

Nebraska Lottery
Business Plan
Fiscal Year 2014-2015



INDEX

The Nebraska Lottery Business Plan for fiscal year 2014-2015 outlines the intentions of the Nebraska Lottery, working in conjunction with their vendor partners, to sell Lottery tickets with the goal of generating funds for good causes across the state.

The Nebraska Lottery operates in a fluid environment, and the Plan will be flexible. Updates to various sections will be made throughout the year.

The index of the Plan is as follows:

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EXECUTIVE SUMMARY

The mission of the Nebraska Lottery is to generate proceeds for good causes as determined by the voters and the Legislature, while providing quality entertainment options to Nebraskans.

The Nebraska Lottery Business Plan for fiscal year 2014-2015 builds upon the history of success in meeting our goal to maximize profits for our beneficiaries. The Lottery's fiscal year runs July 1, 2014 to June 30, 2015.

A sales goal of \$161.3 million is set for this year, which would provide about \$40 million to our beneficiary funds.

The Nebraska Lottery sells \$1, \$2, \$3, \$5, \$10, \$15 and \$20 Scratch tickets with prizes ranging from a free \$1 ticket up to \$200,000 cash. A variety of Scratch games are developed and launched each year. We will continue to develop games with different themes to appeal to a variety of players.

The Nebraska Lottery currently sells six Lotto (online) games; Powerball, Mega Millions, Nebraska Pick 5, 2by2, MyDaY and Nebraska Pick 3. Nebraska Pick 5, MyDaY and Nebraska Pick 3 are offered exclusively in Nebraska. Powerball and 2by2 are operated on behalf of member lotteries by the Multi-State Lottery Association; and Mega Millions is operated by the member lotteries. The price for a single play of most games is \$1, except for Powerball, which is \$2 per play. Lotto prizes range from a free ticket up to a multi-million-dollar jackpot.

Nebraska Lottery Scratch and Lotto game products, equipment and services are provided by GTECH Corporation. Tickets and equipment are distributed from the GTECH warehouse in Lincoln. The Nebraska Lottery contracts with SKAR Advertising of Omaha for advertising development and marketing-related services.

The Business Plan should be reviewed periodically, as sales trends, promotional activities and opportunities and market conditions will necessitate changes to the proposed plan. This will be accomplished during bi-weekly marketing meetings and a comprehensive mid-year review.

SALES HISTORY AND GOALS

As the 5 Year Sales chart shows, total sales have grown roughly 21% in the past five years. In fiscal year 2013-2014 the Lottery had overall sales of \$157.89 million, a decrease of 1.78% from the prior year. Scratch sales were up 1.55% while Lotto sales were down 5.37%. It should be noted that fiscal year 2012-2013 was the highest sales year in the Lottery's history and two major Powerball jackpots that year led to all time high Lotto sales of over \$77 million.

During fiscal year 2013-2014 there were no record-breaking Powerball or Mega Millions jackpots. However, it is encouraging that the trend of overall Scratch ticket growth continued.

5 Year Sales Chart

GAME	2009-10	2010-11	2011-12	2012-13	Pending 2013-14	TOTAL
\$1	\$12,787,877	\$12,134,219	\$12,829,789	\$12,442,027	\$12,427,958	\$377,932,322
\$2	\$6,928,214	\$8,378,806	\$8,094,004	\$7,754,568	\$8,339,521	\$154,696,016
\$3	\$18,591,138	\$21,641,412	\$19,995,267	\$20,444,570	\$17,994,268	\$224,287,233
\$5	\$15,751,850	\$14,454,235	\$16,776,130	\$17,027,125	\$17,347,510	\$163,660,670
\$10	\$7,703,970	\$9,656,030	\$11,697,730	\$10,470,105	\$12,229,241	\$80,479,286
\$15	\$5,186,775	\$5,654,895	\$5,240,775	\$4,535,175	\$4,411,699	\$33,152,434
\$20	\$0	\$0	\$7,315,300	\$10,810,288	\$12,024,393	\$36,239,841
Bingo	\$0	\$0	\$0	\$0	\$0	\$61,393,012
Choosers	\$0	\$0	\$0	\$0	\$0	\$204,928
Instant Total	\$66,949,824	\$71,919,597	\$81,948,995	\$83,483,858	\$84,774,590	\$1,132,045,742
Pick 5	\$13,437,357	\$11,366,006	\$11,557,394	\$11,013,248	\$10,788,226	\$179,072,610
Powerball	\$40,545,252	\$30,753,015	\$36,411,403	\$49,579,598	\$40,414,277	\$680,757,603
Daily Millions	\$0	\$0		\$0	\$0	\$5,104,151
Wild Card	\$0	\$0		\$0	\$0	\$1,120,408
Cash4Life	\$0	\$0		\$0	\$0	\$5,461,815
Rolldown	\$0	\$0		\$0	\$0	\$3,522,616
2by2	\$2,072,600	\$2,083,587	\$1,973,867	\$2,011,943	\$1,994,261	\$25,772,462
Pick 3	\$3,161,319	\$3,275,919	\$3,512,349	\$3,709,385	\$4,083,827	\$30,016,261
MyDaY	\$2,013,114	\$1,786,619	\$1,775,329	\$1,698,012	\$1,695,879	\$10,940,824
Mega Millions	\$2,400,695	\$10,734,566	\$13,433,052	\$9,257,030	\$14,145,474	\$49,970,817
On-Line Total	\$63,630,337	\$59,999,712	\$68,663,394	\$77,269,216	\$73,121,944	\$991,739,567
Total	\$130,580,161	\$131,919,309	\$150,612,389	\$160,753,074	\$157,896,534	\$2,123,785,309
Percent Change						
Instant	3.38%	7.42%	13.95%	1.87%	1.55%	
On-Line	8.79%	-5.71%	14.44%	12.53%	-5.37%	
Total	5.95%	1.03%	14.17%	6.73%	-1.78%	

Fiscal Year 2015 Projection

Our fiscal year 2014-2015 sales goal is \$161.3 million in total sales. Scratch and Lotto sales are projected at \$87 million and \$74.3 million, respectively; averaging \$1.67 million and \$1.43 million per week, or \$3.1 million combined per week.

GAME	2013-14	2014-2015 Projections
\$1	\$12,427,958	\$14,050,000
\$2	\$8,339,521	\$6,770,000
\$3	\$17,994,268	\$19,170,000
\$5	\$17,347,510	\$17,800,000
\$10	\$12,229,241	\$11,530,000
\$15	\$4,411,699	\$5,130,000
\$20	\$12,024,393	\$12,550,000
Bingo	\$0	
Choosers	\$0	
Instant Total	\$84,774,590	\$87,000,000
Pick 5	\$10,788,226	\$10,960,000
Powerball	\$40,414,277	\$41,060,000
Daily Millions	\$0	
Wild Card	\$0	
Cash4Life	\$0	
Rolldown	\$0	
2by2	\$1,994,261	\$2,020,000
Pick 3	\$4,083,827	\$4,150,000
MyDaY	\$1,695,879	\$1,730,000
Mega Millions	\$14,145,474	\$14,380,000
On-Line Total	\$73,121,944	\$74,300,000
Total	\$157,896,534	\$161,300,000
Percent Change		
Instant	1.55%	2.63%
On-Line	-5.37%	1.62%
Total	-1.78%	2.16%

OBJECTIVES BY AREA

SCRATCH PRODUCTS

We will continue to launch about 40 new Scratch games per year.

Growth in Scratch sales can be seen through increased product visibility; exploration of new themes and new play styles; strategic offerings of featured games and add-on promotions; market expansion and continued awareness within Emerging Markets.

Continued growth in Scratch sales will come from a combination of product innovations, enhanced prize structures, strategic inventory management, and promotional opportunities.

Existing and New Games

The Nebraska Lottery's current Scratch portfolio of products consists of \$1 games, \$2 games, \$3 games, \$5 games, \$10 games, \$15 games and \$20 games.

Nebraska averages about 32 Scratch games on sale at a time, although many of the games are in various stages of distribution and availability. Facing counts at retail currently average about 18 per retailer.

A comparison of national payouts by price point has found Nebraska is aggressive on the profitability front, and competitive across sales fronts.

Payout by Price Point Comparison (Nebraska's rate first)

\$1, 60% vs 60%

\$2, 65% vs 64% (higher than average); a reduction could produce savings

\$3, 65% vs 66%

\$5, 68% vs. 68%

\$10, 71% vs 73%

\$15, 72%

\$20, 72.5% vs 74%

41 Scratch games were launched in fiscal year 2014. There breakdown was:

12-\$1 games

10-\$2 games

4-\$3 games

9-\$5 games

4-\$10 games

1-\$15 game

1-\$20 game

\$1 Scratch games are designed to appeal to the new/occasional players for instant gratification with top prizes ranging from \$1,000 to \$10,000 and varying themes including numbers, seasonal quick play, gaming, holiday, sports and cash.

\$2 Scratch games are designed to appeal to the occasional player for instant gratification, who is playing more and becoming a loyal player. With merchandise, gaming, numbers, cash/gems and licensed themes, the \$2 Scratch games usually offer \$10,000 to \$17,000 top prizes or merchandise top prizes. Truck\$ & Buck\$ is the exception to this having a top prize in the \$50,000 range. Truck\$ & Buck\$ will remain at \$2 for 2015.

\$3 Scratch games are mostly extended play games that appeal to the loyal player who likes the entertainment value; however we are adding an occasional quick play game style to the \$3 mix. The top prize for \$3 games ranges from \$25,000 to \$35,000. Loteria's launch provides the opportunity to reach new and previously underserved markets. The staple Bingo and Bonus Crossword games will continue to be offered.

\$5 Scratch games are designed to appeal to the core player and the games offer more "added" features or multiple play areas. The \$5 games top prizes range from \$30,000 to \$50,000.

\$10 Scratch games include more features and multiple play areas than the \$5 games and appeal more to the core player who is in search of a higher payout, and usually a \$100,000 top prize. In fiscal year 2014 the launch of 10X the Money delivered the first game of its type with a \$10,000 top prize and call outs highlighting the 20 top prizes to players. The games success set the stage for the \$10 holiday game Candy Cane Cash with nine top prizes of \$9,999.

Our current \$15 game is a crossword themed game, Ca\$hword Extravaganza. The next \$15 game will be a bingo/key number match style game. Both games have a \$150,000 top prize.

Our current \$20 game is Spectacular 7 and it will be followed by 20X. The possibility of a \$20 game book or oversized ticket is still something we will want to consider in the future.

We should contemplate the print quantities at every price point in order to achieve optimum sales effectiveness. Every game should come under some kind of deliberation as to what the print quantity should be. In many cases, the quantity will not change. In others, the number will go up while others will be reduced. We'll need to look at each individual game and the variables we'd like to adjust. Some of the variables will be features on the ticket such as an active bonus box or multipliers, top prize/high-tier amounts, a more meaningful mid-tier to enhance the number of chatter prizes, and/or the odds of the game.

We should continue looking at including the lower high-tier prizes (\$1,000) and discuss the impact they make. (Retail banners, high-tier winner report, and effort to claim vs. impact.) Additionally, we should consider more options of lower top prizes at various price points. \$10 10X the Money sold very well last year and only had a \$10,000 top prize. This will allow us to have shorter print runs on higher price point games.

In fiscal year 2014 we built on the success of the "Lucky Summer '13" family of games and launched another family of games, the "Summer Red" series. We will plan another family of games for the summer of 2015, along with a similar promotion featuring these games as the past 2 years. The 2015 iteration of the family might include a \$10 game.

Crossover Products

We will continue launching an occasional crossover game as a way to introduce Lotto games to our Scratch players. Among current plans are a \$2 game that features free Nebraska Pick 3 plays and a \$1 game that features free Nebraska Pick 5 tickets.

Additionally, the \$5 Powerball/Mega Millions Scratch game will be launched. The familiarity of the brands with our players and with Powerball and/or Mega Millions quick pick plays as prizes should be appealing.

Licensed Properties

The use of licensed properties will be evaluated based on availability from the companies that provide licensed properties and any properties we can obtain privately; and if the value of the property is determined to be worth the licensing fee.

\$3 UNO and \$3 Monopoly will be launched. \$2 Truck\$ & Buck\$ will feature a Ford pickup. Other brands under current consideration are Lava Lamp, Tetris, Pac Man, NASCAR and reprints of Loteria and Frogger.

The Scratch sales goal for fiscal year 2014-2015 is \$87 million. Strategies to accomplish this increase will address several areas:

Reaching our Scratch goals will involve:

- Continue increasing revenues and profitability for core games: Crossword, Bingo, and Quick 7's.
- Launch four holiday games (\$1, \$2, \$5 and \$10) with a holiday promotion.
- Revamp and introduce new versions of Scratch games that sold well in the past. Analyze the sales to determine optimal print quantities.
- Consider a poker themed game.
- Initiate \$1 Scratch attribute research.
- Utilize licensed properties when the best opportunities present themselves.
- Launch Truck\$ & Buck\$ in February again.

- Utilize a direct mail coupon offer in January and the FSI coupon offer in late Spring/early summer.
- Launch a family of games in the May time frame.

LOTTO PRODUCTS

The current portfolio of products consists of six on-line Lotto games, Powerball Power Play, Mega Millions with Megaplier, Nebraska Pick 5, 2by2, Nebraska Pick 3 and MyDaY.

Lotto sales will be largely dictated by Powerball, Mega Millions, and Nebraska Pick 5 jackpots. A change to the Powerball game in 2015 may impact sales. A couple large jackpot runs from Powerball or Mega Millions will be necessary to meet Lotto sales goals.

Our three jackpot games, Powerball, Mega Millions, and Nebraska Pick 5 produce sales variations that are attributed to jackpot size rather than seasonality or promotions. Powerball Power Play and Mega Millions Megaplier allow players to play for enhanced prizes by adding \$1 to the price of each play

Nebraska's static top prize games (2by2, Nebraska Pick 3 and MyDaY) exhibit minimal yearly sales variations. However, Nebraska Pick 3 has seen steady growth every year since its launch in 2005. A recent retailer and player education campaign has seemed to have an effect on the game. 2by2 and MyDaY seem to be more sensitive to sales variation based on the availability of promotions. A 2by2 discount coupon based promotion did well in 2014. Additional promotions and player education campaigns for these three games should be considered.

New Games

We should consider the possibility of adding the new Monopoly Millionaire's Club Lotto game to our product mix in the future. This national game is launching in October, 2014. Additionally Hot Lotto would be a possible game addition for us.

Reaching our Lotto goals will involve:

- Powerball and/or Mega Millions having at least 2 or 3 high jackpot runs. While this is out of our control, it is a known fact.
- Low jackpot awareness campaigns.
- The continued brand awareness of Nebraska Pick 5, tagged as "It's Our Game" and highlighted by our continuing Alien advertising campaign.
- Increased support of our three static top prize games (Pick 3, 2by2 and MyDaY). Utilizing coupons, education, new play slips, and promotions to help raise awareness of these games. This includes a new MyDay single play, play slip. The hope is the new play slip will make it easy for new players to learn how to play

the game and be used as a simple way to highlight the ability to play special dates.

RETAIL ENVIRONMENT

Overall efforts within the retailer environment will be to maximize sales at all retailers, continue to grow our retailer base, and to maintain an excellent working relationship with all retailers and retailer associations.

We will continue to maintain excellent working relationships with our independent retailers and chains. It is also important that we maintain current relationships with the Grocer's Association and the Petroleum Marketers Association.

While opportunities for retailer expansion have been limited, it is important to be aware of opportunities that may present themselves.

Goals in the retail environment include:

- Looking for new ways to expand the retailer base. Contact will be made with new businesses and also revisiting former retailers.
- Discuss underperforming stores during reviews with chain store management.
- Implement additional chain based promotions.
- Continue to upgrade display units and increase facing where appropriate.
- Enact new Retailer Merchandising Agreements (the current agreement expires on Sept. 30, 2014).
- Update the POS brochure.
- Ask Lottery retailers to add Lottery information to their websites (example-add winning Lotto numbers)
- Produce generic POS for the LSRs to use at stores
- Implementation of GTECH's TAG program to optimize store potential.
- Run annual golf event.
- Quarterly RAB meetings.
- Using Ticket Talk for retailer education and recognition.
- Running clerk promotions to both reward and to encourage sales.
- Implement new small jackpot signs at retail.
- Increase use of Hispanic POS.

ADVERTISING AND RELATIONSHIP MARKETING

Nebraska Lottery advertising will continue the use of traditional and digital advertising including TV, radio, Web, outdoor, retail POS and print publications to provide:

- Advertising support for specific statewide promotions.

- Advertising support for specific products and launches.
- Advertising for beneficiary information.
- Advertising support for Lotto jackpots.

Additionally the use of some non-traditional marketing tactics will be incorporated along with the use of the Street Team.

There are six main objectives:

- Branding
- Quick sell through of Scratch games
- Powerball/Mega Millions low jackpot level awareness
- Growing the database and continuing current relationship with players
- Increasing MVP Club membership
- Converting MVP Club members to core players and brand advocates

How to Achieve:

- Pick 5 branding. –Alien Spokescreatures
 - Continue to feature aliens. Look to add new POS, an alien blog, alien FB posts and unique presence at events.
- Scratch branding-Find Your Game, Find Your Fun.
 - Continue using tagline for all multi-Scratch game ads; consider adding this tag line to counter mats and other Scratch POS.
- Powerball branding-Power Dream
 - Use in radio, print and other POS.
- Beneficiary branding-Half a Billion
 - Explore ways to transition out of “Half a Billion” theme but keep similar look.
- Wyoming border advertising
 - Review and plan on-going border advertising as needed
- Scratch campaigns
 - Focus on holiday gift giving, Truck\$ & Buck\$ and our summer campaign promotion, along with a variety of licensed product games.
- Pick 3 campaign
 - Begin to establish brand loyalty with this game.
- Low jackpot campaign-Why Wait to Win
 - Continue pushing this message throughout the year.
 - Explore similar Mega Millions version
- Player coupons offers
 - Post-holiday coupon mailer, early summer FSI, a possible fall FSI and explore email coupon offers.
- Digital Media
 - Continue reaching players through ads on desktop, tablet and mobile.
 - Focus on Facebook and Twitter, while looking at adding Instagram and other popular social networks later.
 - Enhance mobile app with push notifications, scratch section, prizes remaining and more

- Relationship Marketing
 - Move majority of messaging to email vs. direct mail, but continue to use direct mail for large campaigns and players without email. Evaluate instances where both direct mail and email messaging is used to determine methods to use in the future.
 - Send timely personalized emails to follow up after interacting with someone at an event, FB promotion, survey, MVP Club promotion, etc.
 - Focus on geo/psychographic targeted email messages
- MVP Club
 - Increase members and build more rewards for current members.
 - Update and enhance current MVP Club webpages
 - Focus on pool players on the Web and targeting at work or other.
- Street Team
 - Attend more high impact events in and outside of Lincoln/Omaha
 - Continue to push Scratch, but explore Lotto awareness and sampling.
 - Utilize Twitter and other social platforms to reach audience.

PROMOTIONS

Promotions are developed to increase trial, spending, and frequency of play by the core players group; to increase awareness and trial by players in the occasional or infrequent players group and to increase awareness and trial by players in the lapsed and non-players group.

Additionally, it is important to consider promotions that have an interest from players in the 19-29 demographic and that can reach out to those active on Facebook and other social media outlets.

While the opportunity or need for promotions will continue to develop throughout the year, planned promotions for fiscal year 2014-2015 include:

- Continuation of the second chance \$20 Scratch game and Last Shot! promotions.
- Wrap up of the Megafan Ticketfest and the Summer Promotion.
- A Powerball with Power Play discount coupon offer.
- A holiday promotion featuring all four holiday Scratch game price points. Offer weighted entries based on the price point of the ticket entered.
- A 2by2 free ticket promotion to increase trial of the game.
- Promotions to give away the Nebraska football bowl game trip and the Husker basketball experience outing.
- Truck\$ & Buck\$ second chance in the spring/summer
- Another family of games promotion for the summer of 2015.
- A variety of Facebook and possibly Twitter promotions.
- Continue to evaluate various tear pad coupon offers.

Additionally, some new promotions to consider include:

- A MyDaY New Year's promotion
- 2by2 7 draws for \$5 year-round
- Scratch game promotions including promotions based on Bonus Quick 7s/Quick 7s and Powerball/Mega Millions
- A Pick 3 gas card promotion.
- A Nebraska Pick 5 \$10,000 daily roll promotion in February.
- A promotion using the upcoming \$1 Cashtag Scratch game (Twitter based promotion) and something with the \$1 Nebraska Pick 5 Scratch ticket.

SPONSORSHIPS AND EVENTS

The Nebraska Lottery will continue to sponsor teams and events to create and increase brand awareness, sales opportunities and product trial. Additionally we will use these events to collect data for the relationship marketing program and utilize sponsorship events as an outlet for the Street Team.

Event tickets from sponsorships will be used in promotions and as player/retailer rewards.

While some events will give us the opportunity to have a selling location set up where we will utilize our Special Event Coordinators and Ambassadors, others will just give us a branding presence. It is important that the Nebraska Lottery is visible all across the state. We will continue to have a presence at major fairs/festivals/events/home shows throughout Nebraska year-round. However, it will be important to evaluate all sponsorships based on their cost and the value the sponsorship or event fee brings to the Lottery.

Major sponsorships will include:

Husker Sports Network (IMG) and Pinnacle Bank Arena
UNO and Creighton Athletics
Three indoor football teams, Omaha / Grand Island / Lincoln
Two Minor league baseball teams, Omaha and Lincoln
Three Junior Hockey Teams, Omaha / Lincoln / Tri-City
Nebraska State Fair
Lancaster County Fair
Dynasty Combat and Victory Fight Club-Omaha / Lincoln / out state
Roller Derby, Lincoln
Mall events
UNL/UNO student events

Cornhusker State Games

Other sponsorships or events will include:

- Omaha Summer Arts Festival
- Taste of Omaha
- Ribfest – Lincoln
- Four Auto Race Tracks, Eagle / I-80 / McCook / Mid-Nebraska – Doniphan
- Figure Eight races – York
- Omaha Auto Show
- Santa Lucia Festival
- Boat Sports & Travel Shows
- Home & Garden Shows
- Numerous retail based events (Allen's, Speedee Mart etc)
- Nebraska State Chili Cook Off – Omaha
- Nebraskaland Days – North Platte
- Various county fairs

PUBLIC RELATIONS AND COMMUNICATIONS

The Nebraska Lottery's PR efforts will foster as much winner awareness as possible, among the public (players and non-players) news media and retailers; generate increased awareness of Scratch and Lotto games and promotions among the playing public and news media and increase awareness of our beneficiary funds and the contribution Nebraska Lottery retailers make to their efforts, among the public (players and non-players), news media, and retailers.

Audiences to be reached through include players, beneficiary funds, news media, the general public, and retailers.

Goals in this area include:

- Evaluate alternative social media platforms. While Facebook is our main focus, we need to develop a presence on Twitter.
- Develop new goals for social media beyond fan acquisition.
- Improve media relationships
- Focus on new ways to increase winner awareness. Many winners are unwilling to be interviewed, so new ways to get winning stories told need to be found.
- Identify new functions for the website after the update in the summer of 2014.

RESEARCH

Research affords the chance to identify audiences, design effective games and promotions, and tailor messages and strategies to bring them together.

Our latest tracking study was conducted in March/April of 2013 and included 1,000 Nebraskans (833 using a web-based survey and 167 by phone).

According to the 2013 Tracking Study:

- 85% of respondents stated they were not opposed to state Lotteries.
- 60% of respondents stated that they had played the Nebraska Lottery in the past year.
- 41% of Nebraskan adults had played Scratch Games in the past year.
- Of those, 64% reported they had played both Scratch and Lotto games with 5% playing only Scratch and 31% playing only Lotto games.
- 55% of Nebraskan adults had played Powerball in the past year.
- 39% of Nebraskan adults had played Mega Millions in the past year
- 27% of Nebraskan adults had played Nebraska Pick 5 in the past year.
- 9% of Nebraskan adults had played MyDaY in the past year.
- 15% of Nebraskan adults had played Nebraska Pick 3 in the past year.
- 10% of Nebraskan adults had played 2by2 in the past year.

In 2014 a Lotto Segmentation Study was conducted. This research was designed to provide a framework for understanding the marketplace through the use of identified segments. Five distinct segments were identified. They are:

- Impulse Dabblers
- Engaged Promotion Seekers
- Multi-State Jackpot Chasers
- Lottery Pool Enthusiasts
- In-state Game Advocates

Since 2009, the Nebraska Lottery has used a web-based continuous customer feedback mechanism. This mechanism continuously monitors multiple marketing, product, economic, and market place elements. In the standard ticket message section of each Lotto ticket, players receive an invitation to provide their feedback. Upon completing one of the approximately 8-10 active surveys, the respondents are entered into a random draw for a prize.

Survey topic modules:

1. Satisfaction at Retail – A survey designed to assist in providing retailer service insights based on the ticketholder’s recent retail visit.
2. Consumer Confidence – A survey similar to the bi-monthly National Consumer Confidence survey, designed to monitor lotto players` confidence in both the national and state economic situation.
3. Advertising Impact – A survey highlighting various TV or radio spots where the respondent will watch or listen to the streamed video/audio spot and then answer a series of questions about that TV or radio spot.
4. POS Recall & Usage – A survey designed to identify whether respondents’ recall seeing various point of sale material.
5. Ad-hoc Surveys-including the addition of an overall Lottery satisfaction survey and Powerball vs. Mega Millions.

Planned Research

There are several areas where the Nebraska Lottery may undertake market and product research in Fiscal Year 2014-2015.

- Continued use of the CFM.
- Continuation of the Lotto segmentation survey.
- A Ticket Attribute Study of \$1 games (with other price point researched in future years.
- Prize structures at specific price points.
- Other possible studies depending on the Lottery’s needs over the year.

BENEFICIARY

With the goal of total sales of \$161.3 million in fiscal year 2014-2015, the Nebraska Lottery can expect to generate up to \$40 million for its beneficiary funds during the fiscal year. Using the formula established by Amendment 4 (passed by Nebraska voters in November 2004), that translates into total transfers of:

Education (44.5%), \$17.6 million

Nebraska Environmental Trust Fund (44.5%), \$17.6 million

Nebraska State Fair (10%), \$3.9 million

Compulsive Gamblers Assistance Fund (1%, plus \$500,000), \$895,000

Amendment 4 passed by Nebraska voters in November of 2004 established the following distribution formula for Lottery Proceeds: Education as directed by the Legislature (44.5%) – currently divided among the Education Innovation Fund and Nebraska Scholarship Fund; Nebraska Environmental Trust Fund (44.5%); Nebraska State Fair (10%); and the Compulsive Gamblers Assistance Fund (1%, plus the first \$500,000 in fund proceeds each fiscal year).

LB286 (2009) updated the language regarding the amounts transferred to Lottery beneficiaries. This legislation requires that the Nebraska Lottery transfer the greater of \$20,229,700 or at least 22% and no more than 25% of tickets sold. If approved by the Tax Commissioner and the Lottery Director, transfers can exceed 25%.

Beyond monetary transfers, the Nebraska Lottery will continue to work to build awareness of the beneficiary funds and the Lottery's relationship to them.

TIMELINE

Major milestones by month:

July

- Key Account Golf Outing

August

- RAB Meeting
- Wyoming Lottery begins
- State Fair
- Summer Promotion Giveaway

September

- Football Game Day Experience
- Retailer Merchandising Contract Renewals Due (Sept. 30)

October

- Holiday Game and Promotion launch
- Launch Twitter Account
- 2by2 Promotion (Free Ticket Giveaway)
- Monopoly Millionaire's Club Launches (Watch to determine interest in pursuing)

November

- RAB Meeting

- Husker Football Game Day Sponsorship
- Low Jackpot Campaign

December

- Holiday Advertising Campaign
- Husker Bowl Game Giveaway Promotion

January

- Post-Holiday Coupon Offer (Direct Mail?)
- Holiday Promotion Giveaway
- Basketball Experience Promotion Runs
- Powerball Step-Down Starts

February

- RAB Meeting
- Truck\$ Launch
- Pick 5 \$10,000 Roll Promotion
- Basketball Experience/Game Day Sponsorship
- PACE Show (Kansas City)

March

- Retailer Rallies

April

- Powerball game change
- Powerball Ad Campaign

May

- RAB Meeting
- Summer Game and Promotion Launch

June

- Truck Giveaway (Saltdogs?)
- FSI with Coupons

FUTURE

The activities of the Nebraska Lottery encompass numerous areas and audiences, and span considerable periods of time. While this Business Plan focuses on the core activities of a single fiscal year, much of that work continues year to year and will be complemented by the following long-term elements. It is reasonable to expect these complementary arrangements to span multiple fiscal years, through 2015 and beyond.

Operations and Offerings

The capabilities of the system(s) provided under the Unified Systems contract with GTECH present numerous opportunities for sales growth. The opportunities include, but are not limited to, retail network expansion, increased game and promotions offerings, increased market analysis capabilities, and increased operational efficiencies through shared or shifted responsibilities.

New Products

As we are currently not able to add new products to our game mix (such as Monopoly Millionaire's club or Hot Lotto) we must continue to enhance our current products while staying abreast of potential future games and methods of play to add in the future.

Daily Drawings

The February 2008 enhancements made to 2by2 included drawings seven days a week and had a positive impact on sales. The addition of MyDaY in October 2008 has also demonstrated the potential revenue to be derived from serving new audiences; extending that game to seven days would fit its calendar theme.

The ability to hold daily drawings for all games drawn more than twice a week (MyDaY, Nebraska Pick 3 and Nebraska Pick 5 in addition to 2by2), and the ability to offer more than one drawing per day for a game would enhance the Lottery's efforts to maximize operational efficiency, optimize customer convenience, and increase overall sales and beneficiary revenues.

Subscriptions and Gift Cards

A growing trend nationwide, with successful results for many lotteries, is the availability of game subscriptions via the Internet. While the public policy debate on Internet sales continues to be active, there are effective models in place by which subscriptions are managed by lotteries for participating registered players; no tickets, only funds, are exchanged.

Branded gift cards at retail locations are also growing in prominence. Such cards are sold and activated at retail for subsequent use by recipients at that or any other location. This prospect holds potential for increasing gift giving, and introducing the Lottery brand at locations where handling tickets may not be practical.

Both offerings could be subcontracted with any one of a number of possible vendors.

Broadening Markets

Strategies for attracting new and Emerging Markets must continue to go beyond products, promotions and advertising--addressing the following points.

Those strategies should include recruitment of specialized retailers, and modification of inventory standards and terminal requirements to make selling as efficient as possible for non-traditional retailers.

Also, consideration should be given to special POS executions and advertising tactics to reach audiences that patronize specialized retailers.

Additionally, efforts should seek to identify and develop specialized products and allocate necessary resources for licensing and nurturing supporting cross-promotion relationships.

Finally, research should be gathered and rationale should be developed to enable constructive consideration of the addition of in-lane terminals, ITVMs (or similar mechanisms) to the retail environment as a means of broadening markets and better serving retailers and the public—and generating proceeds for the beneficiary programs.

Legislation

Future legislative proposals are intended to help the Nebraska Lottery remain competitive in the consumable goods marketplace, enhance retailer and player convenience, and increase revenues to beneficiary programs.

Two such proposals include authorization for more than one drawing in a given day for Lotto games, and the ability to offer products in establishment licensed for consumption of alcohol on the premises. Both measures could have the effect of opening new markets for Lottery games; bowling centers and restaurants, for example.

Business and Marketplace Relationships

The Nebraska Lottery has a significant economic impact as a major statewide public business. Developing Nebraska-based marketing and promotional activities will help identify and strengthen audiences (players, retailers, promotional partners, etc.) that are receptive to that message and with whom relationships can be formed.

These relationships could lead to product, promotional, and retail sales opportunities. (Examples include Cabela's, Nebraska Game and Parks Commission, Nebraska Tourism Commission and the Nebraska Pork Producers.)

Efforts that would complement and support these initiatives include market development and communication assets such as text messaging and more outbound e-mail via nelottery.com (not just to MVP Club members, but through promotional partners), generation of e-coupons, the availability of subscription services, creation of

a players club, and a business-to-business marketing effort including trade shows and informational materials and possible employee incentive programs.

Customer Service Infrastructure

Building relationships with other businesses and interests in the state will heighten awareness of the Nebraska Lottery, but effectively managing those relationships will require certain internal resources (staff and infrastructure). For example, resources necessary to capitalize upon marketing and product trends include prize fulfillment resources, data processing resources, training and recruitment resources, and research resources (such as customer intercepts or mystery shopper efforts).

Consideration should also be given to establishment of bi-lingual retailer service resources such as recruitment, training, and support. Whether these resources are developed and housed internally or arranged contractually, they will require a dedication of budgets and time.

CONCLUSION

Throughout the coming fiscal year, and in the foreseeable future (up to three years), the continuing success of the Nebraska Lottery will depend upon our ability to execute and build upon the various elements enumerated in the preceding pages--focusing continuously on the following objectives:

- **Develop, test and field products that appeal to a broad array of consumers.**
- **Monitor sales and profitability to generate maximum beneficiary revenue.**
- **Strengthen and broaden the retail environment in order to maximize sales.**
- **Identify and market efficiently to receptive audiences to maximize sales.**