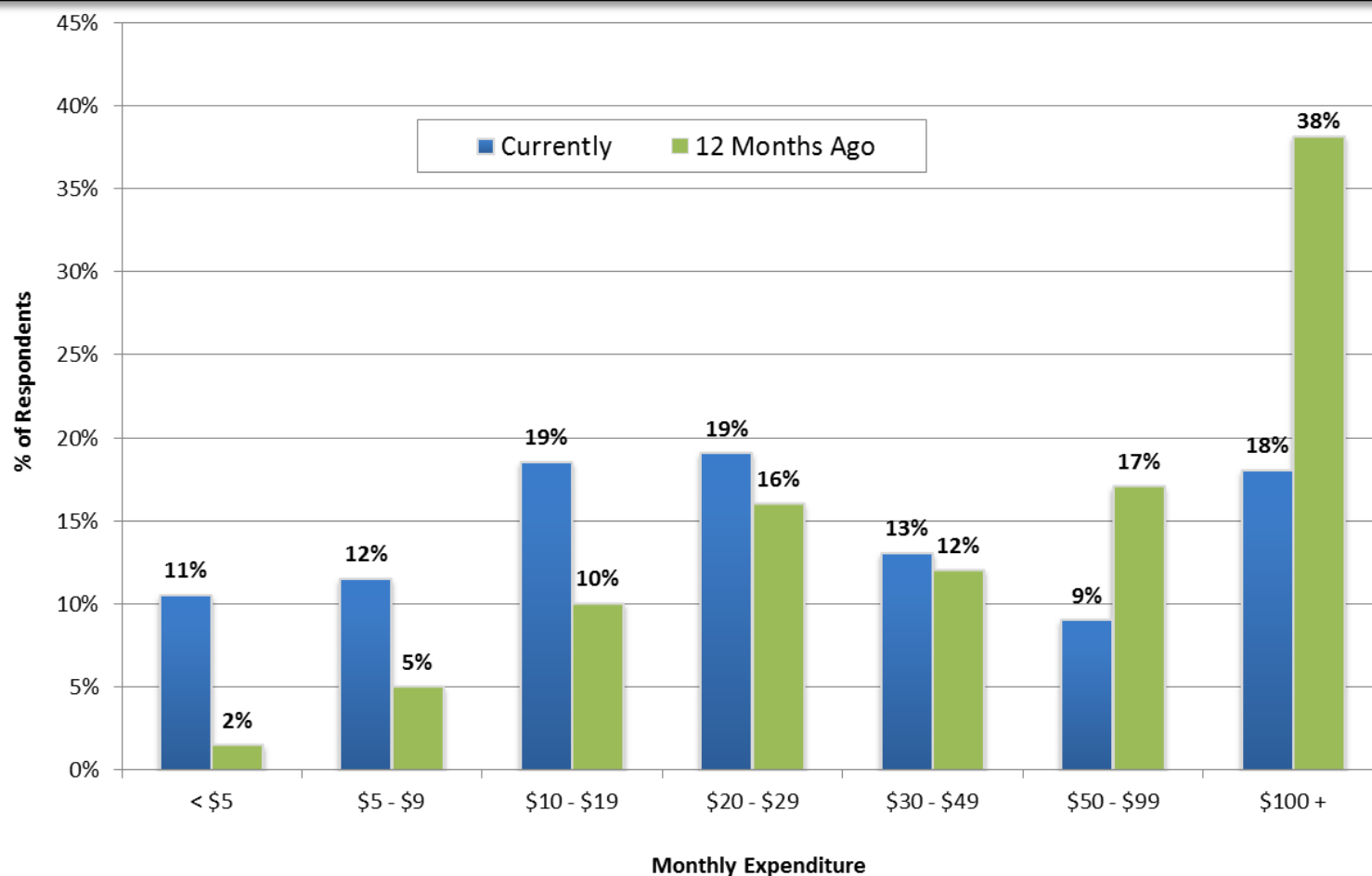
▪ Respondents' monthly Keno expenditure was significantly higher **one year ago at \$117 per month**, compared to **\$51 per month currently**

Average Monthly
Expenditure on
Keno.

