



# “The lottery is a wonderful thing, it lays the tax only on the willing.” -Thomas Jefferson

## INTRODUCTION

This quote, used by lottery supporters, sums up the appeal of a lottery in terms of its function: to raise money for the public good. As an industry, that is the business we are in. The public good is defined in many different ways by governments operating lotteries, and in this month’s National Poll we take a look at how the public views the public good. Or more interestingly: Do citizens know where their lottery’s profits go? The findings may be surprising to you.

But first, what’s happening economically that might affect your lottery?

## REVIEW OF THE NATIONAL POLL’S ECONOMIC FINDINGS

In light of consumer unrest over the state of their own finances, as well as the nation overall, we use this month’s poll to understand the effects of declining gas prices and the state of consumer confidence.

### CONSUMERS CALM DOWN

Fear of stagflation subsides as consumers see prices stabilizing and the U.S. economic picture improving. People are increasing spending for day-to-day goods but remain cautious about major purchases.

As gas prices fall, households ease restraints on driving, apparel spending and food purchases.

Incomes remain stable. Fewer households report year-to-year declines in their family’s income than last month, as an index, declines is down eight points. Income stability and retreat from fears of inflation are making it easier for households to get along; 23% of the population (up six points from last month), say they are having an easier time getting by now than a year ago. There is also a decline in the number of households who say it is harder to get by than a year ago.

	2006						Change
	Apr	May	Jun	Jul	Aug	Sep	Aug/Sep
<b>INCOME YEAR-TO-YEAR...</b>							
Increased	46%	46%	44%	39%	45%	46%	+1
Decreased	20	22	22	22	26	18	-8
<b>COMPARED TO A YEAR AGO, GETTING BY IS...</b>							
Easier	23	20	16	18	17	23	+6
Harder	44	49	52	54	54	52	-2

## PERSONAL FINANCIAL OUTLOOK

Although fewer households expect to see an increase in their income next year, improved price stability, combined with a belief in a steady income stream makes them feel that it will become easier to get by; 36% (ten points more than a month ago), expect it to be easier to get by a year from now, while nine points fewer, 38%, expect it to be harder to get by.

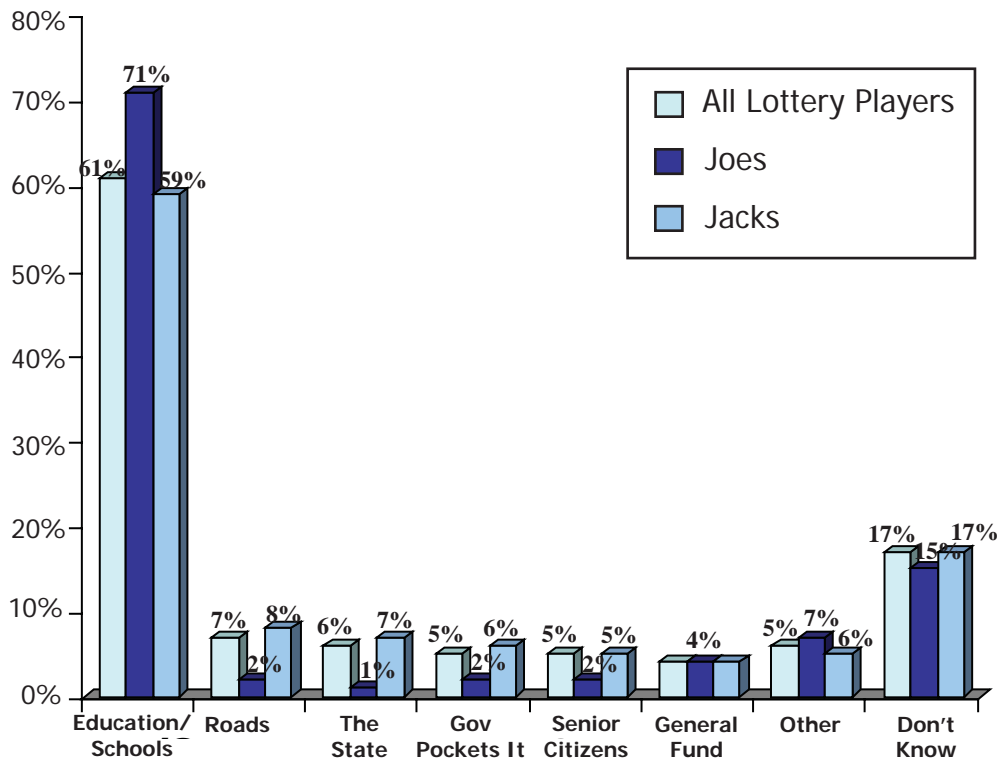
	2006						Change
	Apr	May	Jun	Jul	Aug	Sep	Aug/Sep
IN COMING YEAR, EXPECT INCOME TO INCREASE	39%	38%	36%	37%	44%	43%	-1
IN A YEAR FROM NOW, EXPECT IT TO BE...							
Easier to get by	31	29	27	28	26	36	+10
Harder to get by	41	46	41	49	47	38	-9

