



ARE MEGA GAMES SAVING OR KILLING LOTTO?

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Minnesota State Lottery
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ARE MEGA GAMES SAVING OR KILLING LOTTO?

Does it Really Matter?

If the purpose of a lottery is to maximize revenues, correct product mix is an important variable and mega games are a vital part of that product mix.

A consumer has a choice between unleaded, unleaded with ethanol, and Premium grade gasoline. Does the gas station care which one sells best as long as they sell more gas and earn more profit?



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- Multi-state lottery games like Powerball allow any sized state to experience the positive effects of large jackpots. The product is especially important in states with smaller populations that do not have the population to support their own jackpot games.
- Only 9 jurisdictions of the 31 members in MUSL currently have an in-state jackpot lotto game.



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FY06 US MUSL MEMBER SALES

TOTAL TRADITIONAL SALES: \$14.1 BILLION

POWERBALL SALES: \$ 2.8 BILLION

PBALL PERCENTAGE: 20.16%



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FY06 US MUSL MEMBER SALES

TOTAL MUSL ONLINE SALES (with Keno): \$6.0 BILLION

POWERBALL SALES: \$2.8 BILLION

POWERBALL PERCENTAGE: 47%

***POWERBALL IS AN IMPORTANT PRODUCT
TO RAISING NEEDED LOTTERY REVENUES!***



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After years of tracking new lotteries joining Powerball, we know that in-state jackpot lotto games will decrease by an average 30% in the first year.

We also know that the bottom line will be **BIGGER!**

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	Pick 3	Cash Lotto	Lotto	Total
Arizona	N/A	-23.67%	-41.67%	+ 8.73%
Louisiana	+ 1.04%	N/A	-14.39%	+78.08%
New Hampshire	- 3.11%	+ 9.04%	-32.20%	+72.47%
Connecticut	+15.49%	- 7.34%	-33.29%	+ 8.80%
Average	+ 4.47%	- 7.32%	-30.3875%	+42.02%



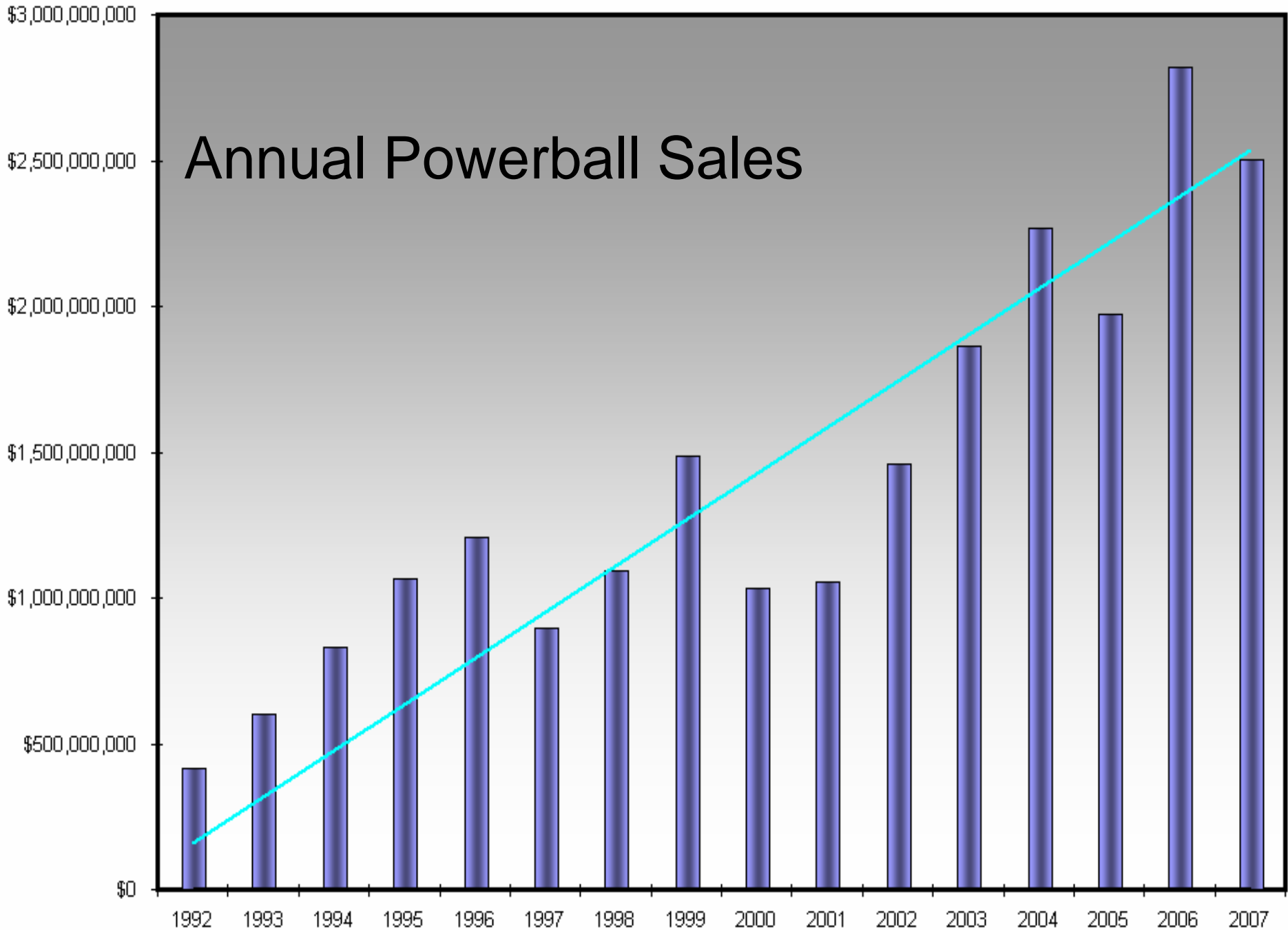
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❖ Plan on 30% Cannibalization.

