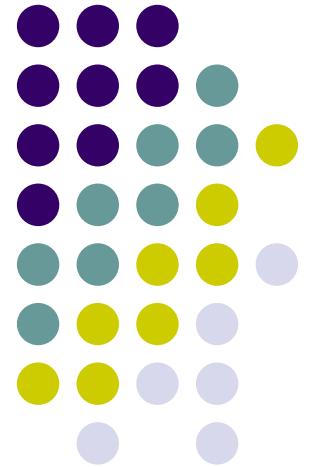


Are MEGA Games Saving or Killing Lotto?

California's MEGA Millions Experience

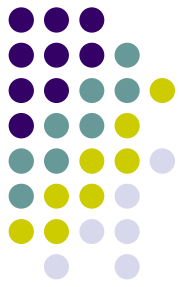
Presented by Linh Nguyen
California Lottery



The Decision to Join MEGA Millions



- Draw game sales becoming stale and playership was declining
- No new draw games in 7 years
- SuperLOTTO Plus began declining in sales



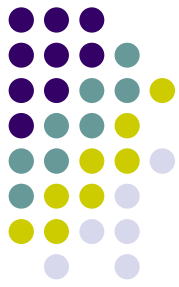
Marketing Strategy

- California became the 12th member of MEGA Millions on June 22, 2005.