## WHERE DO LOTTERY PROFITS GO?

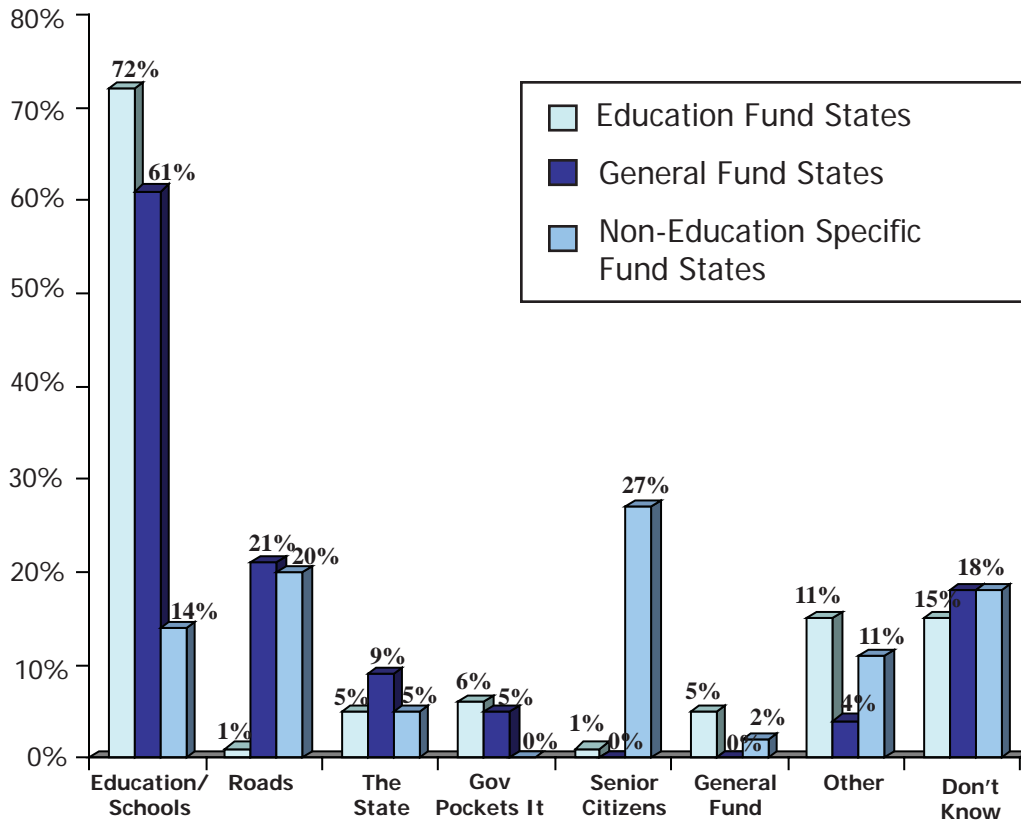
Less than two-thirds of those who have ever played their state lottery have a good idea of where the profits go (63%). Seven in ten respondents in states where the lottery funds education directly answer "education" or "schools" when asked what the money from the state lottery is used for (72%). But some of these are not sure and are no more definite than saying things like: "I think it is supposed to go to education, but I don't really know." Joes have a better idea than Jacks, as 71% of Joes and 59% of Jacks answer "education or schools."