Currently **\$51**

12 Months Ago **\$117**

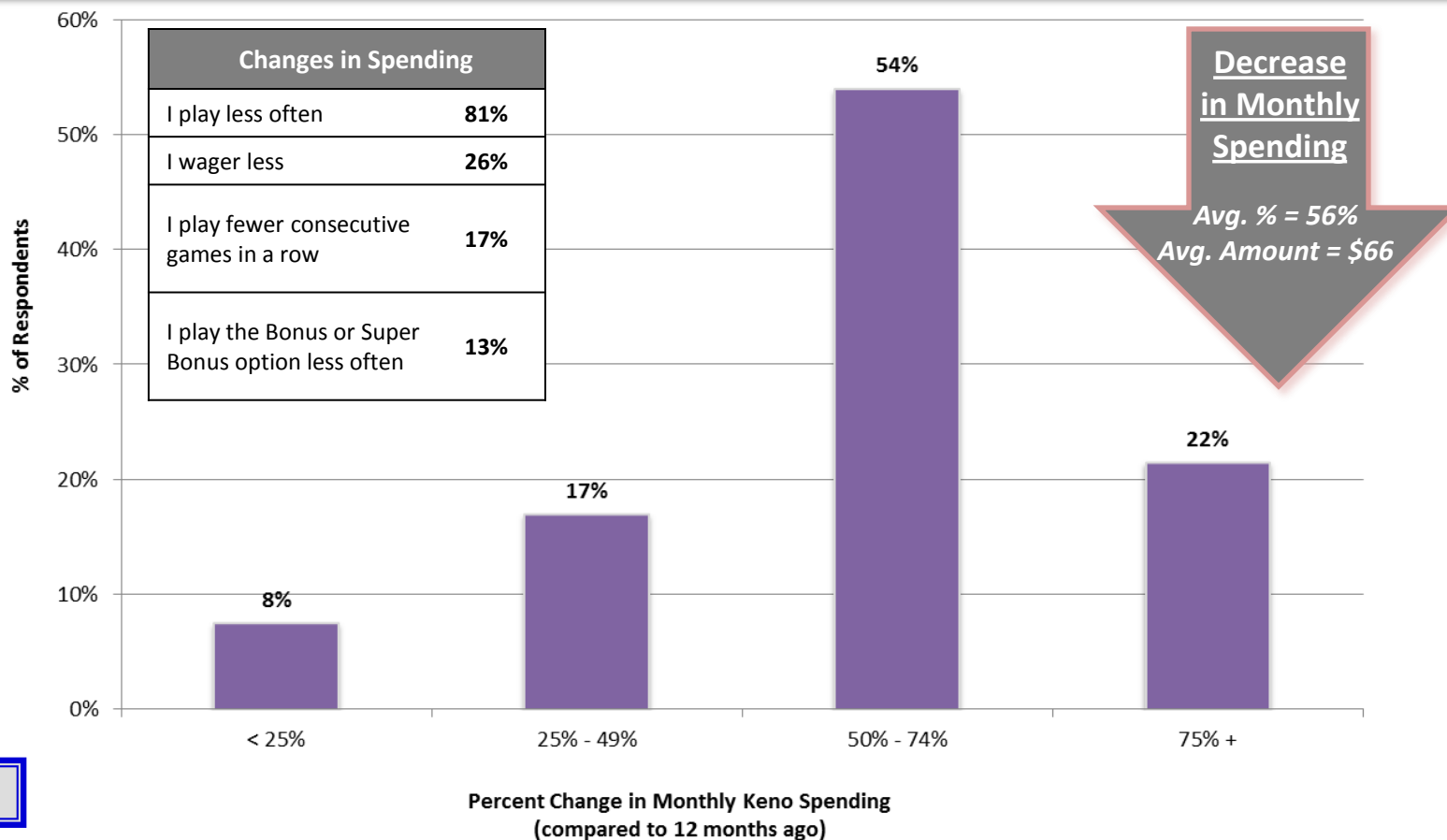
n = 200



Decrease in Monthly Keno Expenditure

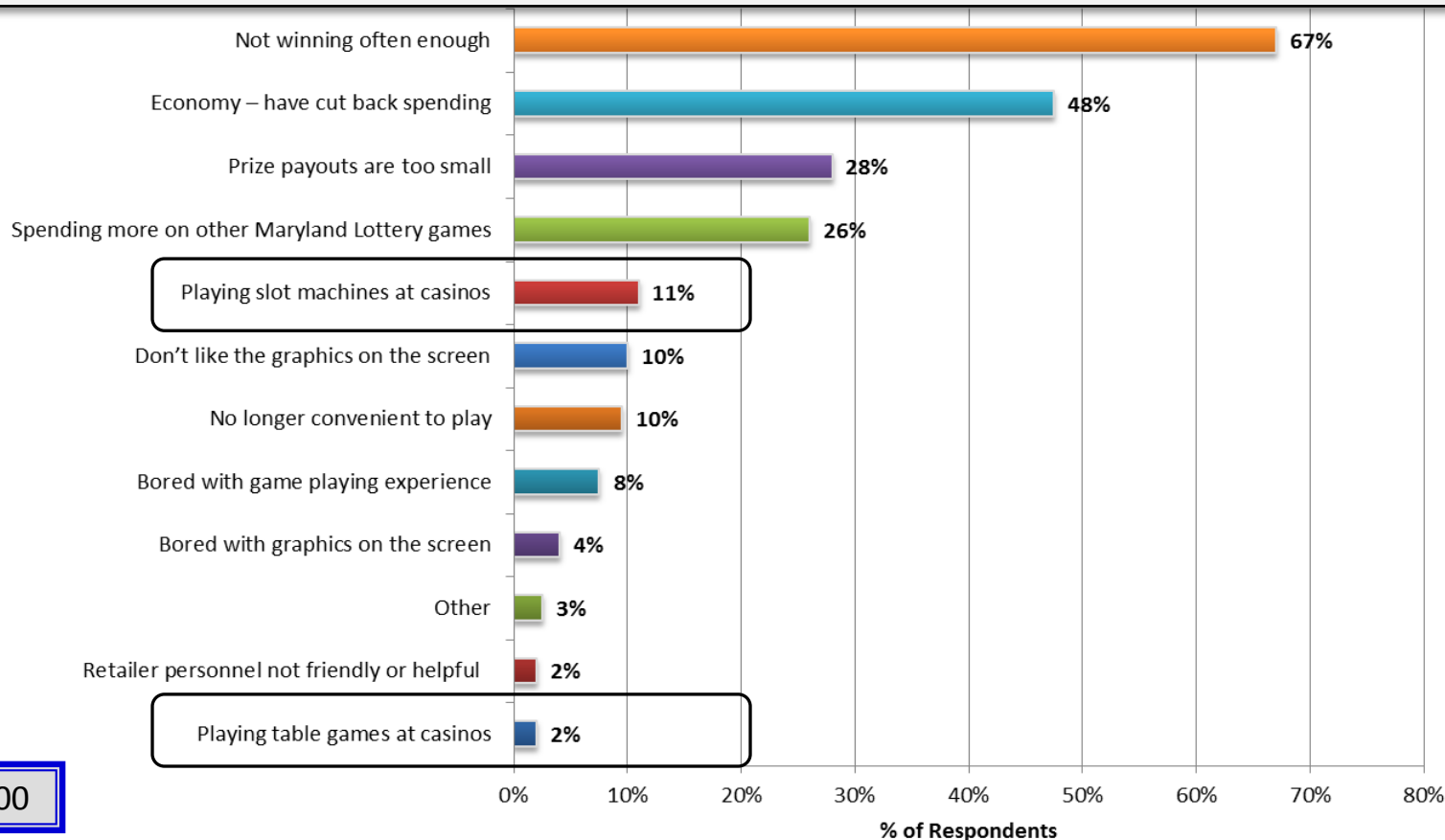
Compared to 12 Months Ago

- Average monthly Keno expenditure has **decreased by 56%** among declining Keno players
- **81%** of respondents are **playing the game less often** and **26%** are **wagering less**



