



ALL I WANT FOR CHRISTMAS IS A NEW NATIONAL POLL

INTRODUCTION

Like last year's holiday newsletter, this month we look at what consumers are thinking going into the Holiday/Christmas season, both in terms of general buying plans and specific lottery gift shopping. So dust off our holiday newsletter from the last two years and track along with us consumer confidence and lottery buying plans. And, guess what? Again we find that women and young adults are the Joes of Christmas.

CONSUMER CONFIDENCE AND SPENDING PLANS FOR THE HOLIDAYS

Our monthly national poll finds that for the first time in four months consumers feel more secure about their jobs and earning power. At the same time, their fear of run away inflation is diminished as they see price increases being contained.

This month, our National Poll data finds that consumers are cutting back this year compared to last year for major purchases as well as for day-to-day spending. With the cost of gas soaring, we also see a major decrease for gasoline spending; down 11 points from last year.

Shopping for Day-to-Day and Major Purchases

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Change</u>	
	<u>Dec</u>	<u>Dec</u>	<u>Dec</u>	<u>Month-To-Month</u>	<u>Year-To-Year</u>
<u>SPENDING FREELY FOR:</u> (Not cutting back on)					
Maintaining Standard of Living	62%	64%	55%	-2	-9
Clothing	50	55	47	+2	-8
Food	59	63	49	-3	-14
Driving (Gasoline)	41	50	39	--	-11
Medical Care	76	77	71	-3	-6

THERE MAY BE COAL IN THE STOCKINGS

For the first time since August, there has been an increase in households who are planning to boost their Christmas spending month to month. This December, 22% of households say they expect to spend more this Christmas. Though we see an increase in spending intent for the holidays month-to-month, we see an even more dramatic increase in those planning on cutting back their spending for the holidays year-to-year. Plans for cut backs for Christmas remain high rising to 53% from 52% last month and 11 points higher than in December a year ago.

	<u>2007</u>				<u>2006</u>	<u>Change</u>
	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Dec</u>	<u>Dec '06/'07</u>
<u>THIS YEAR EXPECT TO SPEND FOR CHRISTMAS:</u>						
More	19%	19%	19%	24%	24%	-2
Less	42	50	52	42	42	+11
The Same	39	31	29	36	36	-11

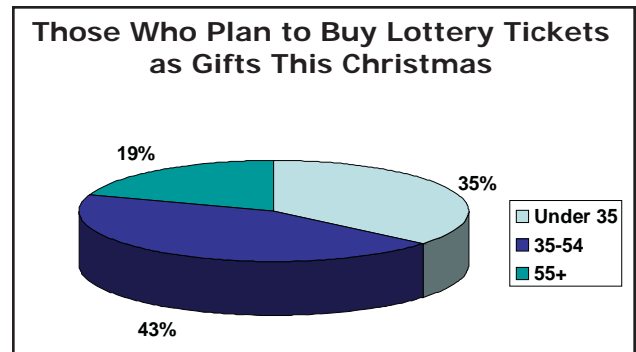
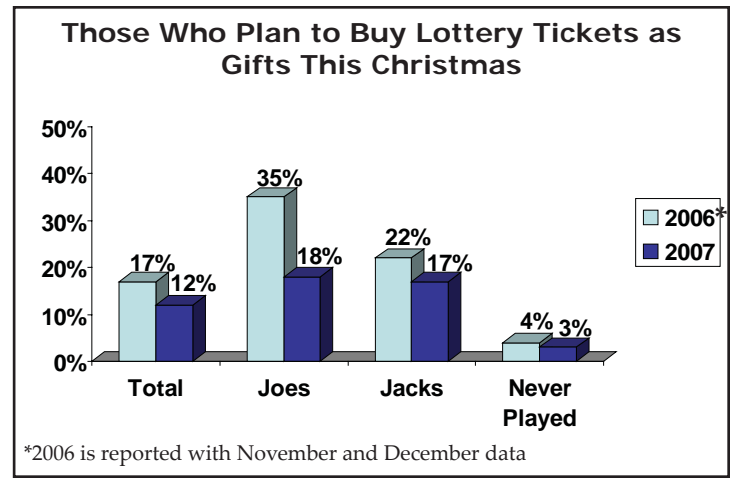
GIVING LOTTERY TICKETS AS GIFTS

Lottery spending for the holidays is following general Christmas spending trends. We see a downshift in gift ticket purchase intentions this year. Half the percentage of Joes are planning on purchasing lottery tickets as gifts this year (18%) as compared to last year (35%). Jacks and Joes are now just as likely to say they are planning to buy gift tickets this year (17% vs. 18%). Overall purchase intent has decreased 5 points from last year (12% in 2007 vs. 17% in 2006).

WHO IS BUYING HOLIDAY LOTTERY TICKETS?