Very few respondents, even in states where the lottery supports a General Fund, are aware of such a fund. This in a country where most lotteries have been around for decades.

*Question: As far as you know, what is the money from the state lottery used for? That is, where do the profits go? BASE: All who have ever played their state lottery*



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## WHERE SHOULD THE MONEY GO?

Half of those who believe lottery profits go toward something other than education feel the money could be put to better use (53%). When asked, these respondents report that they would like profits to benefit:

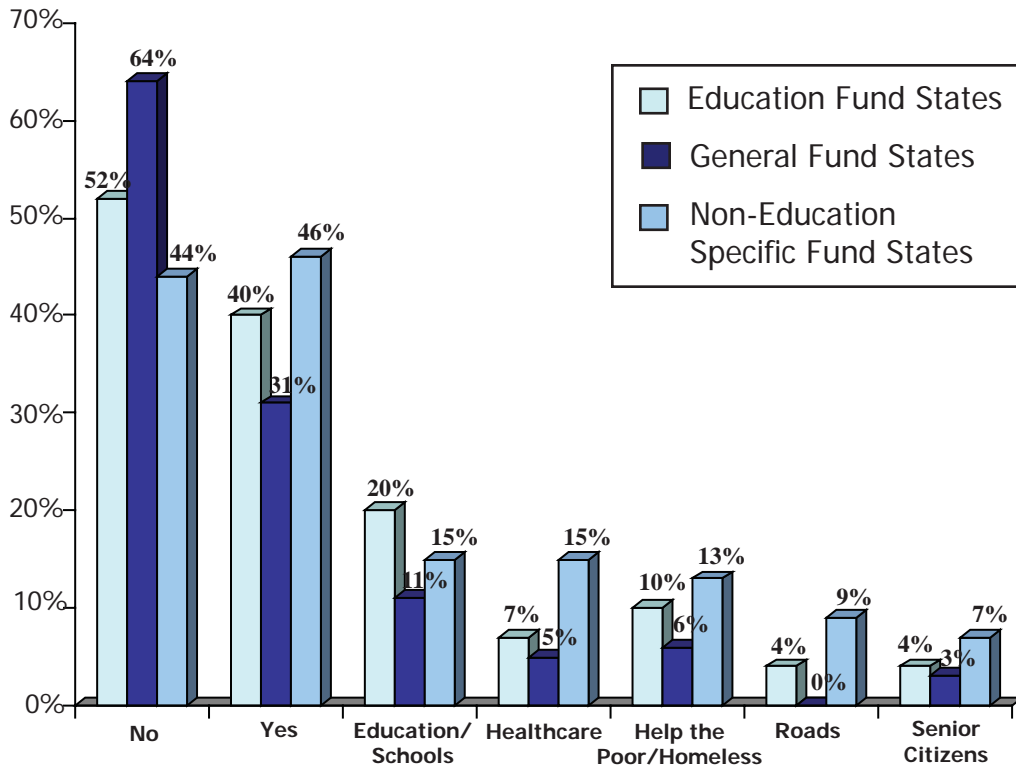
- o Education (45%)
- o Healthcare (22%)
- o Helping homeless (18%)
- o Low-income families (16%)
- o Roads/highways (10%)
- o Senior citizens (8%)

We pursued these questions a bit further: two in five of those in Education Fund states (40%) and almost one half of those in non-education specific fund states (46%) feel the money could be put to better use. Not one person in the entire survey states that the money would be better used by going into a General Fund or State Fund.

