



I Can't Get No...Satisfaction

INTRODUCTION

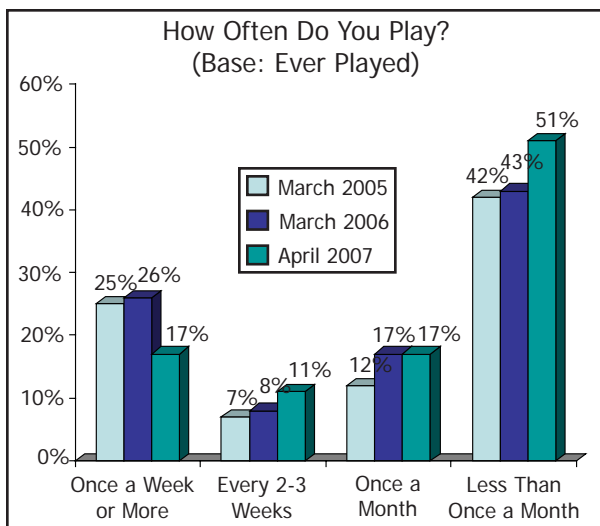
For the third year in a row Independent Lottery Research asked questions at the same time of year about Joe's and Jack's satisfaction with their lotteries, and this year with specific lottery games. You could almost call this a "tracking study" because it does give us some clear indications of what is actually going on in the marketplace and also identifies some critical areas in all phases of marketing and game development that need to be addressed. Recently, we have had some interesting experiences presenting ILR generated research to customers with the kinds of implications and recommendations we regularly provide and our research that readers have come to know. After each presentation we are congratulated on the fact that the research is presented in a clear, actionable manner but even more so for our "honesty".

Thus our name: Independent Lottery Research...what you will get, as Jack Webb used to say, "the facts, just the facts"... and implications and recommendations.

So, what do our Joes and Jacks really think about their lottery experiences? Read on.

LET'S START WITH THE BASICS: 2005 TO 2007...WHAT ARE JOE AND JACK THINKING?

Compared to the past two years, we find the percentage of people who say they play the lottery once a week or more has dropped. A portion of this change may be accounted for by an inflation in the percentage playing once a week the last two years given the huge bloc lotto prizes that occurred in the few months prior to the 2005 and 2006 surveys.



DON'T MISS THE SECOND ANNUAL ILR RESEARCH CAMP!

WHEN: July 16th and 17th, 2007

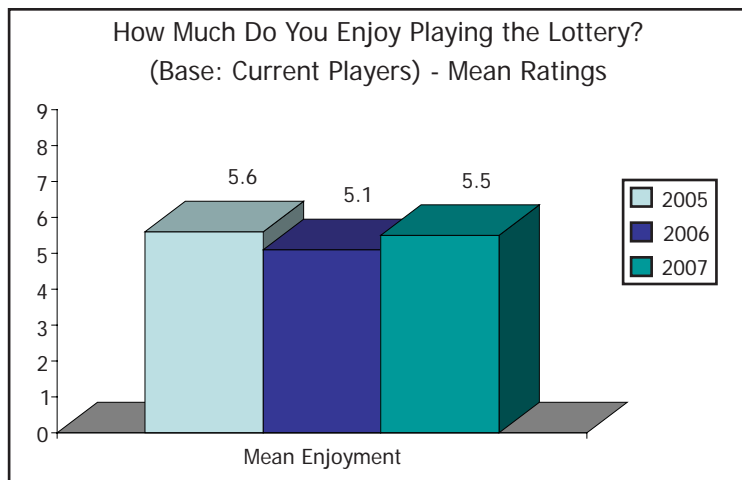
WHERE: The ILR Headquarters in Chicago, Illinois

For more information on this year's Research Camp, contact Brooke at 312.546.5925 x6 or brookeh@ilresearch.com or visit our website at: <http://www.ilresearch.com/camp>

* Campers will get to attend a **Cubs Game** as part of ILR's Street Talk™ Ethnographic research technique!