As we reported last year, the demographics of lottery instant ticket buyers changes dramatically during the holiday season. Those who purchase lottery tickets as Christmas gifts are younger and much more likely to have teenage children at home than the typical lottery player. Two in five (43%) people age 35-54 plan to buy lottery tickets as gifts this Christmas. Young adults continue to be a consistently important segment of holiday lottery ticket purchasers. A third (35%) of young adults (those 35 and under) are likely to purchase tickets as gifts this year. Just 19% of those age 55+ plan to purchase gift tickets this year.

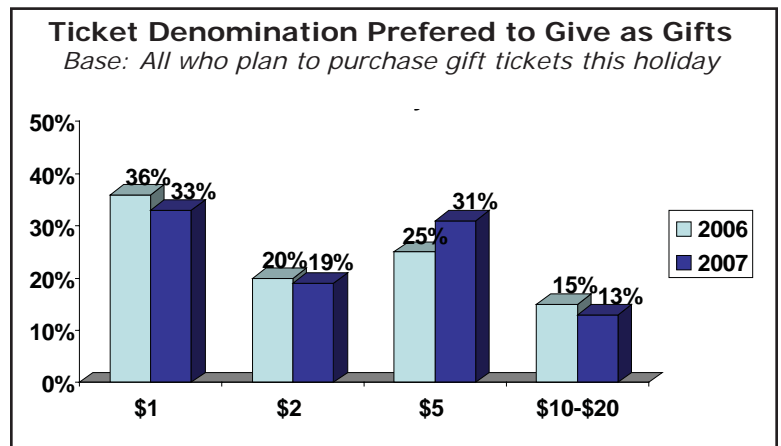
Women are leading the ticket gift purchasing segment with nearly three in five (57%) likely to purchase lottery tickets as gifts for Christmas. This figure is up from last year by 7 points.



I WANT THIS ONE AND THAT ONE AND, OH YEAH, THAT ONE TOO!

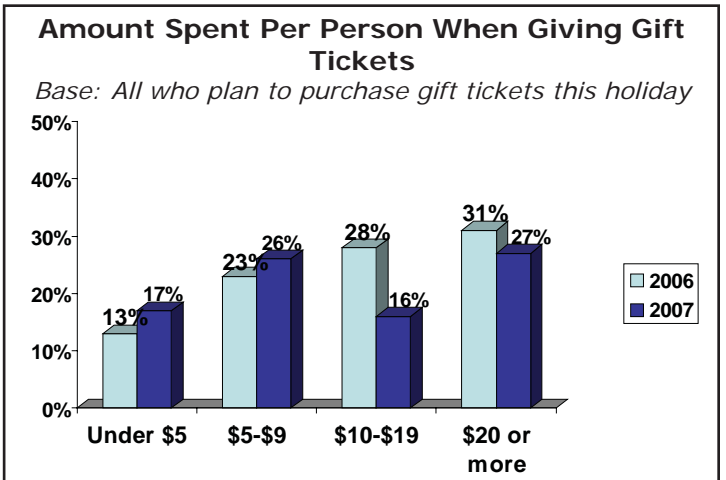
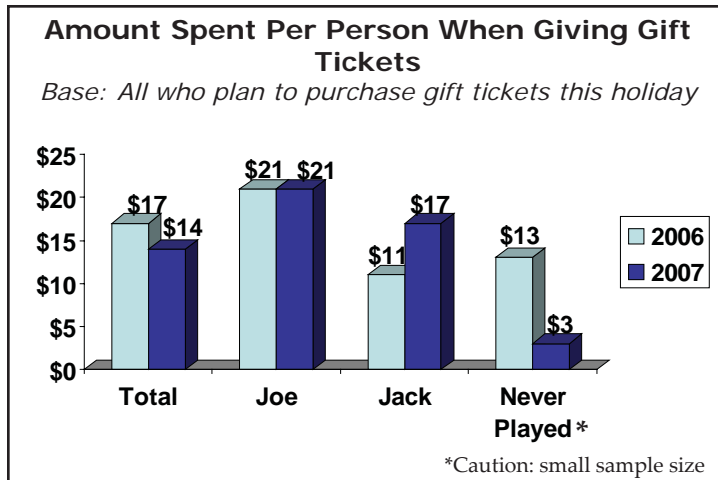
Consistent with our findings from last year, \$1 denomination tickets are still the most popular gifts year-to-year, with one third (33%) of those asked saying they will purchase \$1 gift tickets. Those who plan to give \$5 gift tickets increases from 25% last year to 31% this year. The higher priced tickets (\$10 and \$20) remain the least popular gift tickets for the holidays.

Although fewer Joes say they intend to purchase lottery tickets as gifts, of those who do, the average spend intent for holiday gift lottery tickets per person remains the same as in 2006. Joes continue to lead the category for spending on gift tickets per person. Jacks plan to spend more on lottery tickets for gifts than in 2006 so we can expect a larger stream from this segment even though they are similar in size to Joes.



The most significant decrease in gift ticket spending per person is with the non-player segment. Though only 3% of those who have never played the lottery plan to buy tickets as gifts this holiday season, they intend to spend \$10 less (\$3) than last year (\$13) per person for gift tickets.