Reasons for Decrease in Keno Expenditure

- **67%** of declining Keno players indicated they were **'Not winning often enough'** and **48%** attributed the **'Economy - have cut back spending'** as a reason for the decrease in their Keno expenditure
- **11%** attribute the decrease to **'playing slots machines at casinos'** and **2%** to **'playing table games at casinos'**

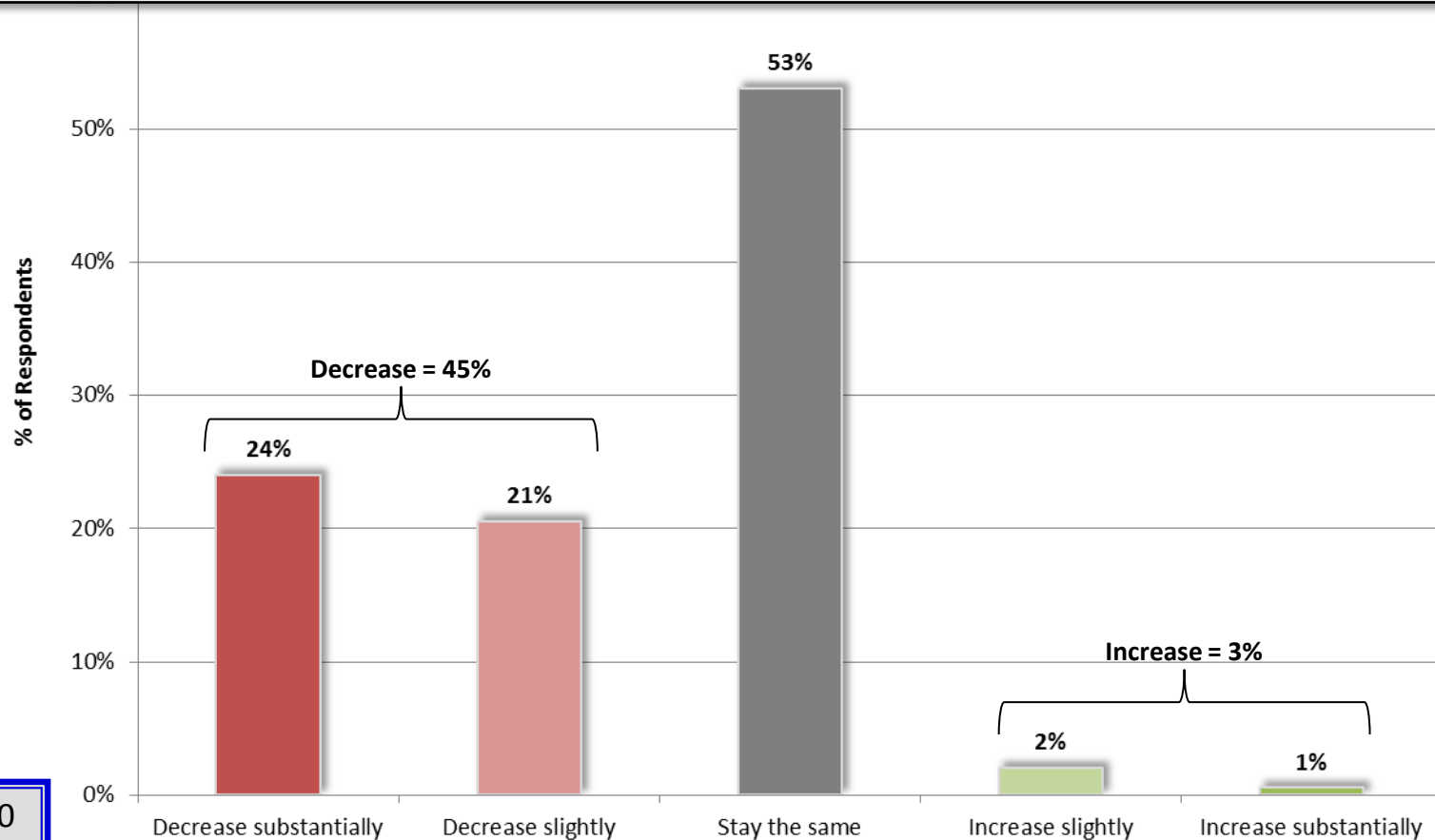


n = 200

Anticipated Change in Keno Expenditure

Over the Next 12 Months

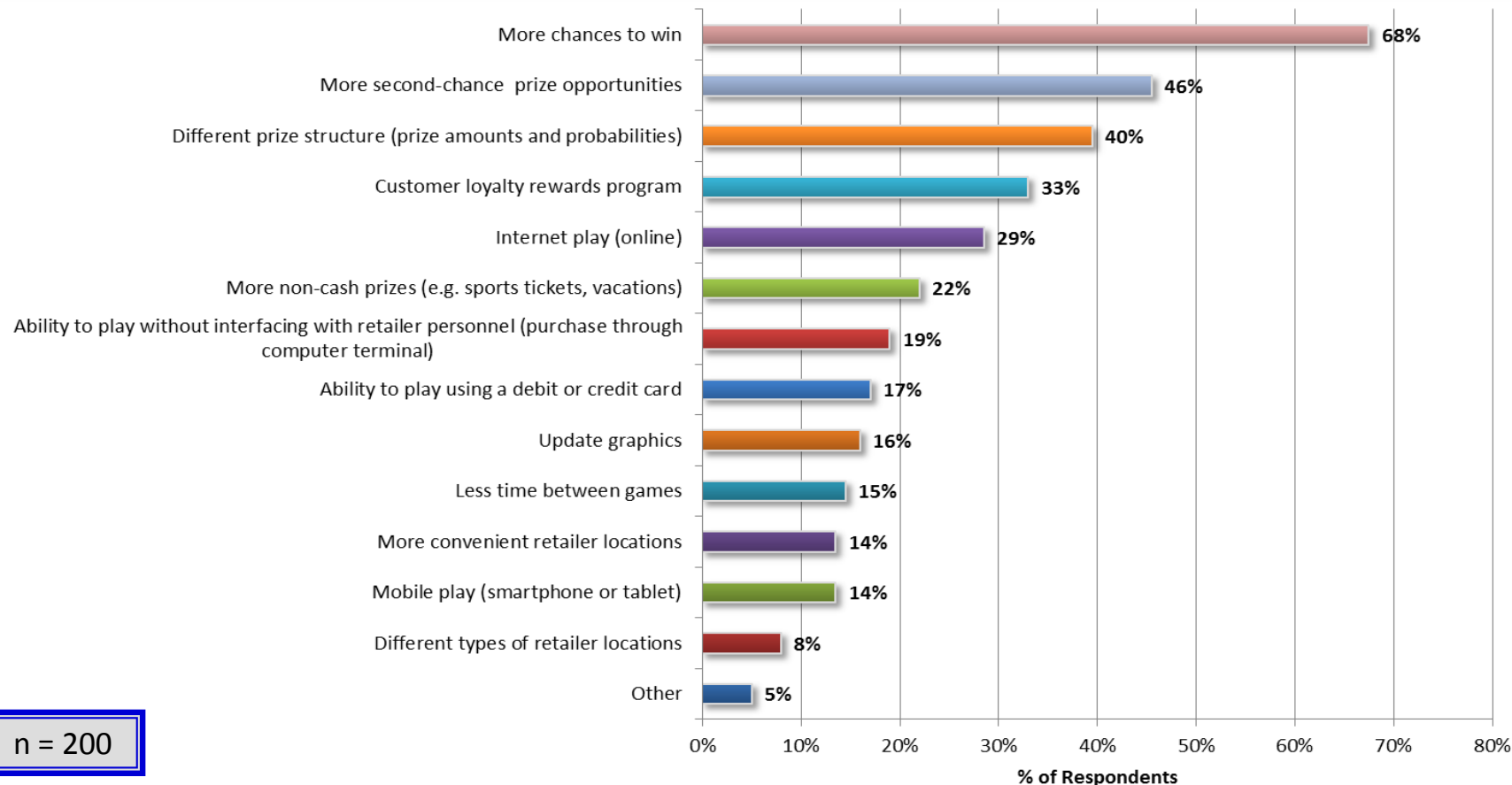