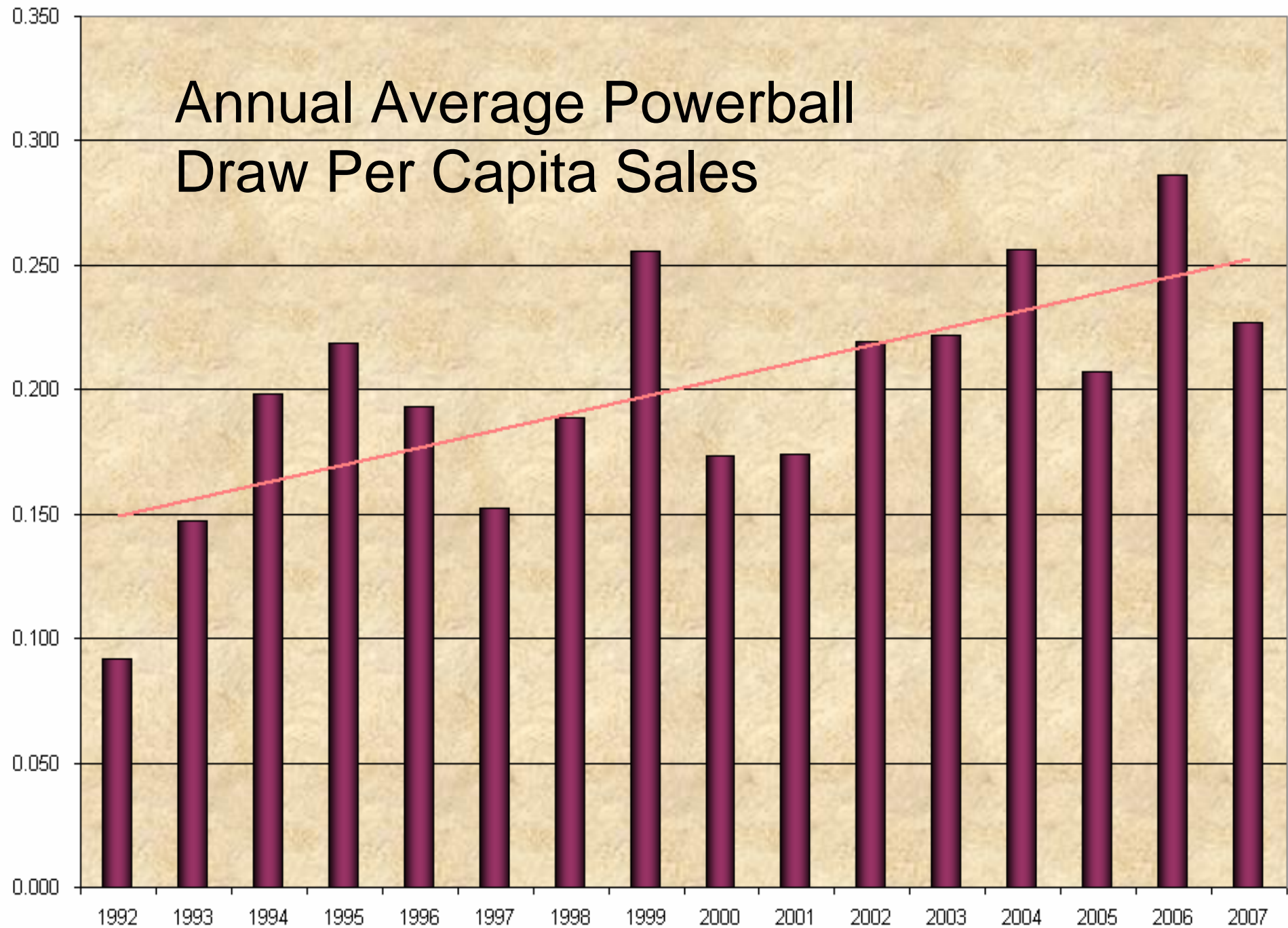
- New York had 30.6% drop in lotto sales, but sales were up 15% overall. (Lottery Director, New York Times, April 3, 2003)
- Washington State had 30% drop in lotto (Lottery budget director, Jan 2003)
- Vermont had 25% drop in lotto but sales were up 22% overall. (Lottery Director, December 24, 2003;)