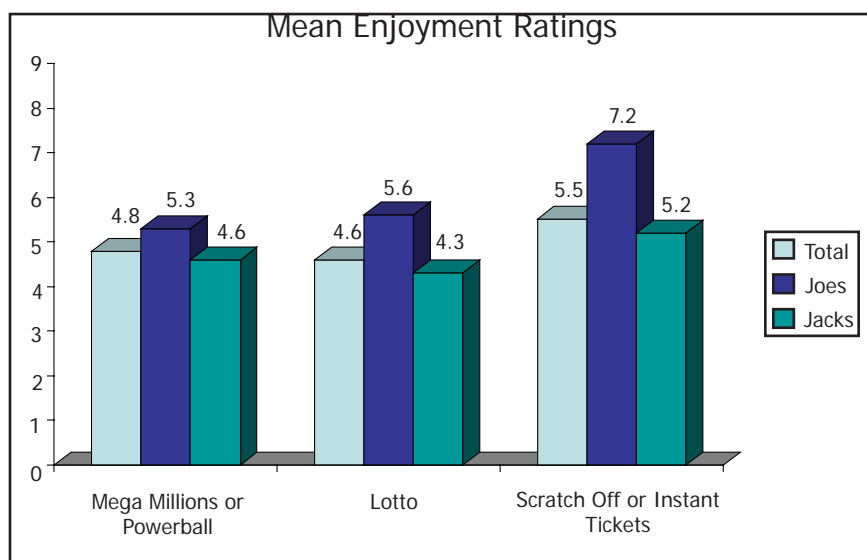
THE NINE-POINT SCALE DOESN'T LIE

Among current players, enjoyment of playing the lottery remains low at a mean rating of 5.5 on a nine-point scale, where "9" means "I enjoy it a lot" and "1" means "I don't enjoy it very much." These ratings are disturbingly low given that they are among those who currently play our games, and those on whom our business is heavily dependant. Equally problematic is that Jacks in 2007 rate their enjoyment even lower with an average of 3.9 on this nine-point scale (data not shown).



IN OTHER COUNTRIES SATISFACTION LEVELS PER GAME DIFFER FROM THE UNITED STATES

Based on conversations ILR recently had with lotteries around the world, we were curious whether enjoyment of playing “the lottery” differs by game type. The past few years we calculated overall lottery enjoyment levels by players of different games (i.e., those who play scratch/instant, versus Multi-state, versus Lotto). But this year we decided to directly ask respondents how much they enjoy playing these three different game types. Contrary to what some of our international friends have reported among their Joes, where scratch products lag numbers games, in the U.S. as a whole, Joes and Jacks alike report higher enjoyment of playing instant/scratch games than of other games, while Mega Millions/Powerball and Lotto games receive comparably low ratings. Remember this is ILR reporting so it is important to note that while higher than others, overall enjoyment of instant/scratch games is not “high”, with a mean rating of 5.5 on a nine-point scale.

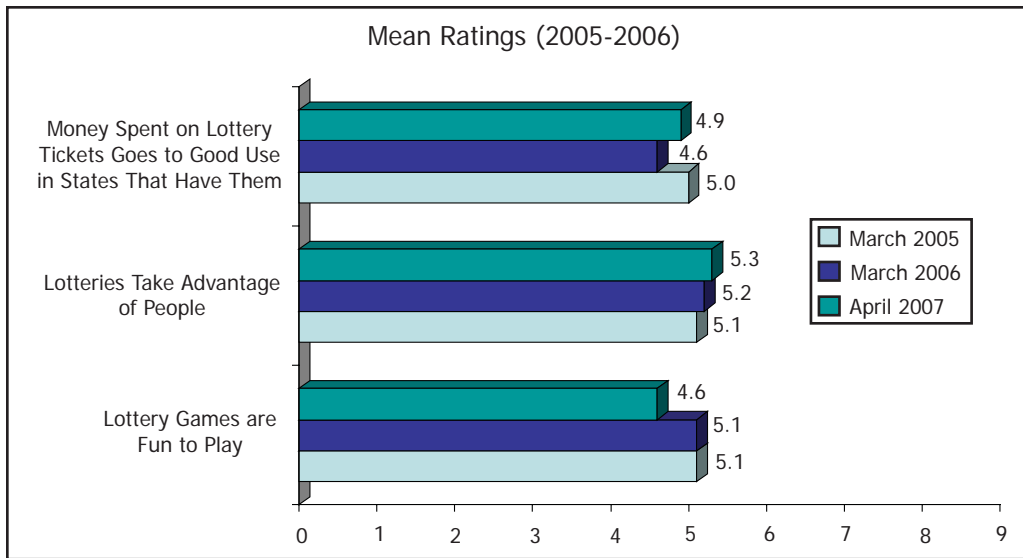


Scratch-playing Joes’ enjoyment are the only ratings above a minimum threshold of what we consider a “good” rating (based on work with numerous other non-lottery products) of 7.0 or higher on a nine-point scale. However, these numbers should be interpreted with extreme caution as the number of people who are core scratch players in this survey are only 3% of the adult population (n=14), which is a problem unto itself.