- 45% of respondents anticipate their Keno expenditure will continue to **decrease over the next 12 months**
- 53% of players believe their spending will **remain the same**



n = 200

Features to Raise Keno Interest and Participation

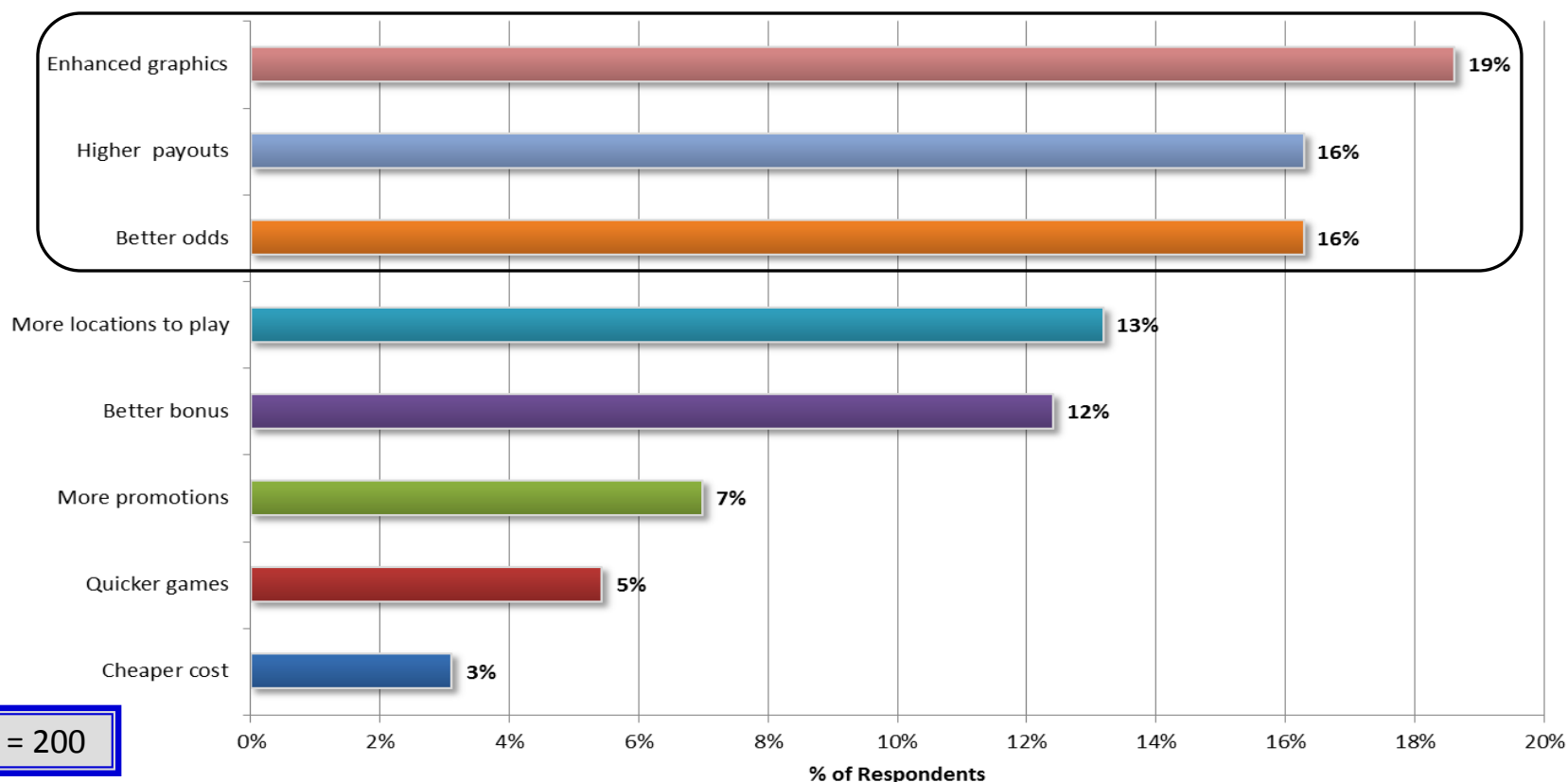
▪ **68%** of declining Keno players agree **‘More chances to win’** would raise interest and participation in playing Keno games, followed by **‘More second-chance prize opportunities’ (46%)** and **‘Different prize structures’ (40%)**