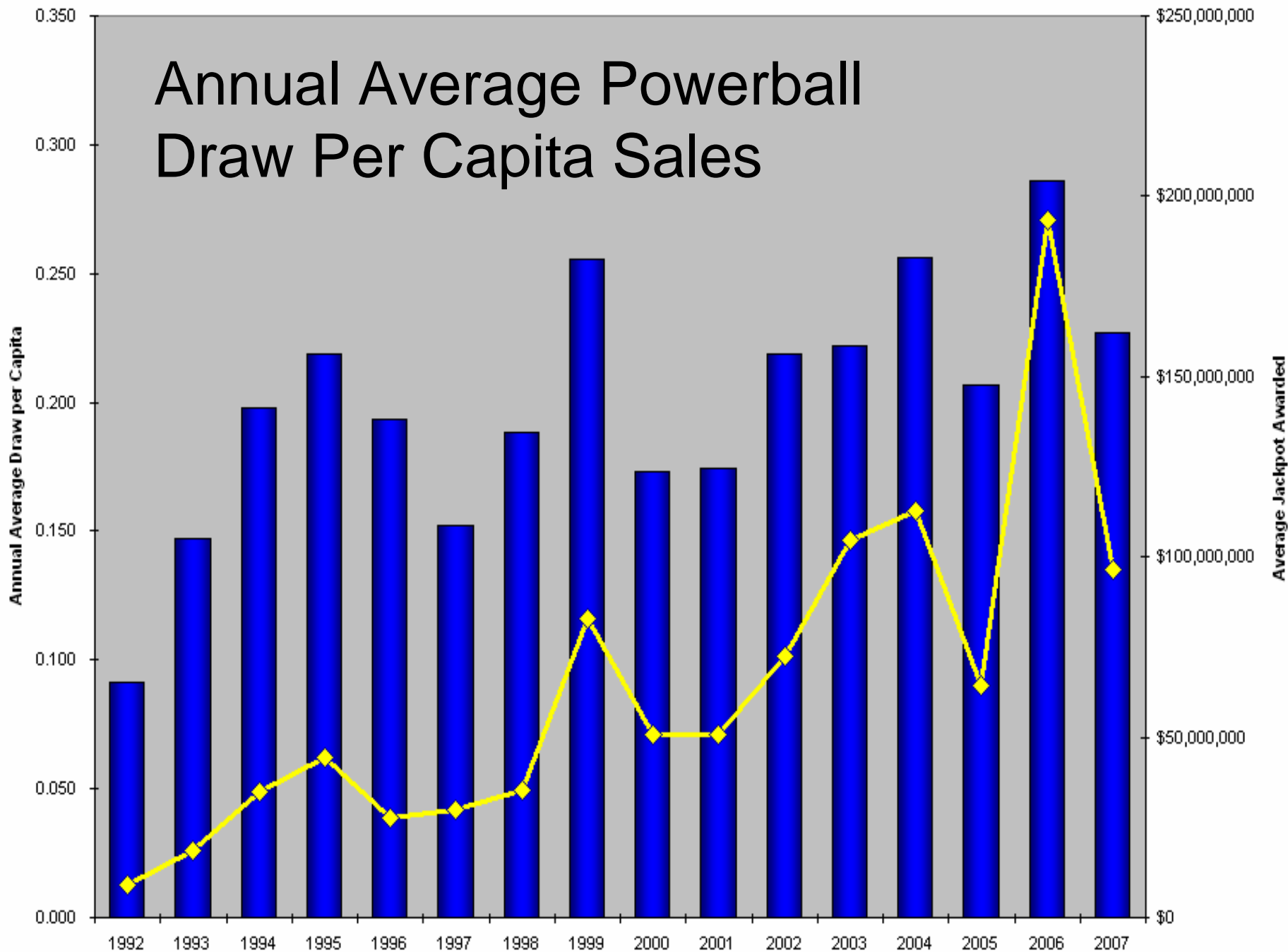
Annual Powerball Sales



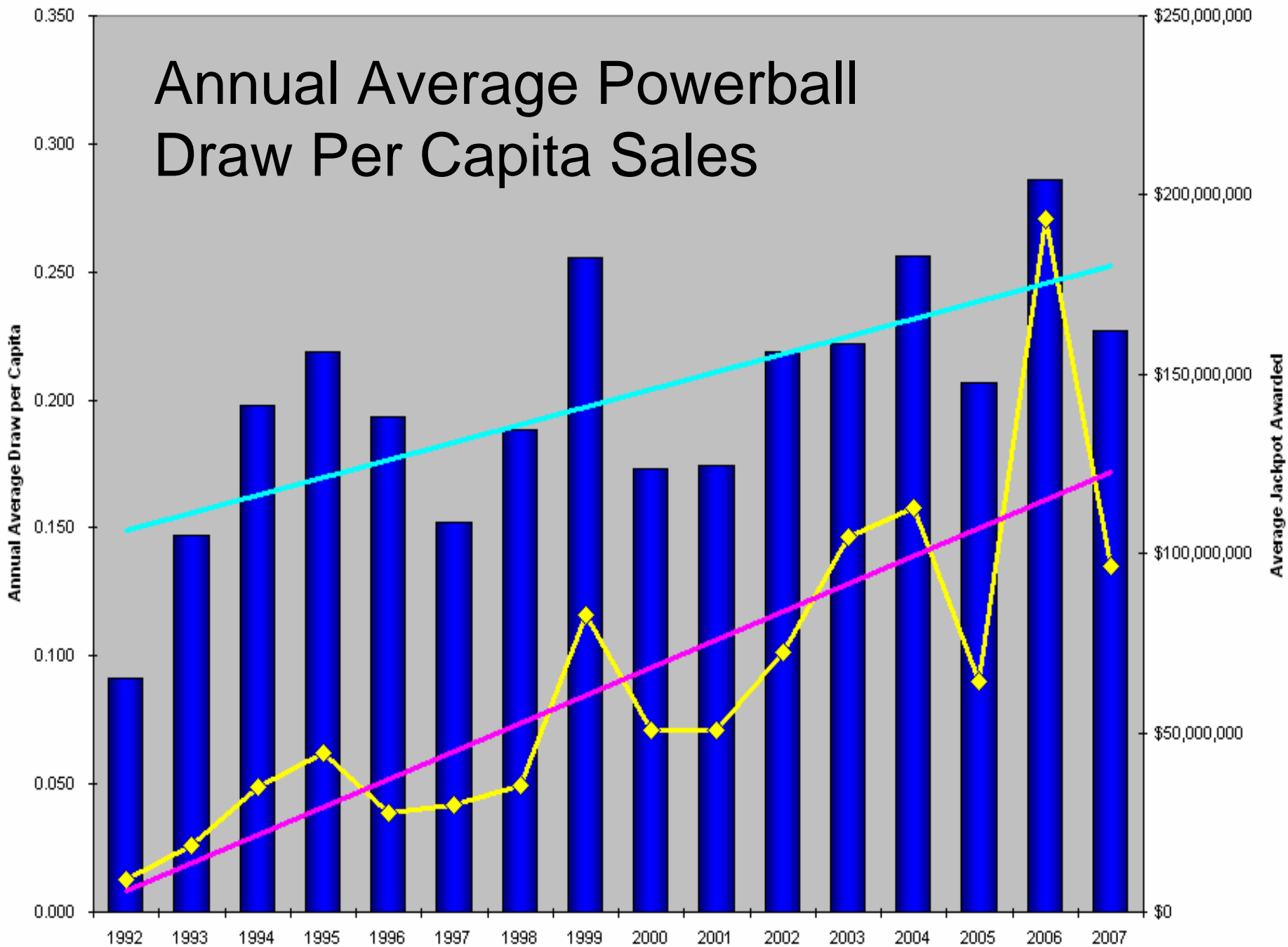
