

Jack Update: Lottery Players Driven Away By Gas Prices

Director's Note:

Welcome to the first issue of "Jack Update", the Independent Lottery Research monthly newsletter. Independent Lottery Research (ILR) debuted at the NASPL conference in September 2005. As part of our commitment to understanding the lottery industry better than anyone else, we conduct a monthly national survey on pressing issues relevant to lotteries. Each month we ask questions that are timely and relevant to give lotteries the information they need to help them make strategic decisions in light of social and economic trends.

At NASPL, we shared some of the data we just collected about the impending impact of gas prices on lottery spending. Unfortunately, many lotteries have begun to see the reality of this impact in their states. Seeing the potential impact on lottery sales looming on the horizon, we developed a concept of a \$20 instant game where the prize would be a free year's worth of gas, as a way to encourage play among current players and non-players alike. We tested this concept, along with a number of other issues, by conducting exit interviews with consumers coming out of lottery retailers and found a tremendous amount of interest, both among core players ("Joe's") and lapsed or infrequent players ("Jack's"). Those of you who stopped by our booth may recall watching the video of these interviews. If you have not seen the video, or would like to have one, click here to request a free copy of the DVD (info@ilresearch.net).

Impact of Gas Prices:

ILR has been following up on the issue of gas prices and we would like to share the results with you. Back in September, ILR found that in a nationally representative survey of the population, income and job security has improved, but consumers have called a "time out" on free spending in response to higher gasoline prices and fear of the after-effects of Hurricane Katrina on the nation and its economy.

The index of day-to-day spending for food, gasoline, medical care, and other consumables dropped to the lowest level ever measured. Specifically, we found that:

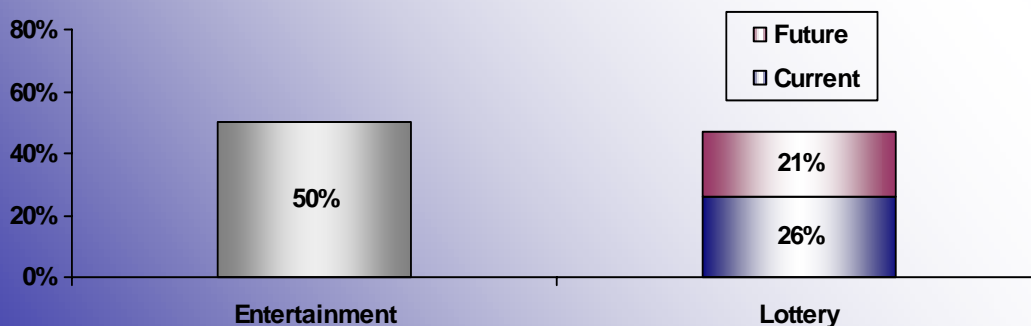
- 58% of consumers are buying less gasoline
- 63% are making fewer trips to shop
- 32% are cutting back on things other than gas

Of those cutting back, half were cutting back on entertainment.

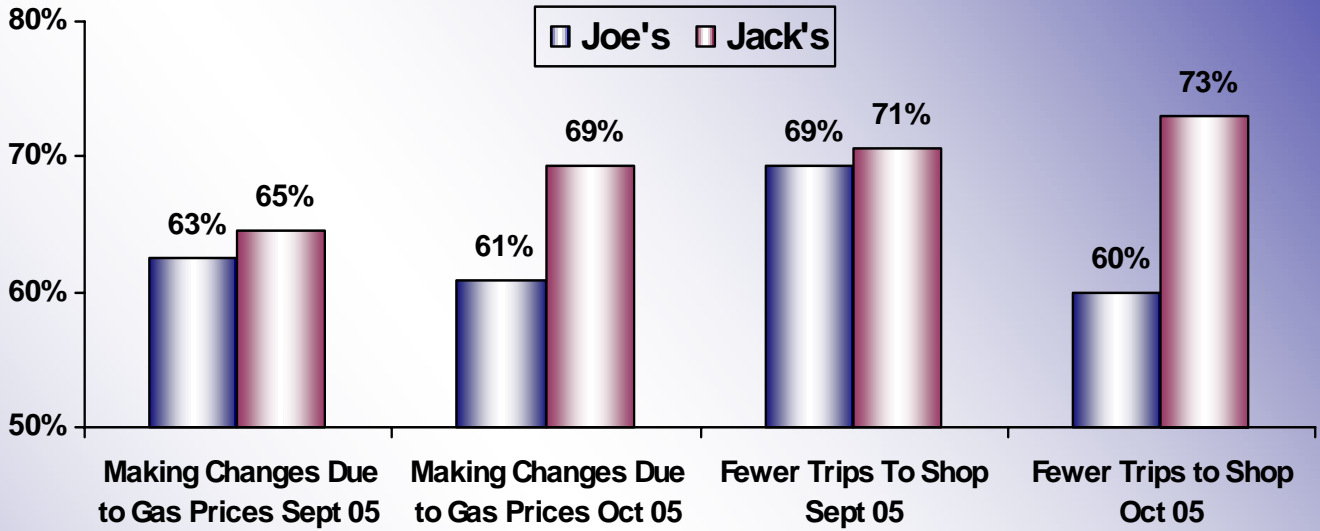
Among lottery players, 26% said they were currently spending less on the lottery because of the price of gas and 21% expected that the price of gas will reduce their lottery spending in the future.