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**Question: In your opinion, is there something else you feel would be a better use of the money? IF YES: What?**

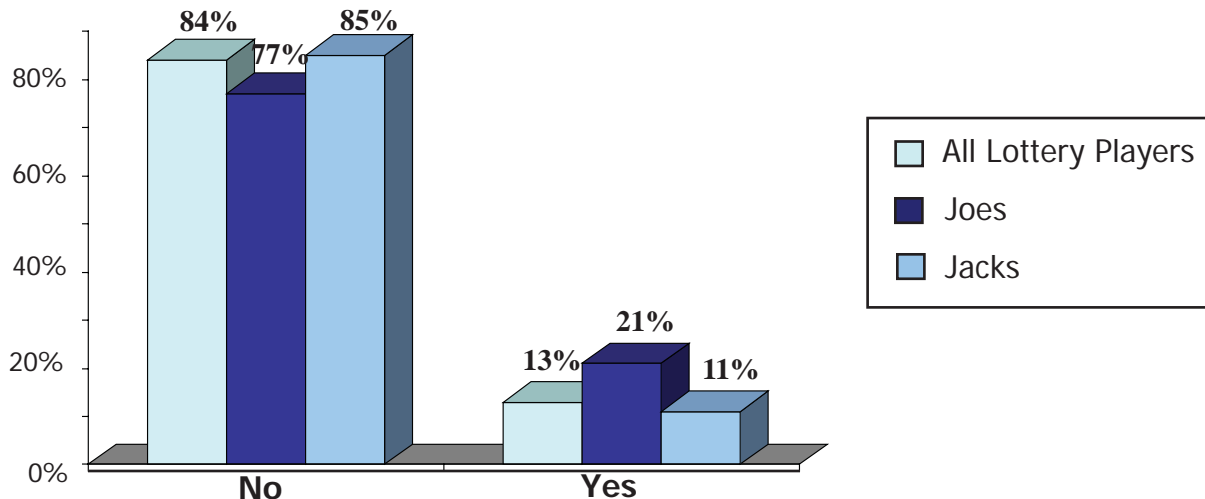
**BASE: All who have ever played their state lottery**



**DOES THE COMMON GOOD INCLUDE YOU?**

Most troubling is that neither Joes nor Jacks believe they reap any benefits from their state lottery—one in five Joes (21%) and one in ten Jacks (11%) say the lottery has directly benefited them or their family in some way. The small proportion of those who say the lottery has helped them most often cite that their family benefits from contributions to education.

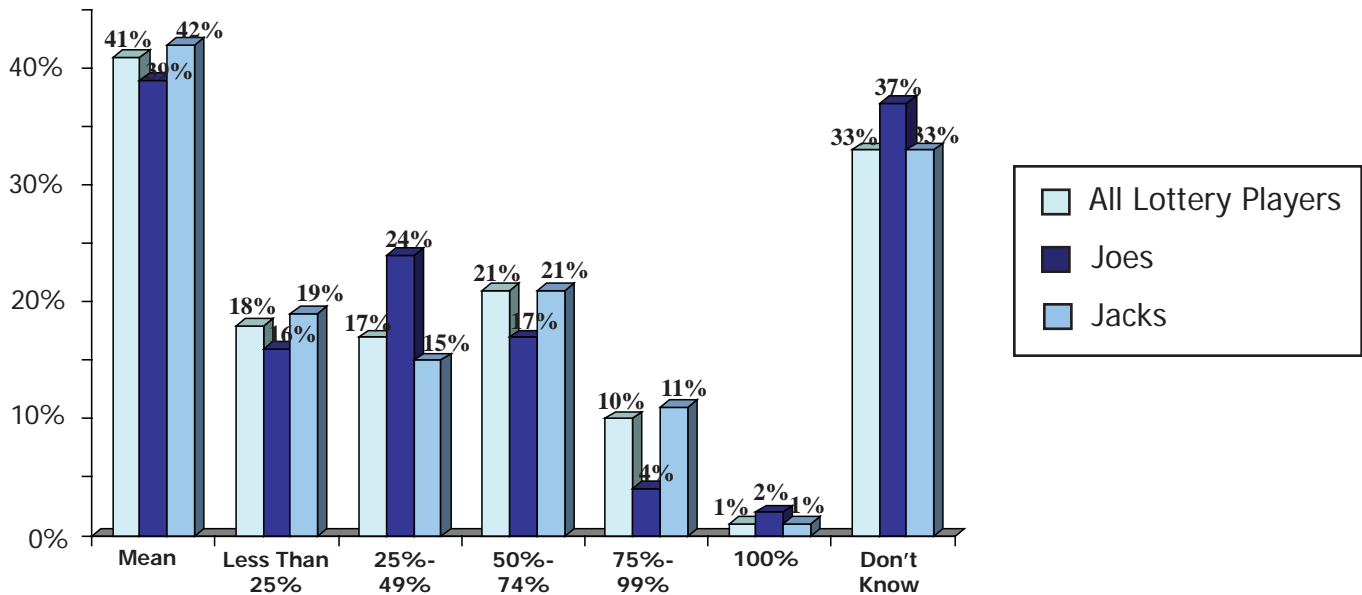
**Question: Thinking about your own household, based on your experiences, do you believe the lottery has benefited you or your family in any way?**