Annual Average Powerball Draw Per Capita Sales



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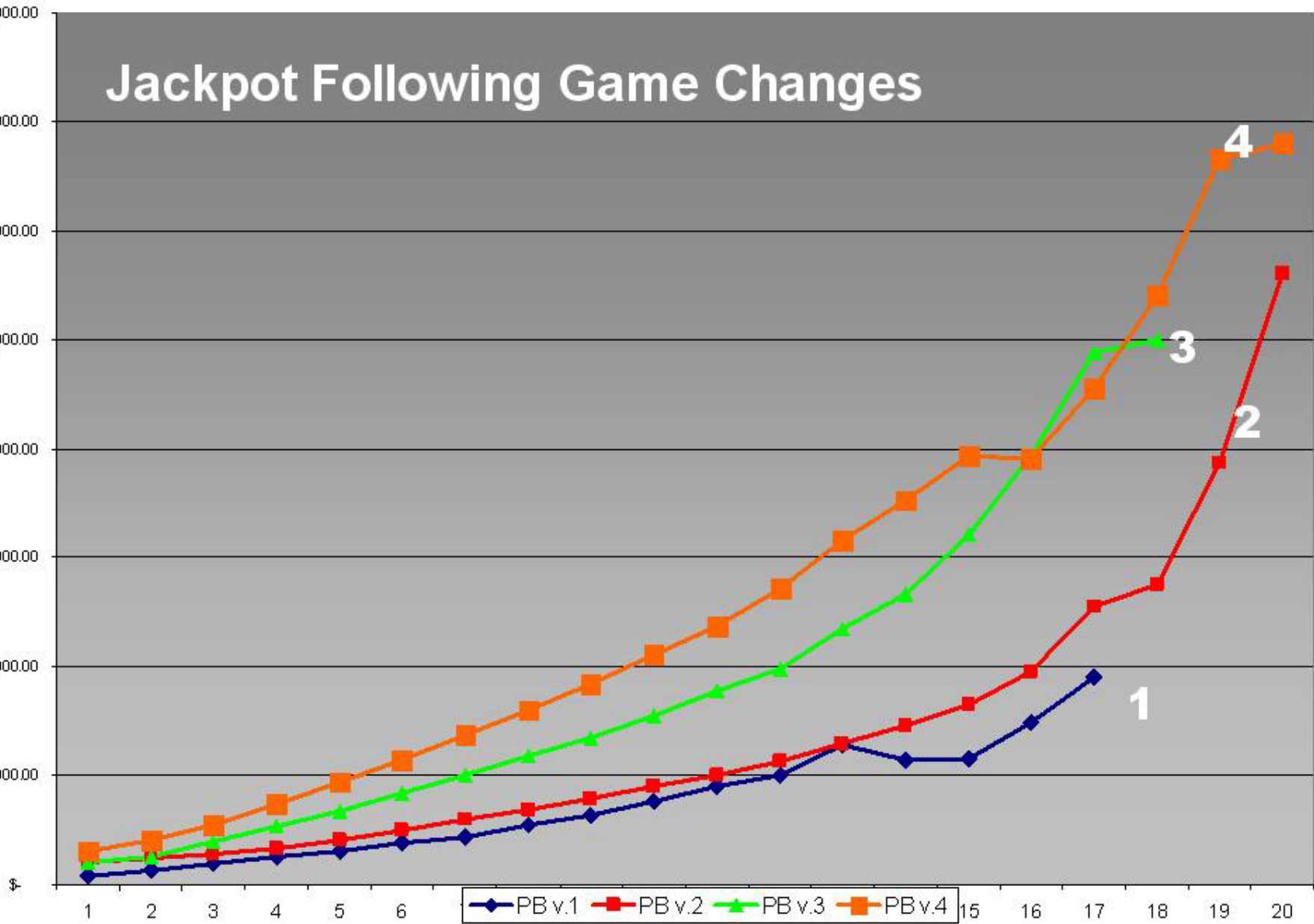