Last year, those who purchased gift tickets were more likely to spend \$20 or more per person. This year, that amount drops to \$5-\$10 per person.



WHAT DETERMINES LOTTERY CHRISTMAS LISTS

This year we asked about what motivates lottery ticket gift purchasers to buy certain tickets.

We find that two in five (41%) report no strategy and they tend to pick at random.

*"I pick them randomly, whatever catches my eye."
"I just choose randomly."*

One fourth (25%) of respondents choose their tickets based on price.

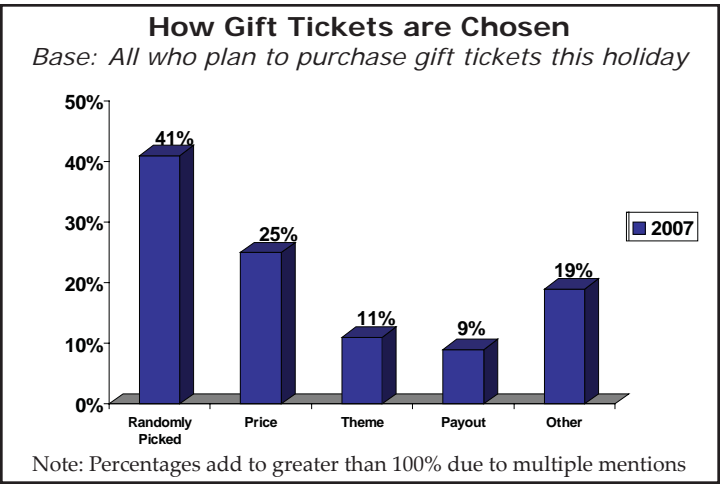
*"It's the amount of money I have to spend. I love the lottery."
"I pick the cheapest ones."*

Just one in ten (11%) say they choose their lottery gift tickets based on a theme.

"I pick which ones are holiday-themed."

Less than one in ten (9%) choose their gift tickets based on payout.

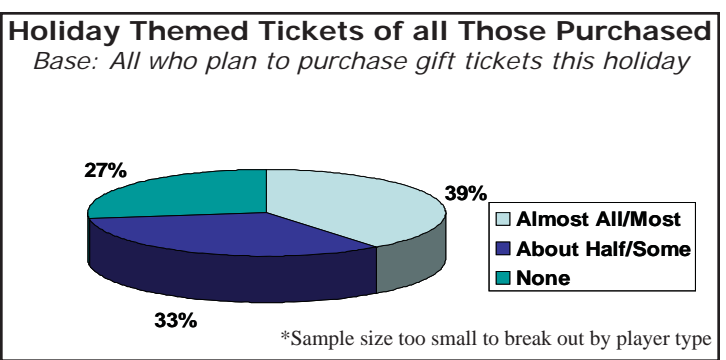
"The way I figure it, if it is over a hundred million, I buy it; if not, I won't."



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SPREADING THE HOLIDAY CHEER

When deciding which ticket will make it under the tree or in the stocking, holiday-themed tickets seem to be the gift ticket of choice. Two fifths (39%) of adults mention that they almost always buy the holiday-themed tickets as gifts for the holidays. Another one third (33%) of people say that half or some of their gift tickets are holiday-themed. However, just over a quarter (27%) report that none of the lottery tickets they purchase are holiday themed.



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.

IMPLICATIONS

This year we see a significant increase in those who are cutting back on their holiday spending as compared to years before and gift tickets are no exception. Though Joes still buy more gift tickets than Jacks, or those who have never played, they report cutting cut back more than any other segment for gift ticket purchases this year.

With fewer consumers gassing up more infrequently and making fewer trips, \$100 a barrel oil may have an impact on lottery ticket sales as well.

Our data continue to show opportunities for increased sales among women and young adults during the holiday period. Although, both Jacks and Joes are attracted to holiday themes they still purchase other lottery tickets as well. Christmas and the holiday season skew young and more female than other times of the year.

RECOMMENDATIONS

For the last three years we have tracked fairly consistent behavior among Joes and Jacks during the holidays. This year, Joes buy slightly more than Jacks but women and young adults, many of whom are not your core player, remain eager samplers of our products when buying gifts. The data reports two ways of thinking about game mixes during this time of year: are some not buying holiday themed tickets because the themes and graphics do not appeal to them, or do they want a mix of play and games beyond holiday Cash and Winter Wonderland? It would be an interesting marketing tactic to plan for more youthful or feminine themes and prizes next year to track whether offering this new market more of what it wants creates even more sales and buying satisfaction. It would be worthwhile as well to test merchandise and special POP against this significant market.

We'll report after the holidays on what really happened. Remember, additional data are available by state should you wish to get a more specific sense on Joes, Jacks, young adults, and female attitudes and purchasing plans during the holidays.

MERRY CHRISTMAS AND HAPPY HOLIDAYS FROM INDEPENDENT LOTTERY RESEARCH

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.



The ILR team 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?

