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Georgia Lottery

A Year Without Launching $1 Instant Games

Lower Price Point Industry Trends
Instant Games

		$1.00	$2.00	Average Decline
U.S.	FY17	-6.8%	-7.7%	-7.4%
	FY18	-3.0%	-4.0%	-3.7%
	FY19	-6.8%	-5.2%	-5.7%
	FY20	-8.4%	-5.0%	-6.1%
	FY21	-2.2%	-0.9%	-1.3%
	FY22	-9.2%	-13.0%	-11.8%
	FY23	-10.9%	-10.5%	-10.6%
	FY24TD	-13.2%	-13.0%	-13.1%

Pandemic Impact

Lower Price Point Georgia Trends
Instant Games

	$1.00	$2.00	Average Decline
FY17	-14.8%	-7.0%	-9.3%
FY18	-3.7%	-7.0%	-6.1%
FY19	-13.0%	-1.1%	-4.5%
FY20	-9.6%	-3.1%	-4.8%
FY21	9.4%	-6.4%	-2.5%
FY22	-13.7%	-7.6%	-9.3%
FY23	-19.8%	-15.3%	-16.5%
FY24TD	-31.7%	-5.6%	-12.2%

Stopped Launching $1 Games

Pandemic Impact

$1 Instant Games Over Time

$1 Games have been an industry staple, due in part to lower payouts and higher returns, but consumer demand has been waning since their height in the mid-2000's.

In fiscal year 2006, $1 games produced $4.5 billion in revenue vs. $1.5 billion in 2023, a decrease of 67%.

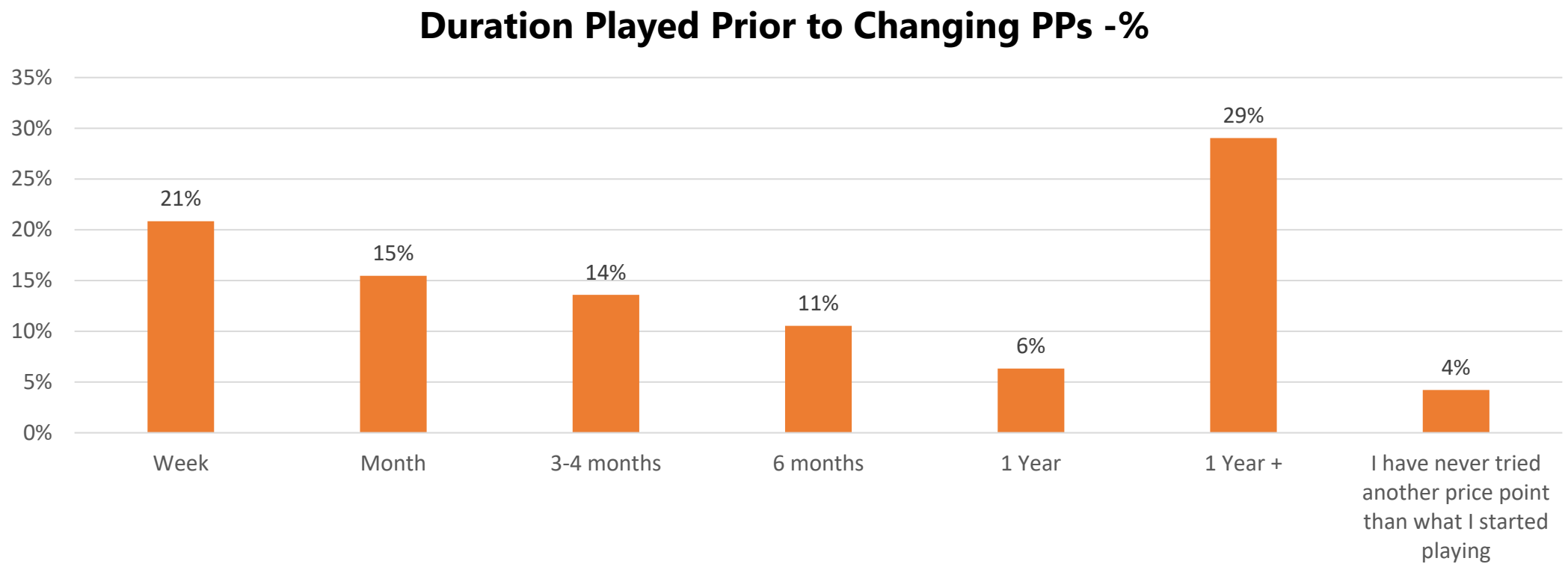
This downward trajectory doesn't appear to be changing, given historical data and trends.