Positive Steps to Increase Sales through Product Management

- Change the Game
 - *Increase the Jackpot*
 - *5/45+1/45 began April 1992*
 - *5/49+1/42 began November 1997*
 - *5/53+1/42 began October 2002*
 - *5/55+1/42 began August 2005*



Jackpot Following Game Changes



MULTI-STATE LOTTERY ASSOCIATION

Prize Structure for POWERBALL

Sales Start October 5, 2002

5/53 + 1/42 Game; One Play for \$1



	<i>Odds</i>	<i>Number of Winners</i>	<i>Prize Levels (30yr GP)</i>	<i>Prize Cost</i>	<i>Prize % Of Sales</i>
Match 5+1	120,526,770.000000	1	\$78,749,586	39,374,793.00	32.6689%
Match 5+0	2,939,677.317073	41	\$100,000	\$4,100,000	3.4017%
Match 4+1	502,194.875000	240	\$5,000	\$1,200,000	0.9956%
Match 4+0	12,248.655488	9,840	\$100	\$984,000	0.8164%
Match 3+1	10,684.997340	11,280	\$100	\$1,128,000	0.9359%
Match 3+0	260.609691	462,480	\$7	\$3,237,360	2.6860%
Match 2+1	696.847653	172,960	\$7	\$1,210,720	1.0045%
Match 2+0	16.996284	7,091,360		\$0	0.0000%
Match 1+1	123.884027	972,900	\$4	\$3,891,600	3.2288%
Match 1+0	3.021562	39,888,900		\$0	0.0000%
Match 0+1	70.388652	1,712,304	\$3	\$5,136,912	4.2621%
Match 0+0	1.716796	70,204,464		\$0	0.0000%
Totals	1.000000	120,526,770	Total Prize Cost: \$ 60,263,385		50.0000%
Overall Odds	36.063768	3,342,046	Return to Lottery: \$60,263,385		50.0000%

MULTI-STATE LOTTERY ASSOCIATION



Prize Structure for POWERBALL

Proposed Matrix

5/55 + 1/42 Game; One Play for \$1

	<i>Odds</i>	<i>Number of Winners</i>	<i>Prize Levels (30yr GP)</i>	<i>Prize Cost</i>	<i>Prize % Of Sales</i>
Match 5+1	146,107,962.0000	1	Jackpot	44,253,951	30.2885%
Match 5+0	3,563,608.8293	41	\$200,000	\$8,200,000	5.6123%
Match 4+1	584,431.8480	250	\$10,000	\$2,500,000	1.7111%
Match 4+0	14,254.4353	10,250	\$100	\$1,025,000	0.7015%
Match 3+1	11,927.1806	12,250	\$100	\$1,225,000	0.8384%
Match 3+0	290.9068	502,250	\$7	\$3,515,750	2.4063%
Match 2+1	745.4488	196,000	\$7	\$1,372,000	0.9390%
Match 2+0	18.1817	8,036,000		\$0	0.0000%
Match 1+1	126.8849	1,151,500	\$4	\$4,606,000	3.1525%
Match 1+0	3.0948	47,211,500		\$0	0.0000%
Match 0+1	68.9592	2,118,760	\$3	\$6,356,280	4.3504%
Match 0+0	1.6819	86,869,160		\$0	0.0000%
Totals	1.0000	146,107,962	Total Prize Cost:	\$ 73,053,981	50.0000%
Overall Odds:	36.6066	3,991,302	Return to Lottery:	\$73,053,981	50.0000%

Positive Steps to Increase Sales yet Manage Jackpot Growth...