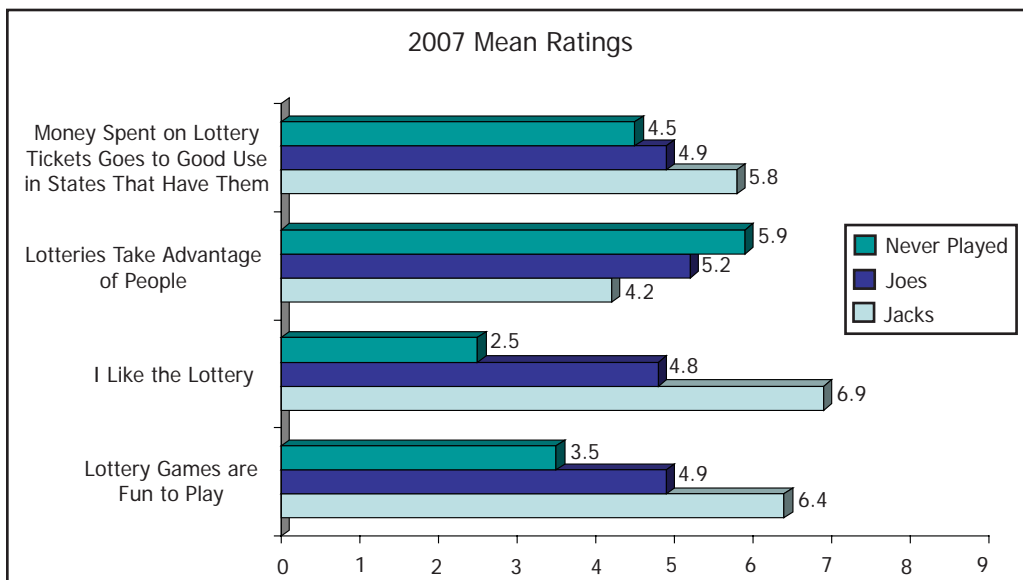
I STILL CAN'T GET NO SATISFACTION: ATTITUDES STAGNATE

When asked about the extent to which they agree or disagree with a number of attitudinal statements using the same nine-point scale, where a “9” means “completely agree” and a “1” means “completely disagree”, we find a decrease from the already low mean ratings from last year on the statement “lottery games are fun to play”, which drops to 4.6 from 5.1 among all players from 2005 to 2007.

Using this same scale, we also find that a substantial portion of people have the negative perception that lotteries take advantage of people. A full quarter (27%) in 2007 (25% in 2005 and 2006) of respondents “completely agree” with the statement, “lotteries take advantage of people” (results not shown). Even 15% of Joes, our bread and butter, “completely agree” with this statement in 2007.



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IMPLICATIONS: WHAT DOES IT ALL MEAN?

A year ago we were concerned about the decline in satisfaction levels among Joes. Our "implications" section was a clarion call for changing views of what the accepted truths are in our business and what they had actually done (beyond the hype). We discussed sources of lottery profits stagnation as a percentage of sales, as well as what is causing lottery sales to slow, playership to become more finite, and we opined that "core player messaging" was the emperor who wore no clothes.

A year later we find even more compelling data to suggest a re-thinking of what we are selling to who...and even more compelling what the "who's" are thinking and feeling. It isn't a pretty picture. But, it is a picture that can change. Previous newsletters have detailed the tremendous support a lottery has philosophically. The encouraging facts are: that Jack, the infrequent player, the lapsed player, the non-player, would play; that Jack would find more satisfaction in his play by knowing more about where lottery profits go, that Joe recognizes churn for what it is and it isn't a motivator: that Joes and Jacks alike would play more if reminded.

It's interesting to find that compared to other countries, instant games are ranked higher in satisfaction levels than bloc lotto games but we don't think that is based on "winnability", we think it is based on recency. For two years in a row we asked these questions within the glow of a huge multi-state prize. This year the ubiquity of the instant product has trumped the memory of playing for multi-millions.

RECOMMENDATIONS

We could say “do more independent actionable research” but that would be blowing our own horn. But, that is part of what lottery leaders need: an unvarnished look at the causes of profitability decline, smaller playership, the reality behind that all encompassing unassailable truism: “jackpot fatigue”, the three years of data that indicate lowering satisfaction levels among even core lottery players. If you were members of an MBA class and you were given these data and asked for a plan, you would not keep doing business as usual. The obviousness of the potential of Jack, the disparity between lottery support and lottery play and the blindness of most Joes and Jacks to our advertising and POP all point to the need for a change.

We have met with a number of our readers in official meetings and over coffee; we have worked with many of you; we have exchanged ideas with a number of lotteries outside the United States; we have acted as an information and guidance resource to new lottery administrators...they not only can read the data as reported here, but they can read the writing on the wall. There is great potential out there, there is the possibility of failure as well...it is time to act, to question, to change.

Let's see what happens to satisfaction levels between 2007 and 2008...We bet they go up.



The ILR Directors from left to right: Michael Jones, Gary Kubo, Margaret Mueller, Matthew Smith

Independent Lottery Research (ILR) is an internationally respected consumer behavior research firm dedicated to ensuring lotteries maximize sales and profits in a socially and ethically responsible manner through independent and objective research concerning players (Joes) as well as non-players and lapsed players (Jacks). Lotteries and vendors have spent a lot of time understanding who Joe is.

The question is:

DO YOU KNOW JACK?



Each month we conduct our monthly National Jack PollSM and will share this information with you. If you would like to suggest a question to add to our poll, email us: info@ilresearch.com.

A full detailed report of the past month of data collected from our National Jack PollSM, with implications, recommendations and a breakout of residents in your state (where available) is available for purchase. Please allow one to two weeks for delivery.

- A detailed report, summary tables, data tables, as well as implications is available for **\$2,500**
- **\$1,500** for data tables only
- **\$24,000** for a full year's subscription of detailed reports, a savings of **\$6,000**

Contact Margaret Mueller at (312) 546-5925 x3 or margaretm@ilresearch.com to purchase.