



# Tracking Rising Gas Prices and Lottery Play

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## Introduction

Independent Lottery Research has asked questions about the effects of rising gas prices in its National Poll for the last three years. This month's newsletter reports on both the latest poll (conducted in July 2008) and its relationship to polls conducted over the last three years. We discussed these findings and their implications for future product planning and marketing strategies in depth at our recently concluded third annual Research Camp. Ordering information for copies of the presentations is available through our website: [www.ilresearch.com/camp/research-camp-update](http://www.ilresearch.com/camp/research-camp-update)

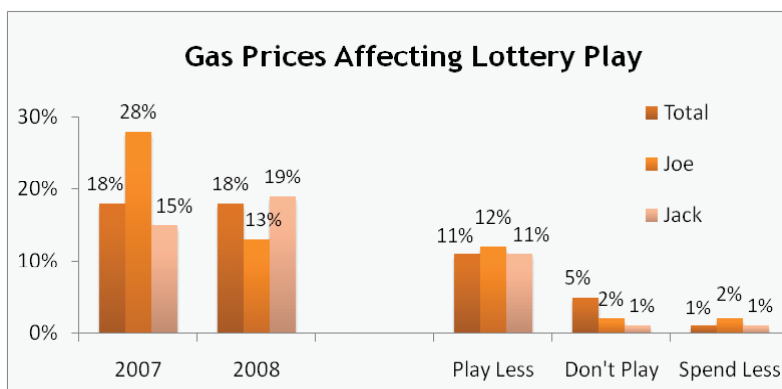
## Economic Overview

The Consumables Index now stands at its lowest level in more than eight years. With less driving, there may be fewer trips to gas station/mini-marts and less opportunity for lottery ticket purchases. In future National Jack Polls®, we will ask more about rising food costs and investigate the effect of decreased discretionary spending on Joe and Jack lottery behavior.

### Shopping for Day-to-Day and Major Purchases

Spending Freely for: (Not cutting back on)	Year						Change	
	2006		2007		2008		Past Year	
	Joe	Jack	Joe	Jack	Joe	Jack	Joe	Jack
Maintaining Standard of Living	54	61	56	59	46	46	-10	-13
Clothing	53	45	47	47	41	38	-6	-9
Food	58	51	52	54	42	41	-10	-13
Driving (gas)	39	42	42	40	30	31	-12	-9
Medical Care	74	77	70	74	75	71	+5	-3

## Gas Prices and Lottery Play

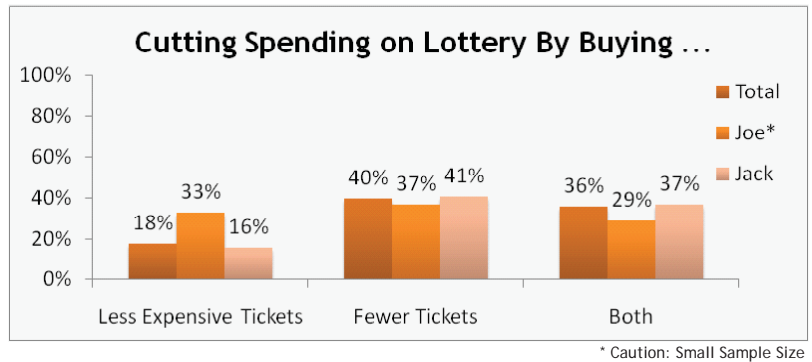


With the national average price of gas hovering at \$4 per gallon, Joes and Jacks currently spend an average of \$66 when filling up their gas tank. The rising cost of gas is negatively impacting lottery play among a notable proportion of Joes and Jacks, with nearly one in five lottery players saying the recent increase has affected their lottery play (18%). Last year, Joes noted a significantly greater impact on play than Jacks; 28% of Joes and 15% of Jacks said the cost of gas impacted play in 2007. This year, however, a greater proportion of Jacks are feeling the pinch too, as the average cost of gas moves from \$3 per gallon in 2007 to \$4 per gallon in 2008 (13% of Joes affected by recent increases, 19% of Jacks).

Of those who say their lottery play is affected by rising gas prices, one in ten say they are playing less often (11%), 5% say they have stopped buying tickets altogether, and 1% say they are spending less.