Add Features and Options

- *Power Play added March 2001*



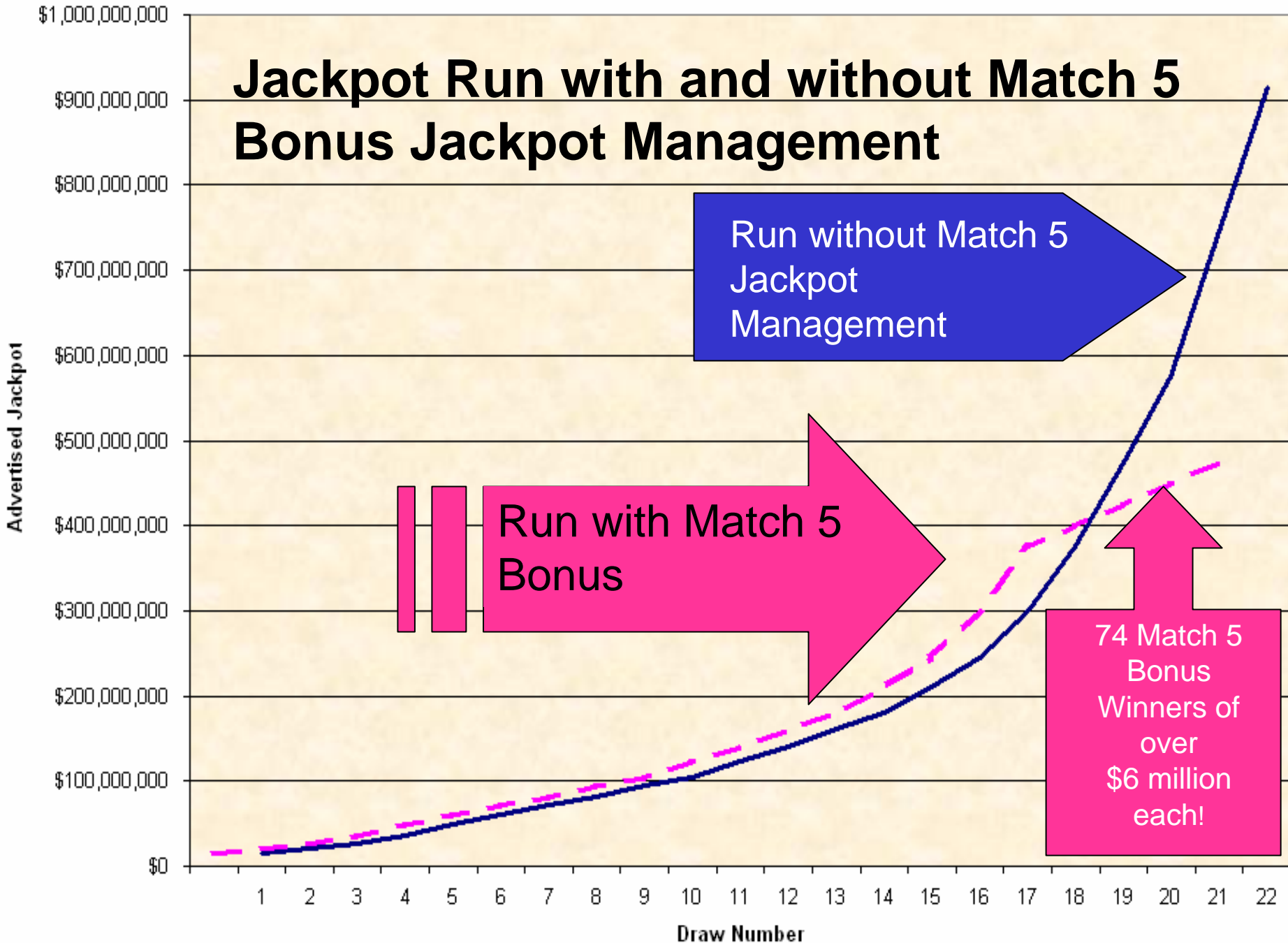
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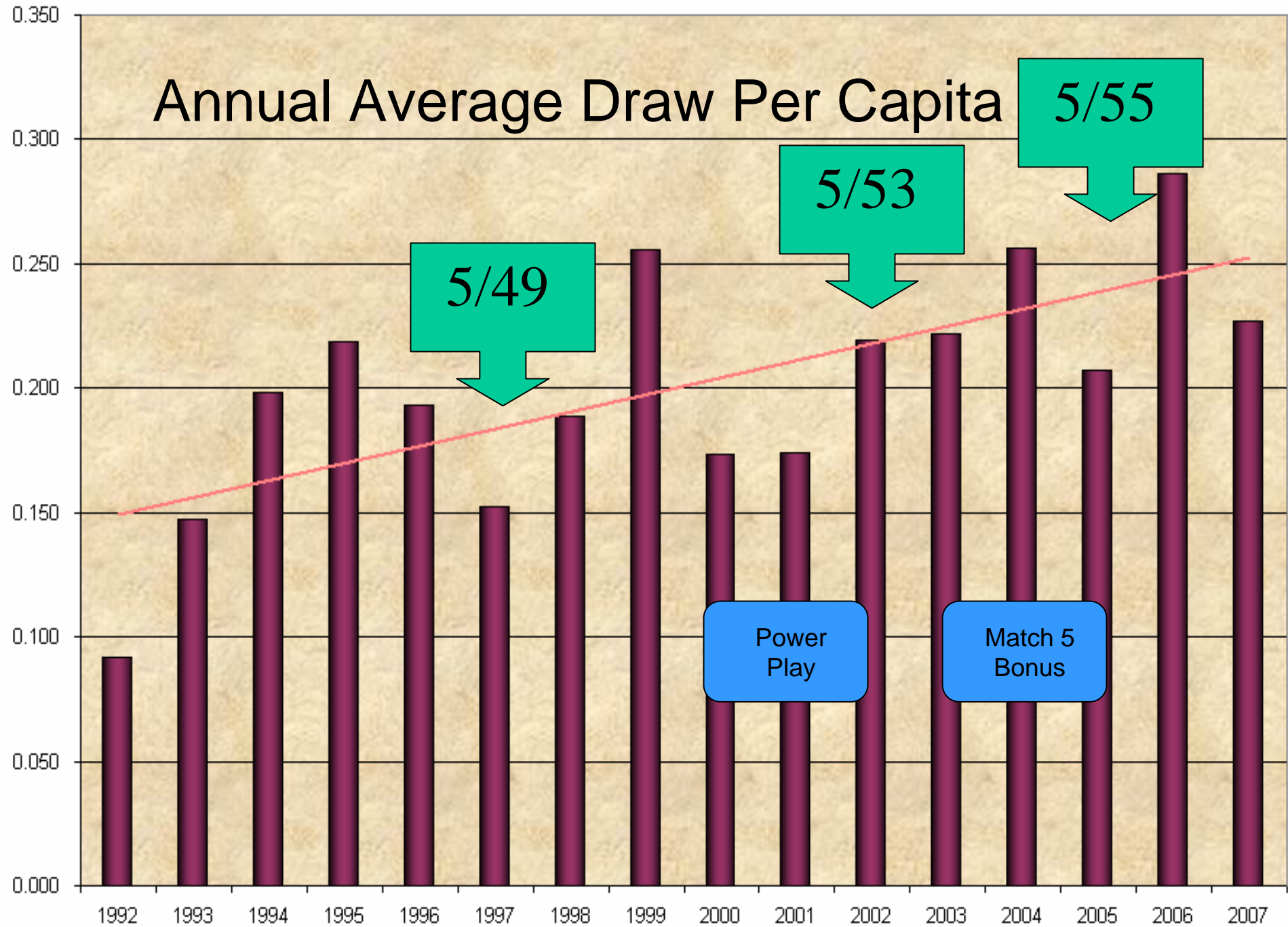
- *Match 5 BONUS Pool
added in 2002!*