- Primary marketing objective: minimize sales cannibalization to SuperLOTTO Plus.
- Marketing strategy: focus on the additional Jackpot opportunities with two big Jackpot games (MEGA Millions & SuperLOTTO Plus).



Marketing Strategy (cont.)

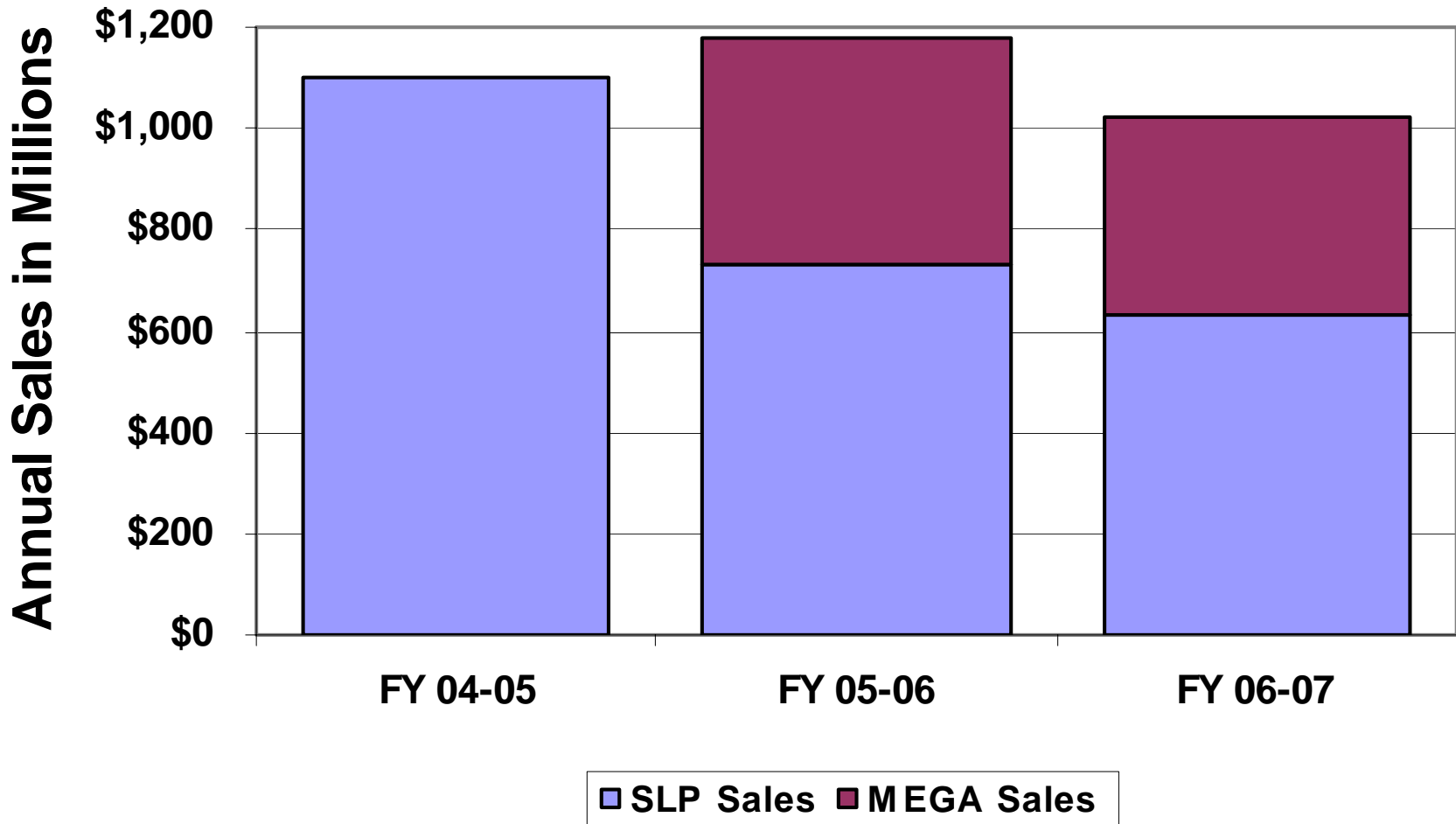
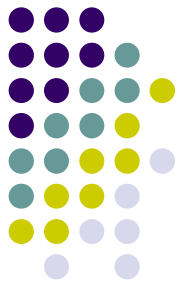
- “More of what you like; more jackpots more often.”
- All signage advertised the jackpots for both games – side by side.
- Cross-promoted the games: buy 7 MEGA Millions plays, and get 1 free SuperLOTTO play.
- Basic theme: play both games; they are not in competition.