## HOW PROFITABLE IS YOUR LOTTERY?

On average, Lottery players believe the State receives 41% of profits from the Lottery, with Jacks having higher expectations of profits to the State than Joes. One-third, however, have difficulty fathoming how much money the state receives even after encouragement to provide a best guess (33%).

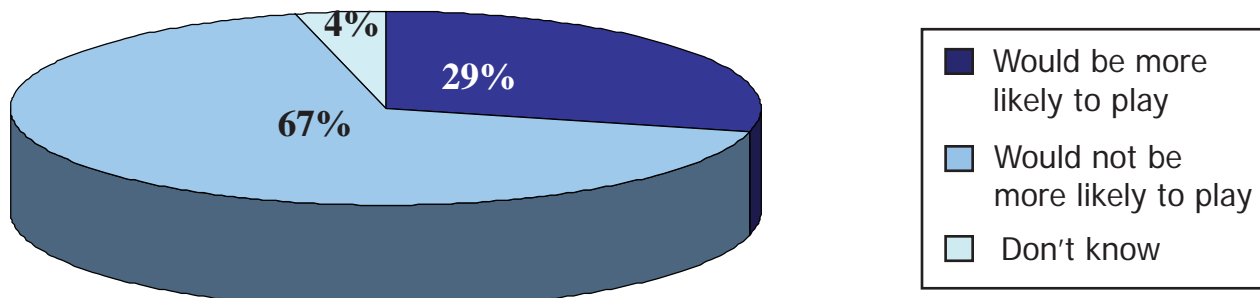
*Question: By the way, of every dollar spent on the lottery, how much do you think the State gets back in profits?*



## WHY THIS IS SO IMPORTANT?

Finally, over one-quarter of non-players say they would be more likely to play the Lottery if they knew the profits went to a worthwhile cause (29%). Considering the large proportion of those who are dissatisfied with the way states are using lottery profits, this suggests a huge marketing opportunity which appeals to both Joes and Jacks and combines the promise of a lottery with the desire of its potential audience. There is a large untapped population of players and potential players if the common good becomes common knowledge.

*Question: If you knew that the profits from the lottery were going to a worthwhile cause, organization, charity, or government department, would you be more likely to play the lottery in your state?*



## IMPLICATIONS

These findings illustrate many basic lottery marketing paradoxes: we promise winning but most people don't win...we depend on a universal knowledge of our good works but most people are clueless as to where our profits go or if their lottery benefits them. We find this despite years of education, ongoing public relations efforts, brochures, paid advertising, and lottery outreach with speaker's bureaus and traveling road shows. The findings illustrate perhaps that we as an industry are not speaking in a language or using terms that our constituents understand.

Our myriad messages of odds, prizes, winners, promotions, mail ins, and multiple games have drowned out our most important message: proceeds.

And, even more explosively the data clearly suggest that the more Joe and Jack know about where lottery money goes the more likely they are to play!