Recommended Changes (Besides Winning More) to Make Playing Keno a Better Experience

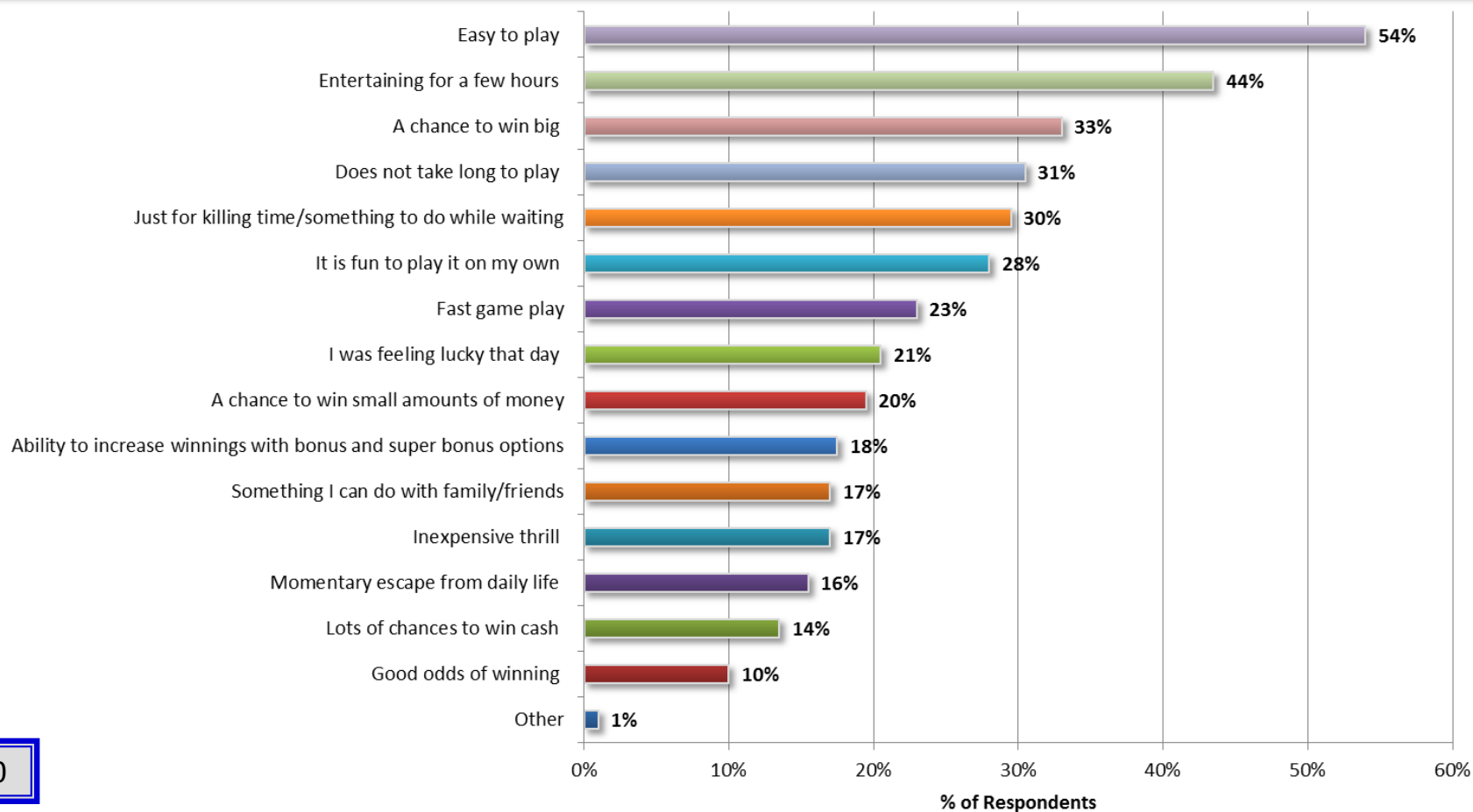
▪ Based on coded open-ended responses, **19%** suggested '**Enhanced graphics**' would create a better Keno playing experience, followed by '**Higher payouts**' (16%) and '**Better odds**' (16%)

