

# Jack Update: Santa Skips Joe's Houses This Year: "Joe Lottery" Becomes "Joe Scrooge"

## Director's Note

Happy New Year!

Welcome to your first ILR "Jack Update" for 2006. For those who are reading this newsletter for the first time, as part of our commitment to understanding the lottery industry better than anyone else, Independent Lottery Research conducts a monthly national survey on pressing issues relevant to lotteries. Each month, we ask a nationally representative sample of consumers timely and relevant questions to give lotteries the real-time, actionable information they need to help them make strategic decisions in light of social and economic trends.

We'd like to thank our readers for all the positive feedback we've gotten through our website. Those who have been reading our newsletters know that we have been following the issue of the impact of gas prices on lottery spending.

**To view past newsletters, click here.**

If you haven't read it already, check out our column in the January issue of the NASPL magazine.

This month, we find out whether lotteries were able to recover lost sales with holiday tickets.

What is the "Jack Poll"?

If you want to know how we conduct the national poll, click here:

<http://www.ilresearch.com/joejack.html>

## A Review of Holiday Consumer Spending

This year experienced a shift in how consumers approached Christmas. Almost half (49%) said they spent less than last Christmas, the largest cutback we have seen in more than ten years, compared with 44% saying they spent less than the year before last Christmas.

Helping to cut this spending is an increasing percent who are doing Christmas shopping after Christmas-- 20% this year, up from 18% last year and 16% two years ago.

Consumers ended 2005 with solid income growth, and increasing confidence in their jobs. While these factors support consumer spending, its impact is largely to help households maintain a stable standard of living.

# Lottery Holiday Spending

Consumers' lukewarm spending for the holiday season did not bode well for Christmas lottery ticket sales.

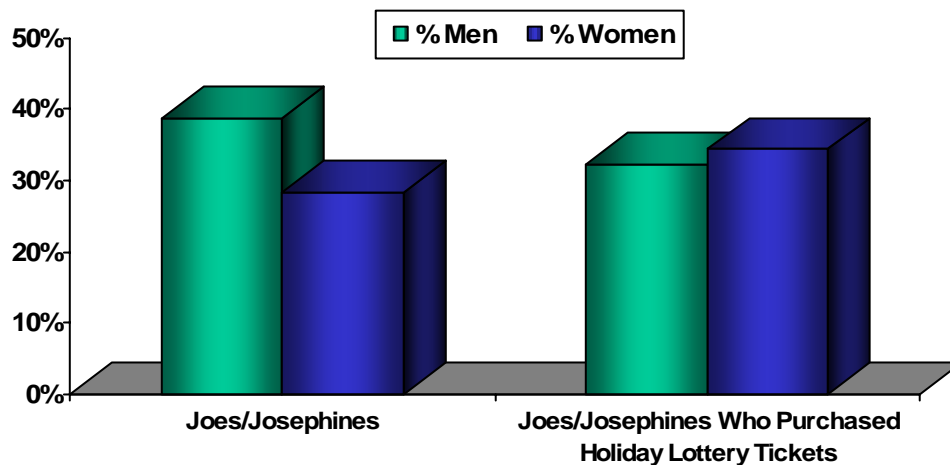
Christmas ticket purchasing did not make up for prior lost sales due to rising gas prices as hoped. Only one in seven (15%) "Joes", or "current players," bought lottery tickets as gifts this holiday season. This is a significant decline among current players who planned to purchase tickets as gifts at 29% when polled in December 2005. In essence, only half of current players who intended to purchase lottery tickets as gifts this past Christmas did so. However, the percentage of non-current players who bought tickets as gifts was 5%; very close the December estimation of 6%.

ILR identifies a number of interesting observations about how Holiday lottery ticket spending patterns do not mimic "typical" lottery spending patterns.

First, out of the population of current lottery players, the proportion of women who currently play the lottery is lower than men. However, during the Holiday season, the numbers between men and women even out, with a slightly greater percentage of women purchasing tickets as Christmas gifts and spending more than what they typically spend on lottery tickets.

Second, while the dominant age segment for typical lottery players is between 35 to 54 years, this percentage fell during the holiday season. Instead, holiday ticket spenders tended to be either under the age of 35 or over age 55 and less likely to have kids.

Finally, a third of Christmas ticket buyers between the years of 35 to 54 spent \$20-\$49 on ticket gift-giving this year, but surprisingly, almost one-third of younger players spent \$50-\$59 on tickets as holiday gifts. The Christmas season presents a new segment of younger players who traditionally don't play but could potentially become more involved in playing the lottery.



# Implications

ILR's January national poll is full of interesting insights into lottery players' (Joes) attitudes and actions and non-lottery players' (Jacks) attitudes and actions.

As our previous polls indicated, Joes are impacted to a much larger degree in their lottery purchasing by events beyond a lottery's control. The impact of gas prices, noted by our poll as early as October, on lottery sales was felt around the country and cited as reasons for several lotteries' missed sales estimates. The reliance on Joes as a core player group has limitations, especially during rising consumer costs and economic uncertainty.