To avoid negative impact to sales, GGR, and player alienation, these "role" elements must be considered when changing an overall $1 strategy.

GA Players Shift to Higher Price Points

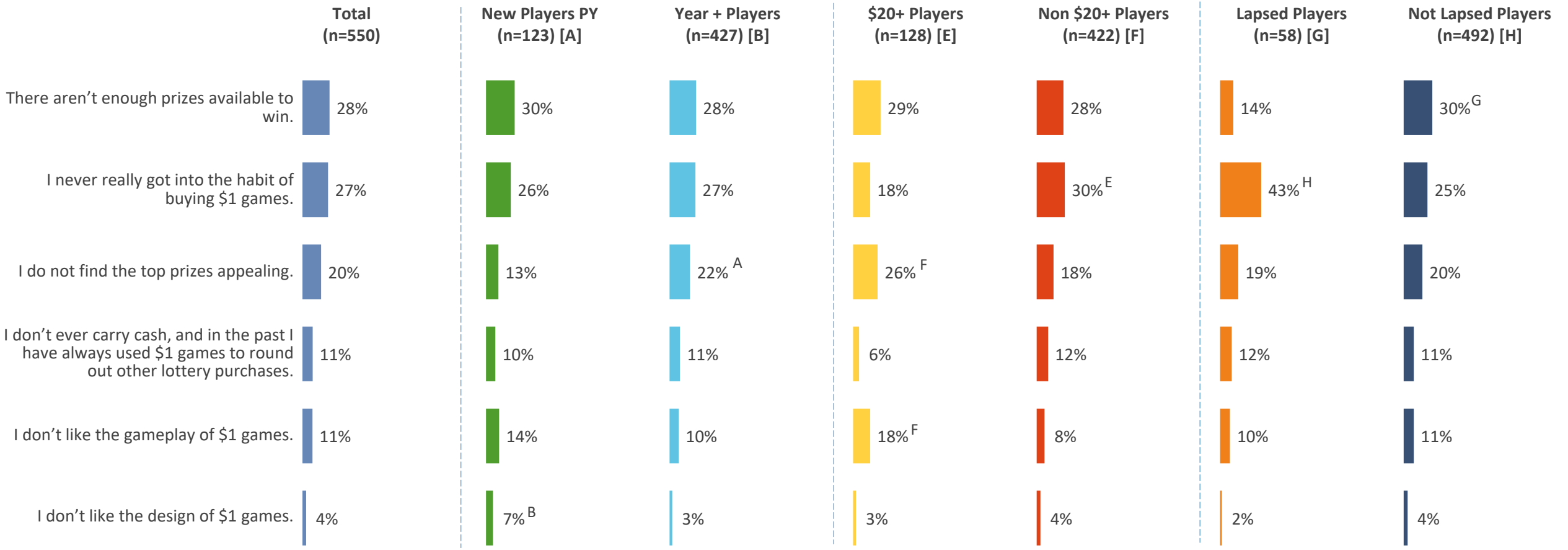
67% of Georgia $1 and $2 players transition to higher price point games within their first-year of play.