Top Responses Based on Coded Open-Ended Responses



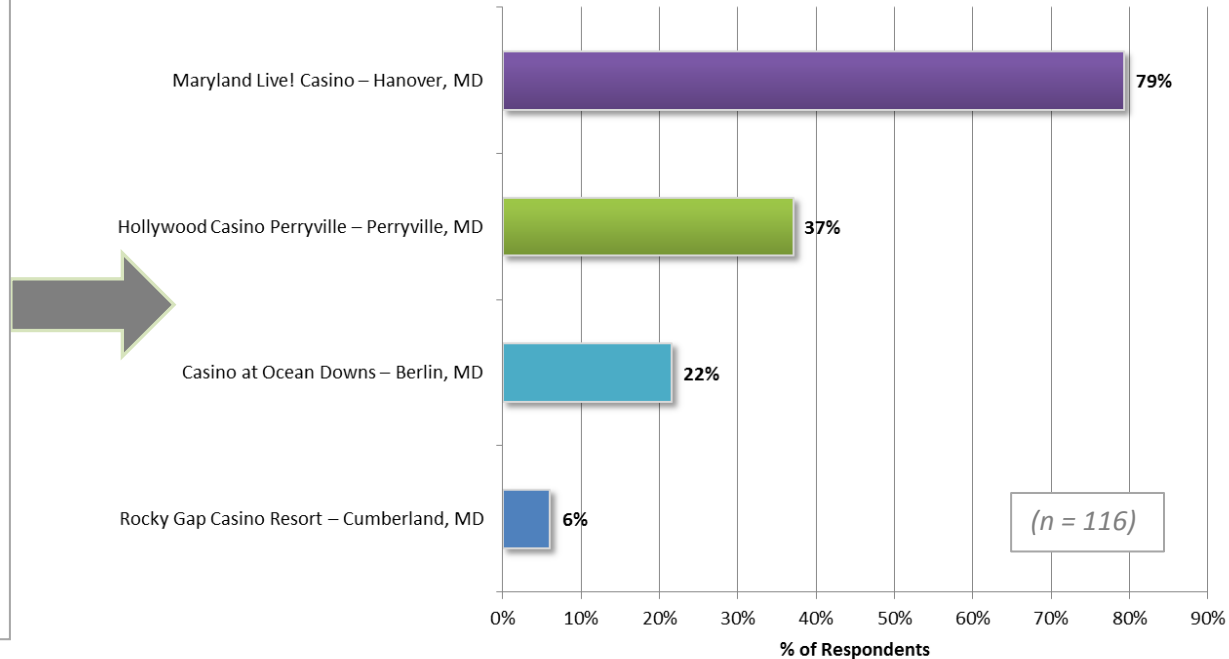
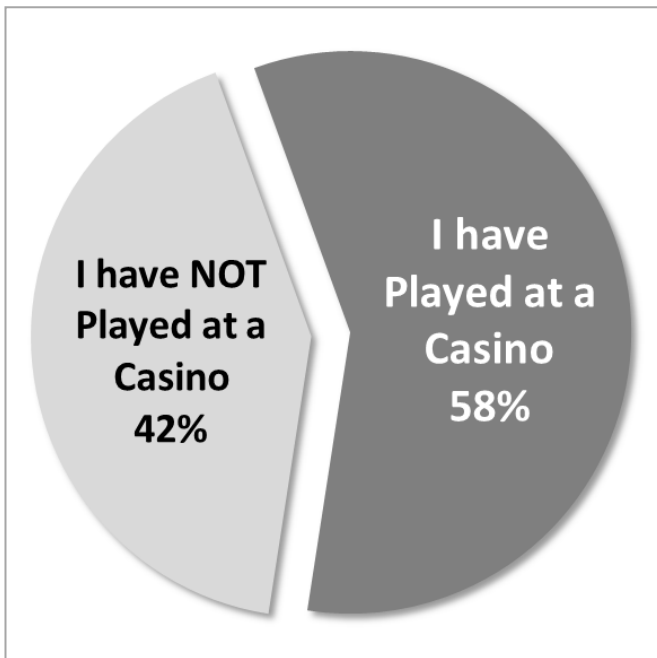
Reasons for Playing Keno

▪ 54% of respondents play Keno because it is **'Easy to play'** and is **'Entertaining for a few hours'** (44%)



Maryland Casinos Played Slot Machines/Table Games (Past 12 Months)

- **58%** of declining Keno players **have played** slot machines and/or table games **at a Maryland casino**
 - Of those who have played at a Maryland casino, **79%** have played at **Maryland Live!**



n = 200

Annual Expenditure

Slots vs. Table Games

- The 57% of respondents who play **slot machines** at Maryland Casinos spend on average **\$1,126 per year**
- The 23% of respondents who play **table games** at Maryland Casinos spend on average **\$430 per year**

Slot Machine Players

(n = 114)

% of Total Respondents
Who Play Slots/Table Games
at Maryland Casinos:

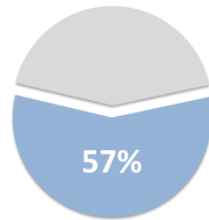
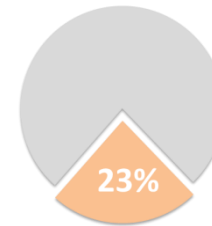


Table Game Players

(n = 46)



Average Annual Expenditure:

\$1,126

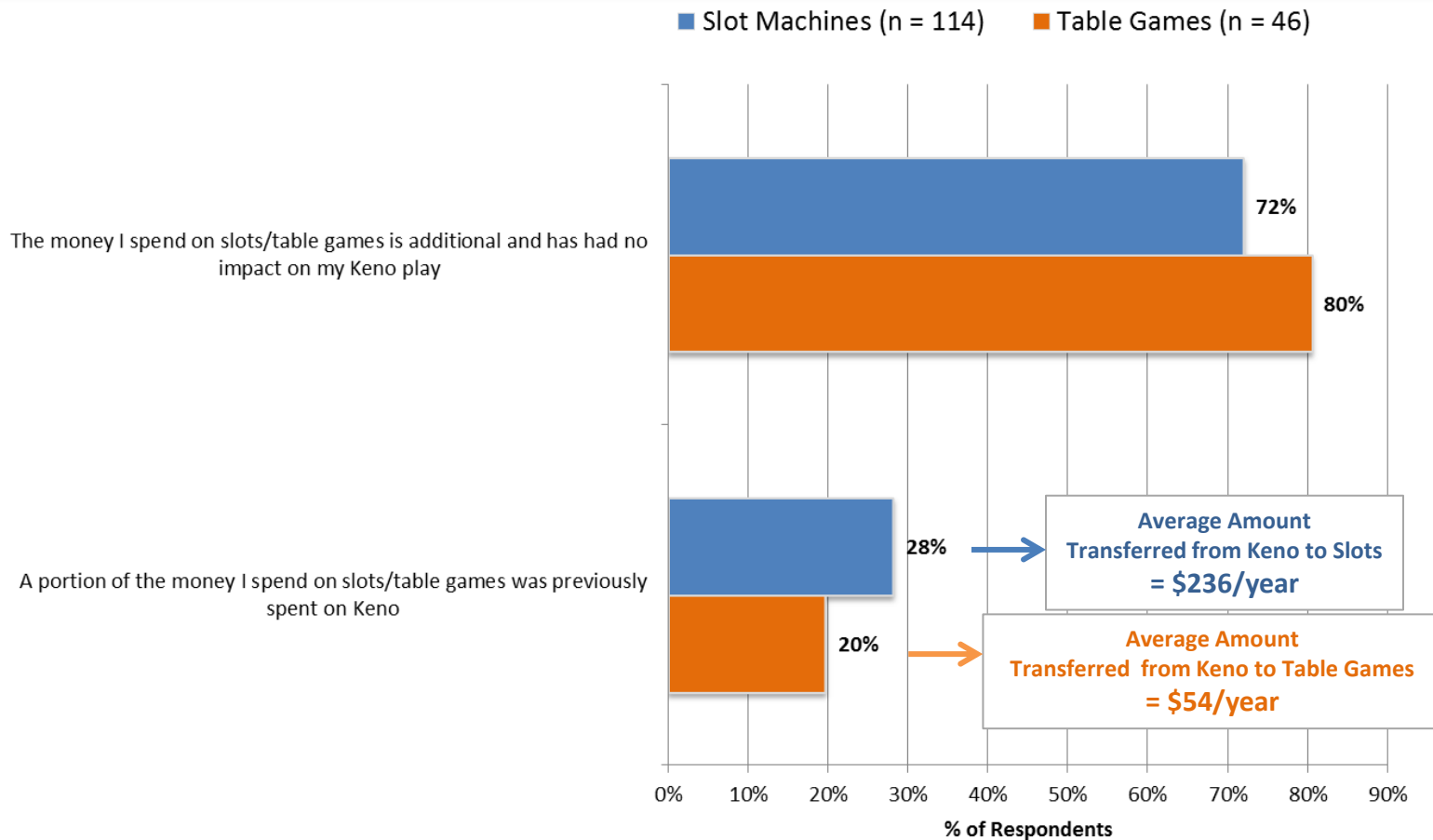
\$430

\$0	1%	11%
\$1 to \$100	19%	30%
\$101 to \$500	48%	39%
\$501 to \$1000	11%	15%
\$1001 to \$3000	13%	2%
More than \$3000	7%	2%

Impact on Keno Expenditure

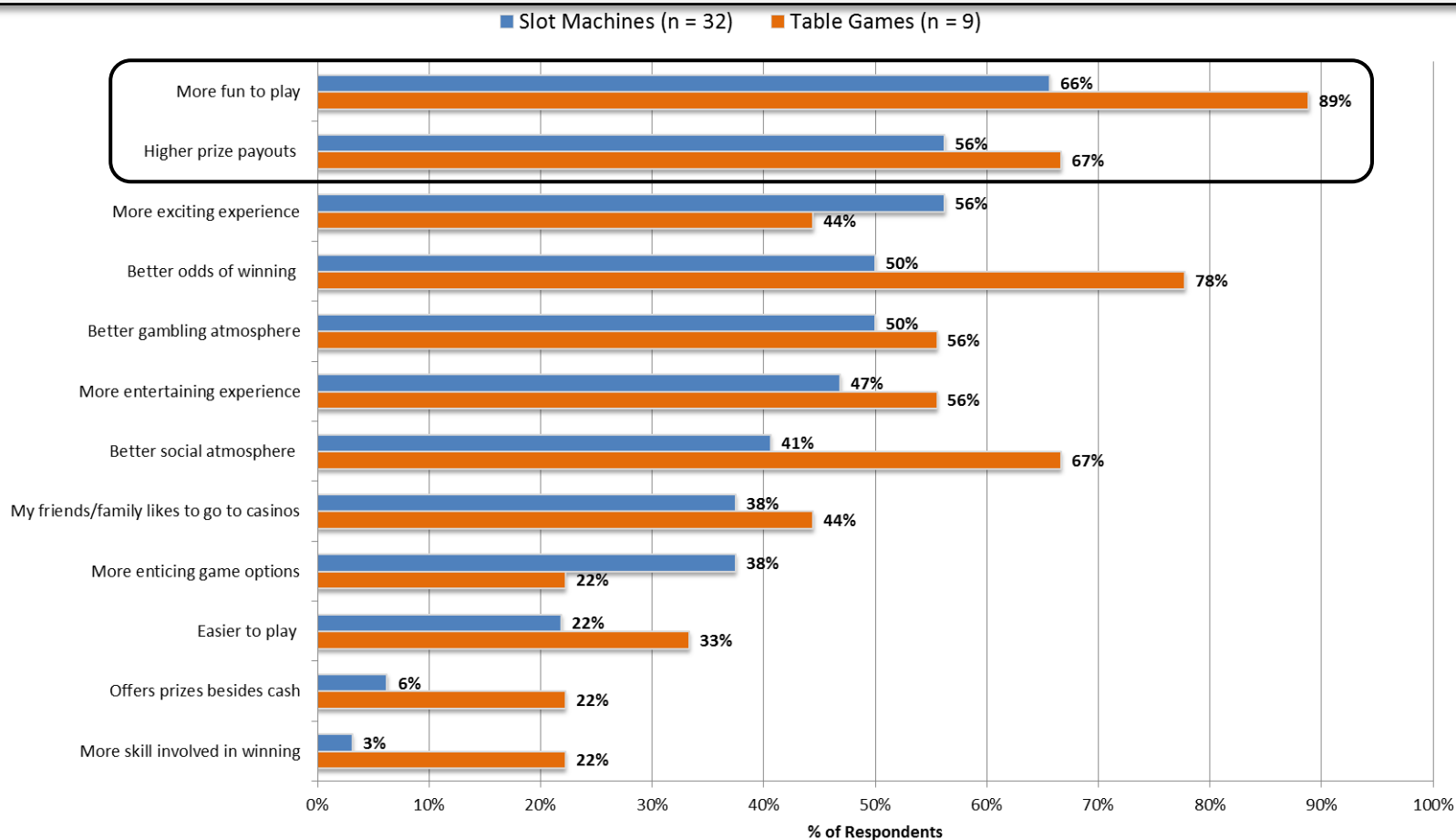
Slots vs. Table Games

- 28% of slot machine players indicated a portion of the money they spend on slots was previously spent on Keno (average = \$236/year)
- 20% of table game players indicated a portion of the money they spend on table games was previously spent on Keno (average = \$54/year)