The implications of these findings are complex, and far reaching. Let's take "winning" for an example. For years, research companies have told us that "winning" is a key motivator for lottery players and non-lottery players as a reason they play, stop playing, or don't play. But, "winning" is a paradox...and "winning" messages are complicated propositions: should the message of a lottery be that you *win*, which both over promises and is not factual...or that you *can* win...which is true but according to some research not as compelling a message? Or should the message we promote be that even if you don't win *we all win*...a message used in one way or another by countless lotteries over a long period of time that doesn't seem to be working? Should we emphasize that, despite the odds against winning, that dollar that you spend with your lottery goes to the common good?

We have wrestled with these paradoxes for a long time. But, to some extent we have been wrestling blindfolded. We have thought that people knew or were aware of what we were all about...not just sales but profits and profits that benefited a universally accepted "common good" and impacted the lives of our players and at least excited the altruism of non players. We must now recognize that many people don't know where the money goes or feel as if wherever it goes it does not affect their common good.

But there we find another paradox...they don't seem to be paying attention to our proceeds messaging but care deeply about where the lottery's profits go. Both Joes and Jacks are interested enough that they report increased interest in playing if they "believed" in the promise of their lottery.

This undercuts Tom Jefferson's definition for a successful lottery as a collective effort in honesty, equal chance, prize, and believing that one's financial loss is a collective gain. If most people are ignorant of, don't believe in, don't benefit from, and indeed question the entire purpose of their lottery, no wonder satisfaction levels (See Jack Update Issue No. 5) are down. No wonder there are so many Jacks and so few Joes. No wonder that all the paid advertising in the world cannot do more than index one instant game slightly higher than an unadvertised one.

We are now starting from a negative perception of proceeds rather than the type of positive perception the citizens of Boston had when they knew that Faneuil Hall was the result of their lottery play and lottery losses.

Each month we conduct our monthly National Jack Poll<sup>SM</sup> 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](mailto:info@ilresearch.com)

A full detailed report of the past month of data collected from our National Jack Poll<sup>SM</sup>, 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](mailto:margaretm@ilresearch.com) to purchase

## RECOMMENDATIONS

All communication must include proceeds. That means that a television ads emphasis on winning or chances to win must recognize that all those mandatories are not as effective as the central mandatory of why people support lotteries and have played their lottery for years: that they know the money is going to important causes. Some states have an easier sell: scholarships, parks, programs for the aged...some states must deal with hard to understand 'General Funds'...others struggle with ongoing controversies on where lottery profits were supposed to go. It makes no difference. All of us must make educating the public about what we are in business for the new mandatory. It mitigates not winning. It proves that we affect lives for the better. It makes our employees and vendors proud of their association with us.

And, it's not just proceeds, it's profits...we are the most profitable business in the world, whether returning a quarter, a third ,or the estimated 41% from our survey. ILR recommends using all of our media, all of our retailer real estate, all of our media clout, all of our access to the body politic to tell our story in clear terms: the lottery is a wonderful thing...but only if the people of our states know that lottery losses are benefiting the common good and that common good is recognized by all as a shared benefit.

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## FOR VENDORS ONLY

Although lottery beneficiaries are determined by forces beyond you, lottery marketing advice is often sought from you. Lottery research sometimes is your responsibility. This newsletter outlines perhaps an unknown reality that we all would agree is an ongoing problem: the products you sell which translate into billions of dollars to education, parks, scholarships, you name it, are not seen as vehicles to that common good. Whether an instant or online ticket, it is fundamentally a ticket to benefit the people of the jurisdiction where you have the contract. We find that not only do people not know what your ticket benefits, but that knowing and believing in the benefit of the lottery would cause more to play and make those who already play feel better about their purchase. Use your influence to do additional research and more specific marketing to ensure that the figures cited above become a thing of the past and this willing tax be universally recognized as the dynamic non coercive revenue source it is



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

Independent Lottery Research (ILR) is a 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?  
WE KNOW JACK!**