Source: 2022 Georgia Lottery One Voice Sample, N=~466

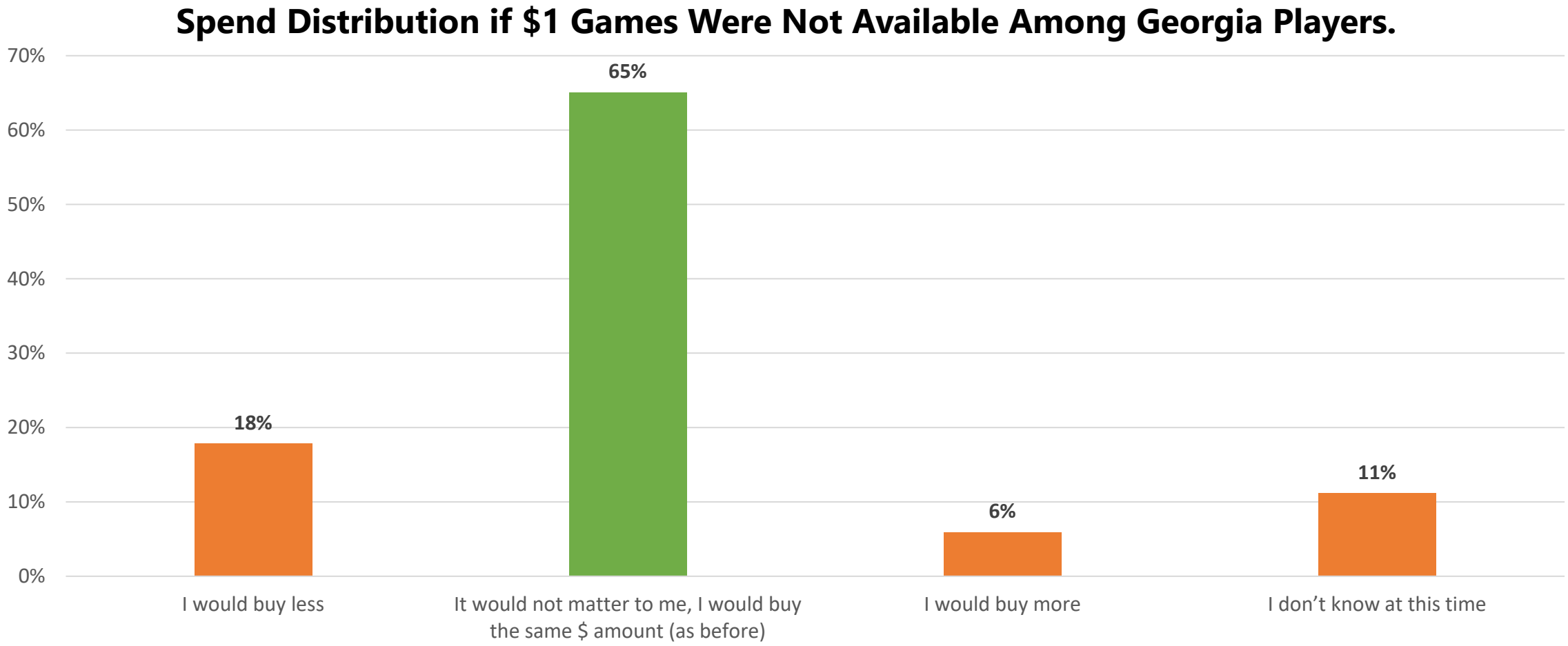
Main Reason for Not Purchasing $1 Scratchers

Those that don't purchase $1 games say there aren't enough prizes, or they never got into the habit of buying.



Q. What is the main reason (aside from frequency of winning) you don't purchase $1 games.
Source: Dynata $1 PP April 2024 Player Research. N = 1,000