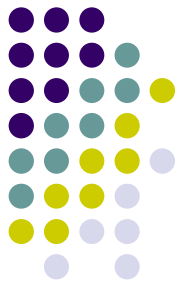
Sales Implications

- After joining MEGA Millions, SuperLOTTO Plus and MEGA Millions had combined sales in excess of the previous year, when SuperLOTTO was the only big jackpot game.
- *In the second year*, combined sales for the two lotto-style games came in lower than SuperLOTTO before MEGA Millions.
- MEGA Millions definitely cannibalized sales from SuperLOTTO Plus.

Combined Game Sales in California, Year 1 and Year 2

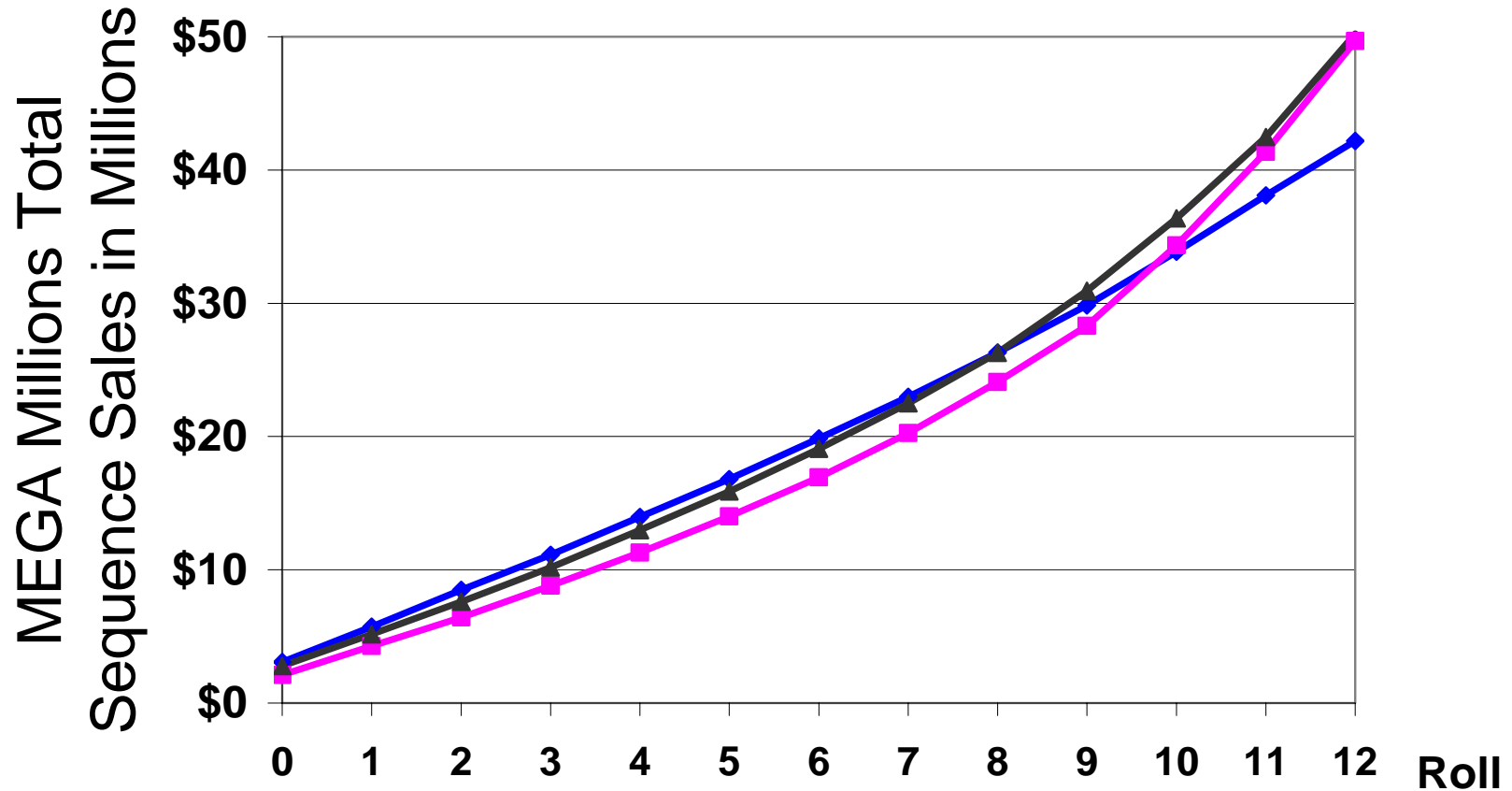
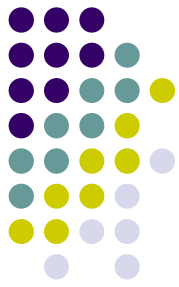


SuperLOTTO Plus and MEGA Millions Sales Trends



- California MEGA Millions sales have been stable over time.
- In contrast, SuperLOTTO Plus sales have been declining.