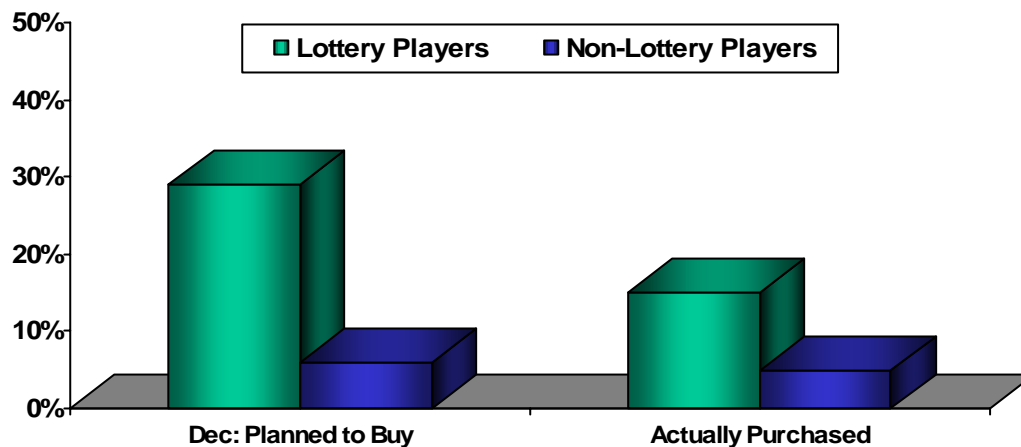
This month's poll confirmed ILR hypotheses based on previous polls, with indications of a dramatic fall-off in intent to buy among Joes and a reduction in amounts spent on lottery products, and especially Holiday games. ILR believes that some of this fall-off can be mitigated next Holiday season through a close analysis of what this and previous polls have discovered. Perhaps in planning for next year, instant ticket price points should be kept flexible depending on changing market conditions. We found that non/seldom players' intent to play and actual play were unaffected by the gas spike, which might be addressed in how Holiday games are marketed, with less reliance on the "new game" halo among current core players and more of a reach out to Jacks. And, especially, media and creative should take into account that women bought more and spent more on lottery products and Holiday games than usual.

Who are "Joe" and "Jack"?  
click here to find out:  
<http://www.ilresearch.com/joejack.html>

Also, whether for thematic reasons or the ability to buy a cool present at the last moment, young players bought significantly more Holiday tickets than usual and indeed spent more than regular players did during the same period. It's as if our industry's long sought desire to reach out to a younger audience is available during the Holiday season and this effort could be maximized through imaginative game design, graphics and prizes. But, we also need to find out who they bought these tickets for.

Older Americans played beyond their usual behavior as well...so the ILR National Poll, while seeing the Grinch of gas prices affecting lottery sales during the holidays among Joes, also has opened a rather big door for Jacks, young Jacks and Jacquelines of every age.

Finally, that spending went up significantly after Christmas may give our industry a new game category...post holiday themed and prizes. 'Get your Blahs out Billions' may be the game of Holiday 2006.



## ILR Recommendations

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- Revisit this newsletter when you are planning your Holiday product and promotion strategies for 2006.
- Make sure that your efforts to keep your core playership (Joes) interested and actively involved with your lottery keep in mind that Joes are extremely sensitive to changing market conditions.
- The most surprising finding to our Directors was the success of holiday games among younger players. They bought more than other demographics and spent more than core players. Are our holiday games “just the ticket” (pardon the pun) for last minute gifts for time hungry twenty-somethings? Can we, through creative theming, use the holiday period to attract and retain an important new segment of young Jacks and Jacquelines? We have tools available to refine and personalize these findings to your jurisdiction. Visit our website to learn more:

<http://www.ilresearch.com>

- Do research to understand what happened in your state during the holiday period, especially among higher price point instant games, and understand what sorts of games and designs will be most effective at attracting new players.
- Post-Christmas is a new area of potential sales among Joes and Jacks. In a multiple instant game strategy, we recommend testing this time period next December/January.
- Women made up an important segment of holiday lottery spending, but an ILR review of lottery websites showed little attention in terms of game names or potential prizes that appeal to this segment of players and non players. Lottery sales to women were much higher during this period and rivaled men. Our company’s positioning statement of ‘Do you know Jack?’ will now have to equally share billing with ‘Do you know Jackie?’
- Each of our national surveys point to a single truth: Joes are a finite group of players and easily affected by events; Jacks are willing to buy, are a far larger group of people with significant financial resources, are not anti-lottery, and indeed will play and do play when offered the right games, relevant prizes, and effective advertising.
- Online vendors and product managers need to take advantage of the holiday period with women and younger player messaging, promotions, and POP.

## For Vendors Only

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- These national survey results may give you ideas on what products and marketing advice to offer lotteries to increase their sales and profits as well as helping your bottom line. For those vendors bidding new contracts, close attention should be paid to the data to enable you to offer new ideas and products based on actionable research and to realize that new research tools combined with lottery based analysis can create opportunities to rise above your competitors.
- We would hope to see a wide range of new products for the upcoming holiday season that appeal to women, twenty-year-olds, and most especially to Jack, in all his or her permutations, as the surest way to increased sales and profits in a chancy economic environment.

A full detailed report of the past four months of data on gas prices and holiday spending, with implications, recommendations, and a breakout of residents in your state (where possible) is available for purchase.

The detailed report is available for \$1,500.  
Please allow 1-2 weeks for delivery.

**Contact us to find out more about purchasing this report.**

You may also call us at: 312-546-5925

Each month, we conduct our monthly "Jack" poll and will share this information with you. If you want to suggest a question to add to our poll, drop us an email at: [info@ilresearch.com](mailto:info@ilresearch.com)



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Independent Lottery Research

153 West Ohio Street, Chicago, Illinois 60610

ph: 312.546.5925

fx: 312.321.0607

<http://www.weknowjack-ilr.com>