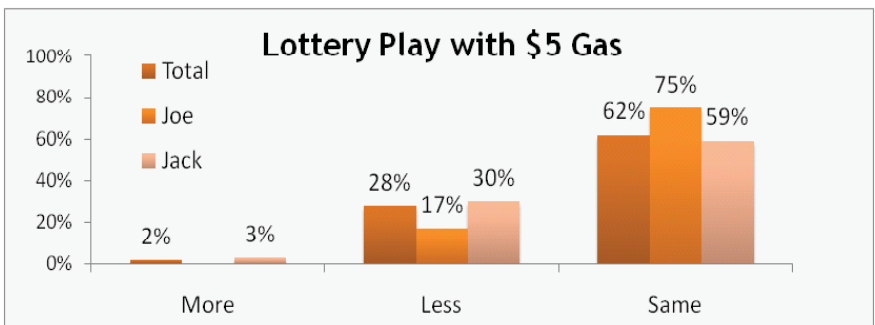
## What Joe and Jack Say About It

Asked specifically how they have cut back their lottery play, two in five say they buy fewer tickets (40%), one in five say they buy less expensive tickets (18%), and just over a third say they buy both fewer and less expensive tickets (36%). Two in five Joes, who according to previous National Jack Updates are the purchasers of the costlier \$10, \$20, and \$50 instant tickets, say they have cut spending by buying less expensive tickets (62%).



## What if Prices Go Even Higher?

We also asked Joes and Jacks to tell us how their lottery play would be affected if the cost of gas were to rise to \$5 per gallon. More than a quarter say they would play even less than they currently do (28%). In addition, one in six of those who deny that current high gas prices have impacted play say they would play less if gas prices rise to \$5 per gallon (16%, data not shown). Yet another one in six lottery players would disengage from the franchise.



## Implications

Among the lotteries, vendors and legislative representatives at Research Camp, the most discussed implication from these findings was the potential impact of rising fuel prices on higher instant ticket price points. We have reported previously on the rain shadow effect of higher priced tickets on sales of \$1 and \$2 games, but higher gas prices may reverse the shadow's angle. Care must be taken in ordering ticket quantities and games to ensure an adequate supply of lower priced tickets on sale and in the pipeline as well as not over estimating the continued popularity of higher priced tickets.

This might also be the time to consider using alternate research strategies beyond normal practices. Consider ILR's proprietary GamePlan system to assist in making sure themes, prizes, graphics, prices, and odds fit existing and potential demand in an economy that is slowing and reacting to major energy price fluctuations.

With fewer potential trips to lottery retailers the role of POP and special promotions becomes more important as well. If we only have a chance to interact with Joe and Jack four times a week rather than six, we should be sure we have the right messages about the right games in the right places. And, we should also be sure that we close the deal and make the sale.

# RECOMMENDATIONS

## 1. Plan Ahead

The data is clear as to the impact of gas prices on your current and potential audience. Based on data from our first National Poll three years ago, in which we asked about the impact on Joe and Jack of \$2+ gas, we recommended that lotteries and lottery vendors offer instant games giving away free gas. We specifically recommended free gas for life in order to take advantage of an almost universal consumer demand suggested by the data. Three years later the Florida Lottery generated international publicity doing just that. It would seem to us that such prizes will resonate with all consumer groups in the near future as part of prize structures and promotions for both online and instant games.

## 2. Pay Attention to Price Point Mix

Pay special attention to ticket quantities. Our National Poll data indicates both Joe and Jack are turning toward \$1 and \$2 tickets as their weekly lottery games. Be sure those ticket designs and game plays are graphically sophisticated, attractive, and compelling. You can order the data for this month's National Poll and run the numbers against a variety of demographics and play styles far beyond what we have reported here.

## 3. Revisit Media Mix

Due to the rising cost of gas, fewer people are in their cars. The cost of gasoline is limiting the number of out-of-walking-distance trips people are willing to make. Overall, automobile usage in the United States is down significantly since gas prices hit \$4+ a gallon. Lotteries and lottery media buying services might want to look at their media mix strategies. Radio and billboards may have lost audience as a result, while newspaper and television gain readership and viewership. Online advertising, covered in detail by Jeff Minsky at our third annual Research Camp, (see below) is a promising venue in these energy challenged times. Take a look at his presentation and begin thinking through placement and 10 to 15 second creative in regards to your products.

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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?**



The third annual  
Research Camp  
*Signs of the Times*  
DVD is available for  
purchase.

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