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

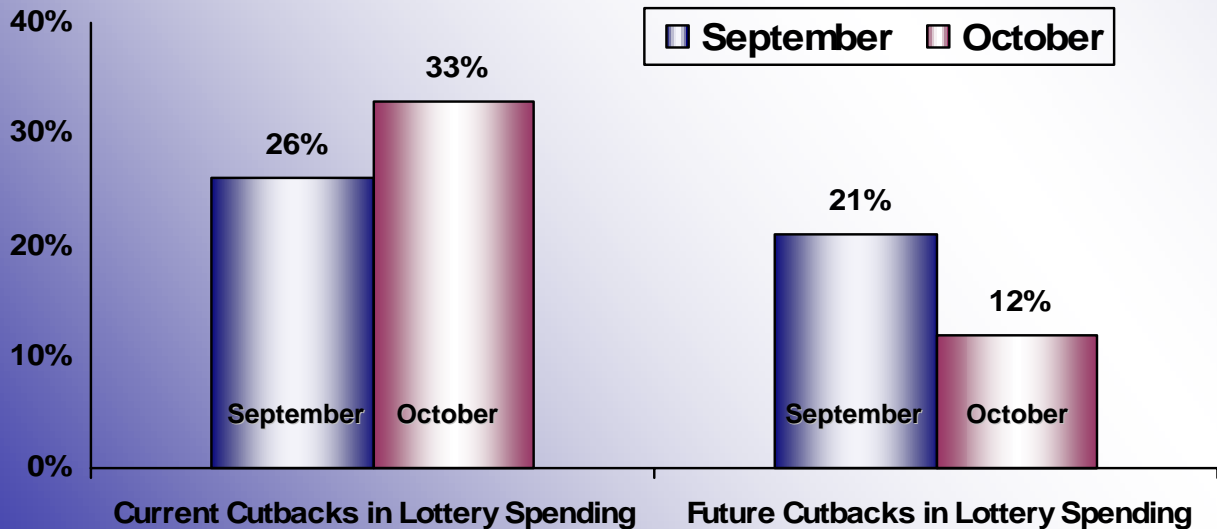
Percentage of U.S. Population Cutting Back on Each



In October, we found a 9% increase in consumers limiting their trips to shop, up to 72% from 63% of consumers in September.



In addition, where one in four (26%) lottery players reported cutting back on ticket purchases due to the escalated gas prices in September, we find that the number has increased to one in three (33%) in October. That said, the number of lottery players who expect that the price of gas will reduce their spending on tickets decreased from 21% to 12%. This may be an indication that the initial shock of dramatic gas prices has leveled and that unless prices continue to spike they believe that they can now play again even though it may be at lower levels as evidenced by the actual behavior measure.



Implications:

ILR finds that between two-thirds and three-fourths of the U.S. population are "Jack's", who don't regularly play the lottery but probably would if the games and prizes were more relevant to them. When we interviewed both "Joe's" and "Jack's" about a \$20 instant game where the prize is free gas for a year, almost all said they would probably play. Other businesses have taken advantage of the marketing opportunity gas prices present as a way to stimulate and encourage business. For example, a Chicago radio station on am radio dial 890 is running a contest giving away 890 gallons of gas. Mitsubishi is currently giving away a years' worth of gas with the purchase of a new car. Lotteries, too, have an opportunity to turn gas prices into an opportunity to motivate current players to continue playing as well as gain new players.

These past two months have revealed how sensitive "Joe Player" is to social and economic changes. Lotteries cannot rely on this small and somewhat volatile group of core players maintaining their spending levels during economic downturns. In addition to re-evaluating prize structures, such as gas prizes, lotteries may want to reconsider their price point strategy during these times. Higher ticket price points, such as \$10 and \$20 instant tickets, may be pushing beyond the reach of financially strapped players, even among the core.

We conduct our "Jack Poll" each month and will share our information with you in this newsletter. If you want to suggest a question to add to our poll, drop us an email at: info@ilresearch.com



For more information on our tools and how we can help, please visit our website at: www.weknowjack-ilr.com. You may also call us at: 312-546-5925.



ILR's Recommendations for Action:

Many lotteries have lost some players in the past two months. Lotteries have become heavily reliant on a small group of core players to drive sales and cannot afford to lose *any* of these core players ("Joe's"). Joe's are possibly more sensitive to economic downturns and need to be cultivated during this crucial time.

The greatest concern for lotteries right now is getting most recently lost players back. Lotteries also have tremendous opportunity to take advantage of the situation and turn it into an opportunity to gain new players with more relevant prizes, such as gasoline-related incentives.

Rising gas prices in September and October are just the beginning. With cold weather approaching, along with rising utility costs and holiday spending, lotteries need to understand who the "Lost Joe's" are and what opportunities exist to get "New Jack's" to play during this crucial time to maximize this years' sales and profits.

ILR has the proprietary tools to help you understand where "Joe Player" went and how to get him back, as well as how to motivate "Jack" to play. If you would like to understand the impact of gasoline prices on "Joe's" and "Jack's" in your state and how to get them back, ILR can do a SNAPSHOT™ of your state for \$8,000-\$10,000 and have results to you within a week. With holidays approaching, lotteries have an opportunity to recover lost sales and maximize profits. SNAPSHOT™ survey data is able to give both lotteries and vendors the quick, actionable information they need to make informed strategic business decisions during this critical time. We also have the tools to help you evaluate the influence of changes in a price point strategy and how it may impact ticket sales.