Factors Influencing Spending at Casino vs. Keno *Slots vs. Table Games*

- Respondents who spent a portion of their Keno money at casinos indicated that casinos are **'More fun to play'** and have **'Higher prize payouts'** compared to Keno



Cross Tab Comparison by County

	Overall Respondent Base (n = 200)	Anne Arundel (n = 28)	Baltimore City (n = 27)	Baltimore County (n = 56)	Prince George's (n = 17)
Average Monthly Spend – CURRENTLY	\$51	\$31	\$51	\$75	\$57
Average Monthly Spend – 12 MONTHS AGO	\$117	\$87	\$115	\$165	\$112
Average Decrease in Monthly Spend	\$66 (56%)	\$56 (59%)	\$64 (54%)	\$90 (54%)	\$55 (57%)
Identified Slot Machines at Casinos as a Reason for Decrease (% of Total Respondents)	11%	14%	7%	7%	24%
Have Played at MD Casinos (% of Total Respondents)	58%	71%	67%	55%	71%
Have Transferred a Portion of Keno Spend to Slots (% of Slots Players)	28%	42%	17%	23%	17%

Key Findings

Assessment of Declining Keno Players

Overall Play

- **33%** are playing Keno **weekly** and **13% daily**
- **Current** Monthly Keno Expenditure = **\$51**
- Monthly Keno Expenditure **One Year Ago** = **\$117**
- **‘Not winning often enough’, ‘Economy – have cut back spending’** and **‘Prize payouts are too small’** are Keno player top reasons for *decreased* play
- **45%** anticipate Keno expenditure will **decrease over next year**
- **‘Enhanced graphics’, ‘Higher payouts’,** and **‘Better odds’** are the top recommended **changes** to make Keno a **better experience**
- **‘More chances to win’** and **‘More second-chance prize opportunities’** would **raise interest** in Keno
- **54%** play Keno because it is **‘Easy to play’**
- **30%** are **‘Very’** or **‘Extremely’** interested in a **Multi-State Progressive Jackpot** (*rated 4 or 5 on a 1 – 5 scale*)
 - **22%** are **‘Not at all interested’** in this concept
- **45%** have **never heard of Packaged Keno-to-Go**
 - **24%** have **played**
- **92%** also play **Mega Millions**, **91%** play **Powerball** and **87%** play scratch-offs
- **Current** Monthly Expenditure on **Other MD Lottery Games** = **\$137**
 - **75%** of total MD lottery monthly expenditure is spent on other MD lottery games

Key Findings

Assessment of Declining Keno Players

Impact of Maryland Casinos on Keno

SLOT MACHINES

- **11%** attributed the **decrease** in Keno spending to **'Playing slot machines at casinos'**
- **57%** play **slot machines** at Maryland casinos
 - Of the respondents who play slot machines at Maryland casinos, **28%** indicated a **portion of the money** they spent on Maryland slot machines was **previously spent playing Keno**
 - **Annual Expenditure = \$1,126**

TABLE GAMES

- **2%** of Keno players attributed the **decrease** in Keno spending to **'Playing table games at casinos'**
- **23%** play **table games** at Maryland casinos
 - Of the respondents who play table games at Maryland casinos, **20%** indicated a **portion of the money** they spent on Maryland table games was **previously spent playing Keno**
 - **Annual Expenditure = \$430**

Future Impact of Maryland Casinos on Keno

- **35%** plan to go to the **'Horseshoe Casino'** in Baltimore City once it opens
 - Of those who plan to go, **37%** believe they will **play less Keno** when it opens
- **25%** plan to go to the **'PG County Casino'** once it opens
 - **38%** of those who plan to go believe they will **play less Keno** when it opens

Insights and Conclusions

Based on the information collected in this study, the Key Group has recognized the following insights:

Casinos Have Negatively Impacted Maryland Lottery Sales Across all Games

This study supports that the presence of casinos in Maryland has resulted in a decrease in Keno and other Maryland Lottery game sales in the past year. Approximately 4% of all players in each game category are transferring money originally spent on Maryland Lottery games to Maryland casinos. In addition, the continued annual growth of the Racetrax monitor sales may be taking sales from Keno and contributing to the Keno sales decline. Declining sales players outnumber the percentage of players that will increase Keno spend by a factor of four.

This impact of casino play on the sales of Maryland Lottery games is consistent across all three game categories surveyed - Keno, Daily Draw and Scratch-offs. More than half of the declining sales players in all three game segments have spent money at the casinos and one third plan on visiting the new Horseshoe Casino. The proximity of the casino to the customer is one driving factor in how much impact casinos may have on lottery sales, as the percentage of declining players was higher in Anne Arundel and Prince Georges counties with the Maryland Live Casino. It could be deduced that the opening of the Horseshoe Casino will have similar impact on future MD Lottery sales.

Overall declining players reported a decrease in their lottery game spend between 37% and 46% from the previous year's spend with projections of a continued decline over the next 12 months.

Insights and Conclusions

Enhancements to MD Lottery Games could have a Positive Sales Impact

As expected, the driving factors driving consumers to play games at the casinos revolves around the entertainment value and excitement associated with this type of venue. Even though the lottery cannot replicate this type of gaming experience, several potential features or enhancements to Maryland Lottery games were suggested in this study to improve sales. The respondents indicated the following would increase interest in the Maryland Lottery games :

- More chances to win including second chance
- Customer loyalty programs
- Credit card purchase capabilities
- Internet play

Specific to Scratch-off games:

- New games
- Themed tickets (Ravens, The Price is Right etc...)
- Non-cash prizes (Event tickets, vacations etc...)

Specific to Keno:

- Enhanced graphics
- More locations
- 30% of respondents like the concept of the multi-state progressive jackpot

Lottery Declining Sales Assessment Study

Presentation For:

