

Lottery Marketing & Incentive Pay:

Jackpot and Economy, Not Advertising or Beneficiary Change, Appeared to Impact Ticket Sales

Proposed Final Report

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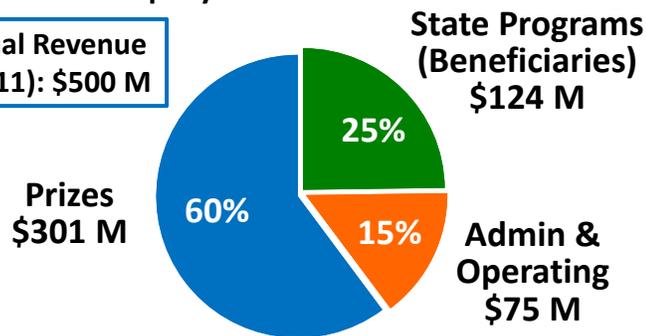
Joint Legislative Audit & Review Committee

May 17, 2012

Lottery Generates \$500 Million from Ticket Sales Each Year

This revenue pays for:

Avg Annual Revenue (FY 2007-11): \$500 M



E2SSB 6409 (2010) changed the primary beneficiary and initiated a JLARC study.

Source: JLARC analysis of Lottery data.

Study Addresses Three Questions

1. To what extent has **advertising** impacted lottery ticket sales?
2. To what extent has the **change in beneficiaries** impacted lottery ticket sales?
3. What is Lottery's employee **incentive payment program**, and how do other state lotteries compare?

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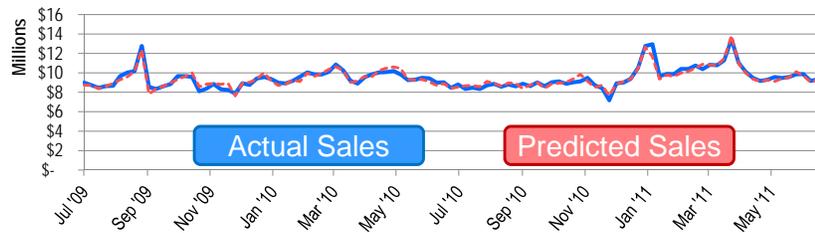
To What Extent Has Advertising Impacted Lottery Ticket Sales?

Advertising Expenditures Did Not Appear to Increase Weekly Ticket Sales in the 2009-11 Biennium



Advertising Expenditures Did Not Appear to Increase Ticket Sales

Statistical analysis of 2009-11 data showed **jackpot amount** and **economic conditions** were highly predictive of sales.



Advertising expenditures had no apparent relationship to weekly ticket sales.

Source: JLARC analysis of Lottery data.

Further Analysis Needed to Understand Why There Was No Impact

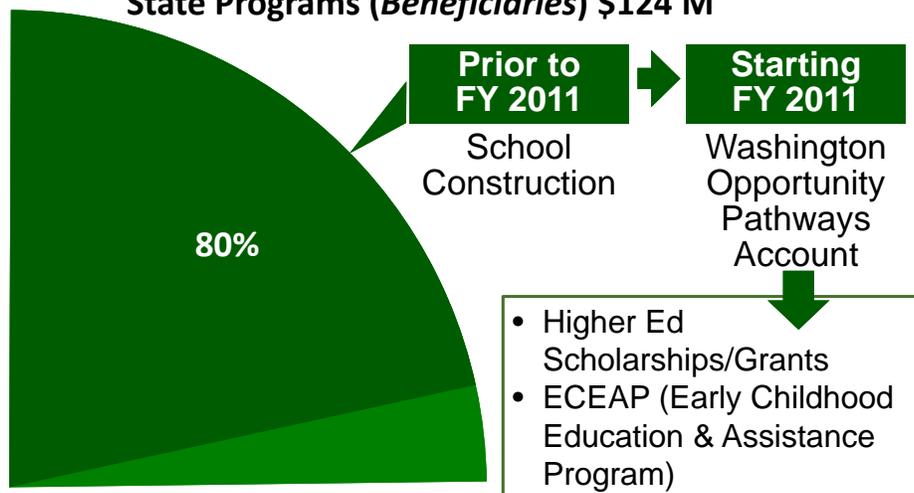
- This analysis measured impact of advertising expenditures on weekly ticket sales.
- Does not identify **why** there was no relationship between advertising and sales.
For example: Too much advertising? Too little? Ineffective content? Unresponsive public?
- Further analysis would be necessary to identify next steps to improve ad effectiveness.

2 To What Extent Has the Change in Beneficiaries Impacted Lottery Ticket Sales?

Beneficiary Change Did Not Appear to Increase Ticket Sales in FY 2011

Legislature Changed Primary Beneficiary of Lottery Revenue

State Programs (*Beneficiaries*) \$124 M



Beneficiary Change Did Not Appear to Increase Ticket Sales

- Sales increased by over \$19 million in FY 2011 compared to the prior year.
- However, this increase is consistent with JLARC's prediction of what sales would have been without the beneficiary change.
- Statistical analysis showed no relationship between ad campaign about new beneficiary and ticket sales.

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What Is Lottery's Employee Incentive Payment Program, and How Do Other State Lotteries Compare?

Limited Program for Sales Staff That Is Similar to Other States



Current Incentive Pay Program Is Limited to 35 Sales Representatives

In FY 2011, awards:

- Based on exceeding ticket sale goals
- Totaled \$233,000
- Averaged \$6,300 per sales representative

In past, Lottery offered other types of monetary awards, but Legislature has suspended other awards until June 2013



Washington's Incentive Pay Program Is Similar to Programs in Other States

- Ten of the 43 state lotteries answered JLARC's questions about incentive pay
- Like Washington, all ten respondents award incentive pay to **sales representatives**
- Like Washington, all ten respondents use **ticket sales** as a measure to award incentive pay

Study Answers Three Questions

1. To what extent has advertising impacted lottery ticket sales?

Did not appear to impact sales.

2. To what extent has the change in beneficiaries impacted lottery ticket sales?

Did not appear to impact sales.

3. What is Lottery's employee incentive payment program, and how do other state lotteries compare?

Limited program, similar to other states.

Recommendation for Further Analysis to Improve Ad Effectiveness

Recommendation:

Washington's Lottery should report to the Lottery Commission with a plan on how to evaluate and improve the effectiveness of its advertising budget in generating ticket sales.

Lottery and OFM Concur

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