California MEGA Millions: Sales are Holding Up



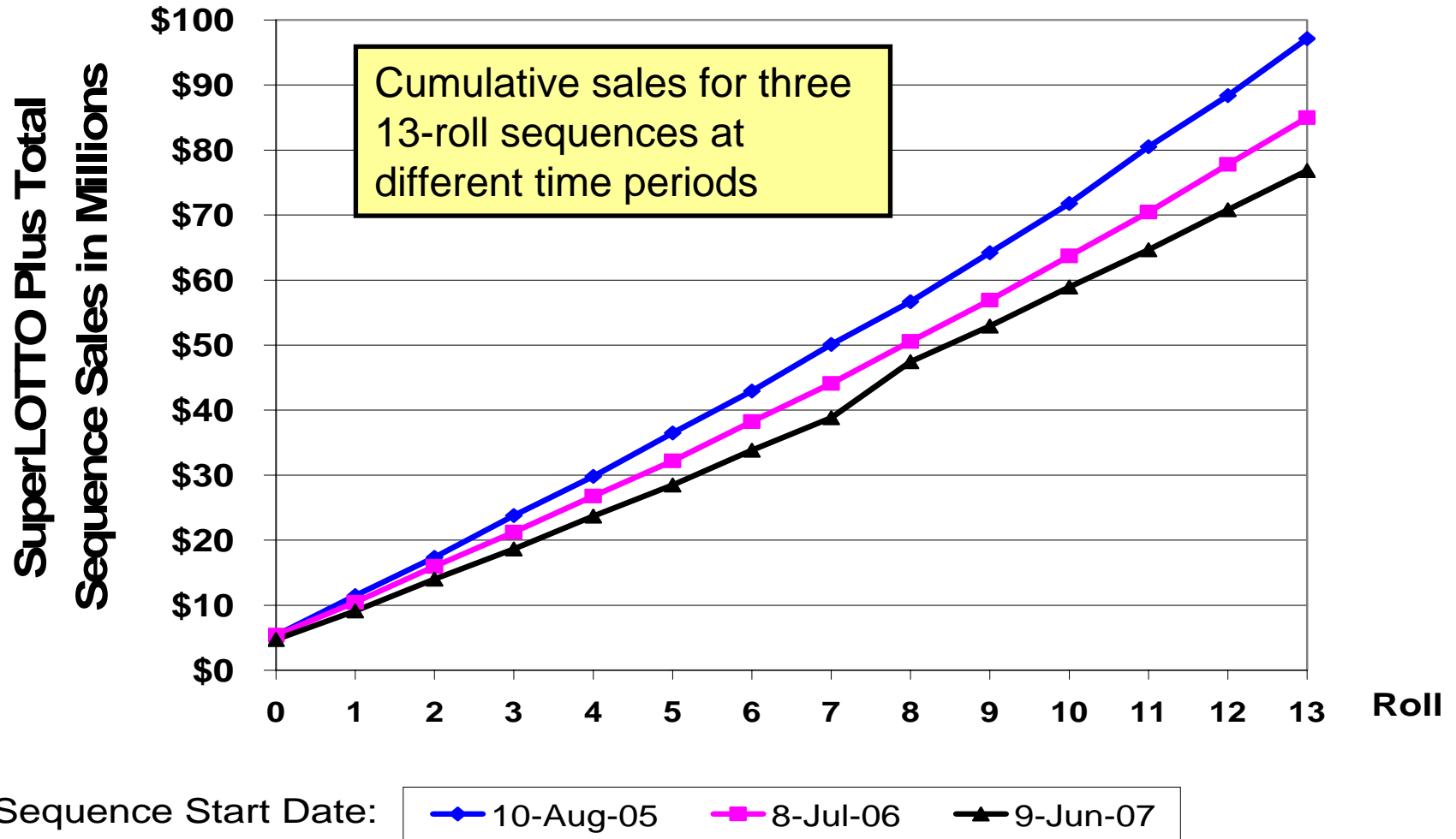
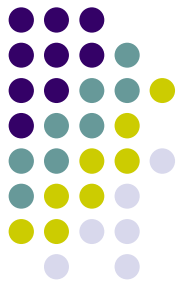
Sequence Start Date:

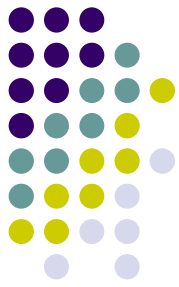
◆ 27 July 2005

■ 4-Aug-06

▲ 10-Jul-07

SuperLOTTO Plus Sales Softening over Time



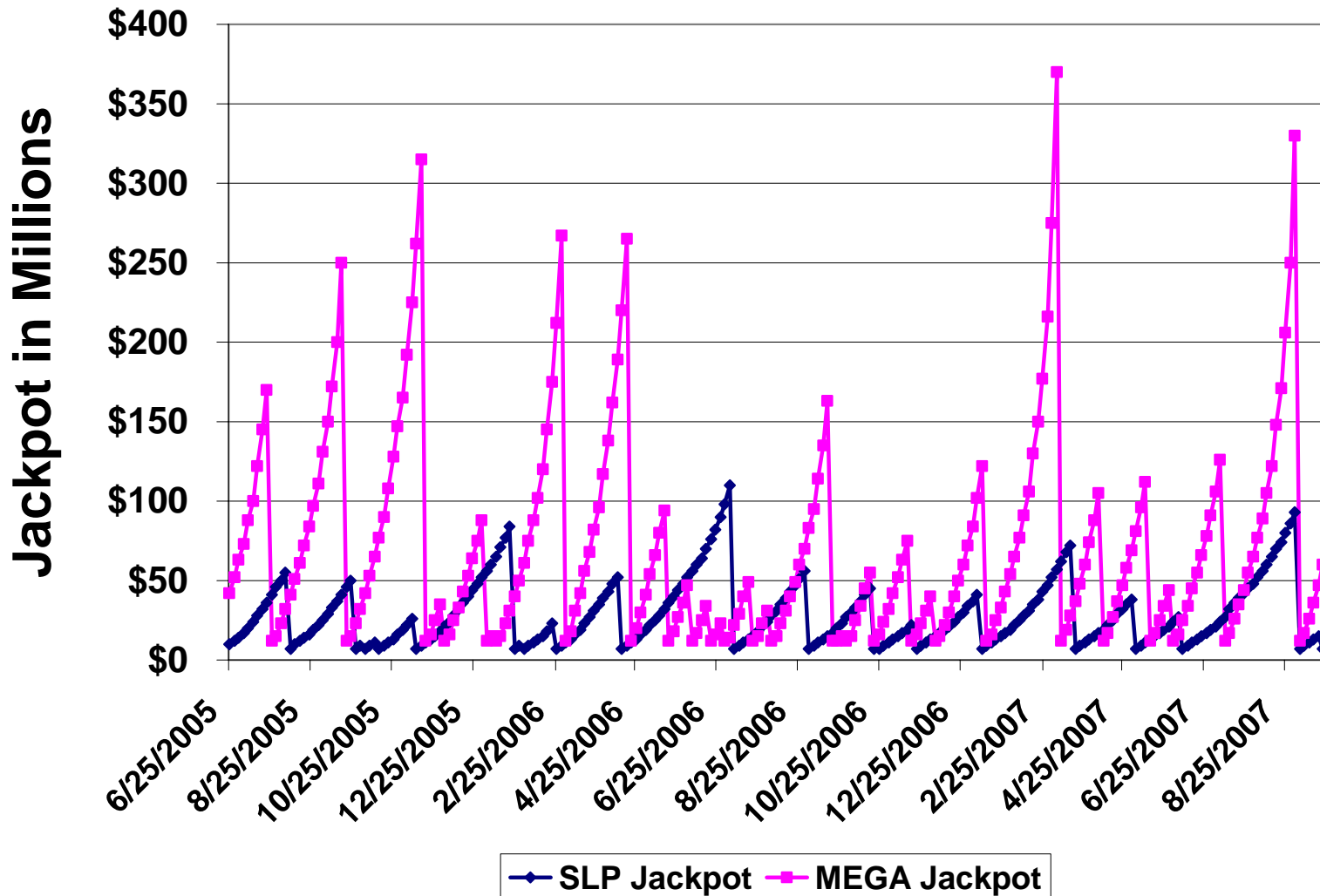


Effect of MEGA Millions on SuperLOTTO Plus

Some effects are plain to see:

- Since sales are now divided among two games, SuperLOTTO Plus is now a smaller game that behaves differently: slower Jackpot build, less board coverage.
- Before MEGA Millions, SuperLOTTO Plus never went beyond 11 rolls. After, it has rolled to 20, 23 and 24 (separate occasions).

Due to MEGA Millions SuperLOTTO Plus Jackpot is second-best about 75% of the time



MEGA Millions Observations



- Accelerates jackpot fatigue
- Legal challenge, negative press, low jackpots in 06/07
- Negative perceptions: Money leaves California; odds are much worse; there are more winners from out of state
- Creates unpredictable news and sales
- Creates jackpot buzz
- Could be extending the life of the lotto category

Concluding Comments



- **SuperLOTTO Plus is suffering from the competition with MEGA Millions with excessive roll cycles and relatively poor player responses to increasing jackpots.**
- **Need to keep players playing at lower levels.**
- **What's next?**
 - **Multi-Jurisdiction**
 - **California**