Jackpot Run with and without Match 5 Bonus Jackpot Management

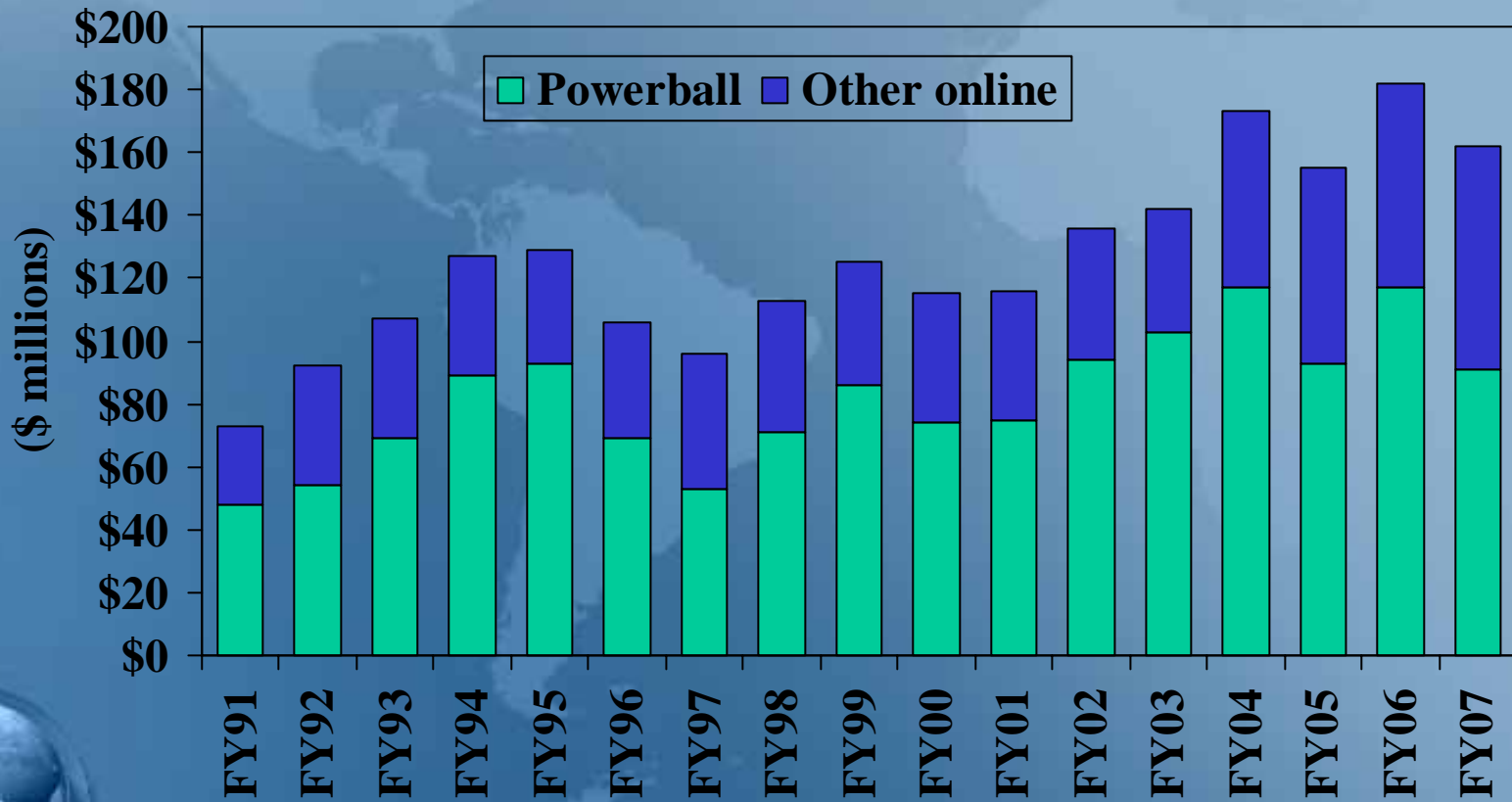


Annual Average Draw Per Capita



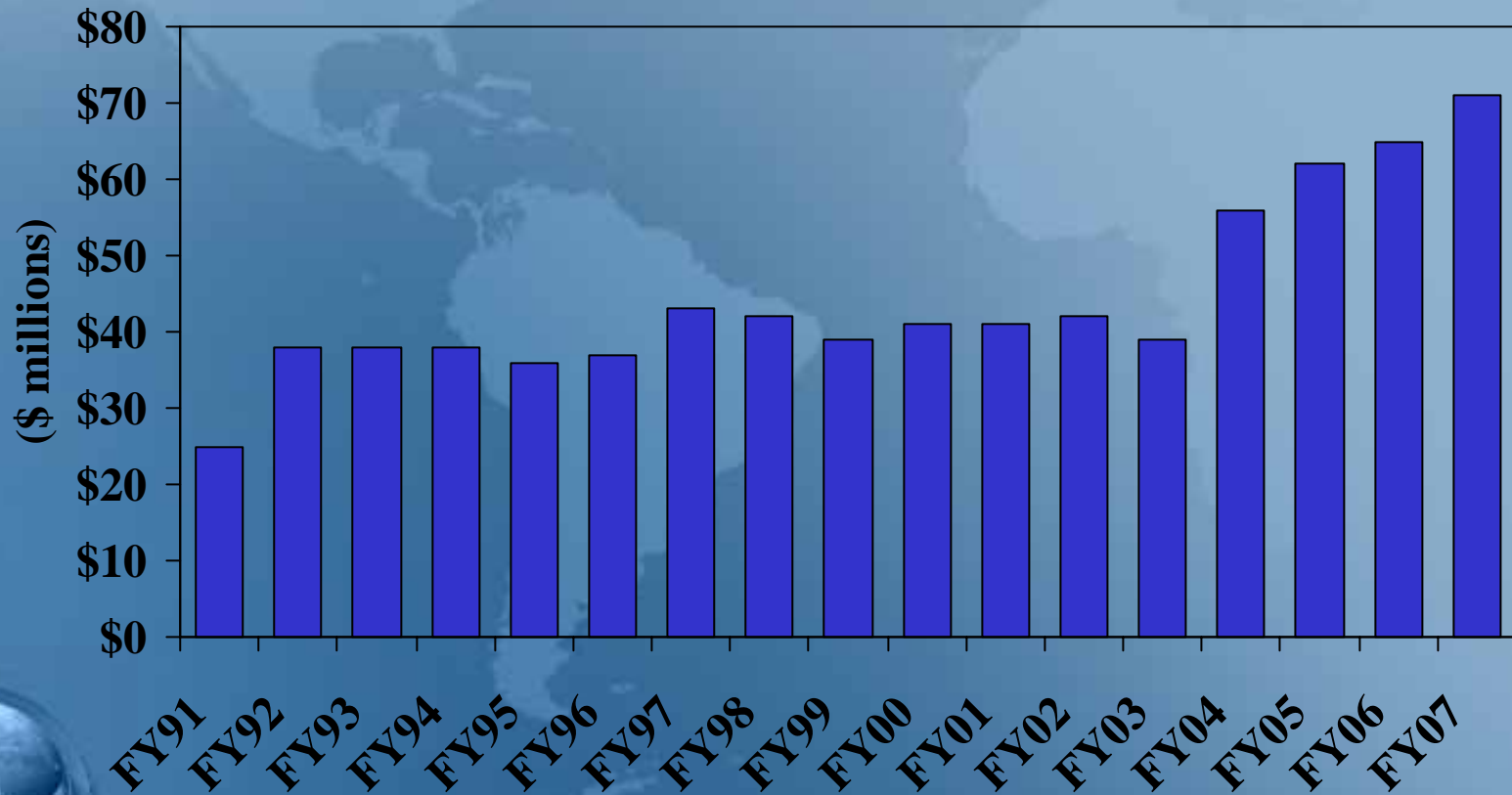
Minnesota's experience

Online Sales



The Minnesota Experience

Sales of Non-Powerball Online Games



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**Does it
Really
Matter?**