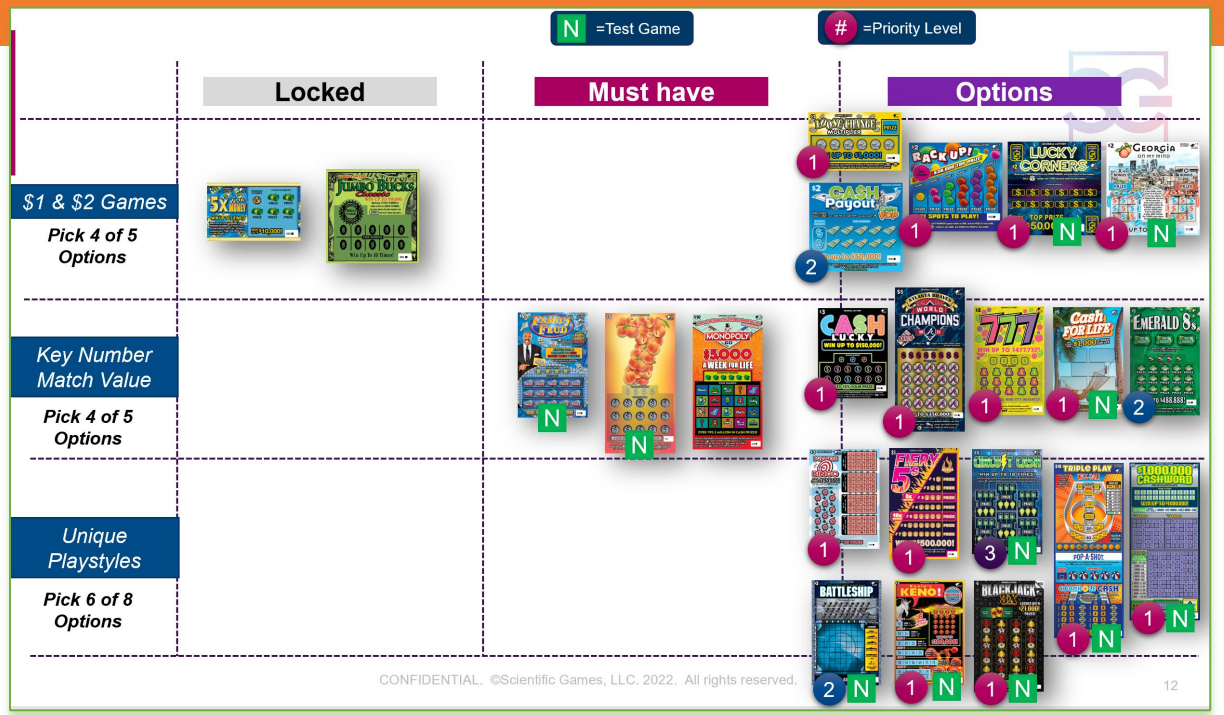
Player Reported Change in Spend Without $1 PP



Source: 2022 Georgia Lottery One Voice Sample, N=~466

Portfolio Optimization Study

Study was designed to discover opportunities for strategic product innovations and drive incremental spend.



$1 games had high scores with potential lottery players as well as high purchase frequency scores among key groups, despite lackluster sales.

However, there is little room for meaningful innovations that will drive incremental sales.

Source: 2022 Georgia Optimization Study
Sample, N=~2157

Pilot Test at Retail 2022 (recap)

- Objective
  Based on declining sales of $1 scratch tickets, this test was designed to examine the role of $1 games for our players and retailers.

- Methodology
  44 RaceTrac locations removed $1 games during the test period. In addition, each store was paired with a "control" store that made no changes. Week over week sales data was captured for both the control and test stores.
  - **22 stores replaced $1 games with a $2 game**
  - **22 stores replaced $1 games with a $5 game**

- Pilot ran from October, 2022 – December, 2022

- Findings

Replaced with:	Sales	% Change
$2 games	↓	-10.60%
$5 games	↑	15.87%

  - For the test stores that replaced the $1 game with a **$2 product,** overall sales were statistically **lower** when compared to the control stores. There was not a statistically significant finding for the $2 sales trend.
  - For the test stores that replaced the $1 game with a **$5 product,** overall sales were statistically **higher** when compared to the control stores. There was not a statistically significant finding for the $5 sales trend.

FY24 Strategic Execution

Removed
$1 games from monthly launches to test the hypothesis players will move to $2 or $5 games

Offered
5X The Money and *Junior* Jumbo Bucks to retailers who want to sell a $1 price point

- 8,624 active retailers
- 4,119 selling $1 games*

Implemented
$2 games that addressed what players enjoyed about $1 games

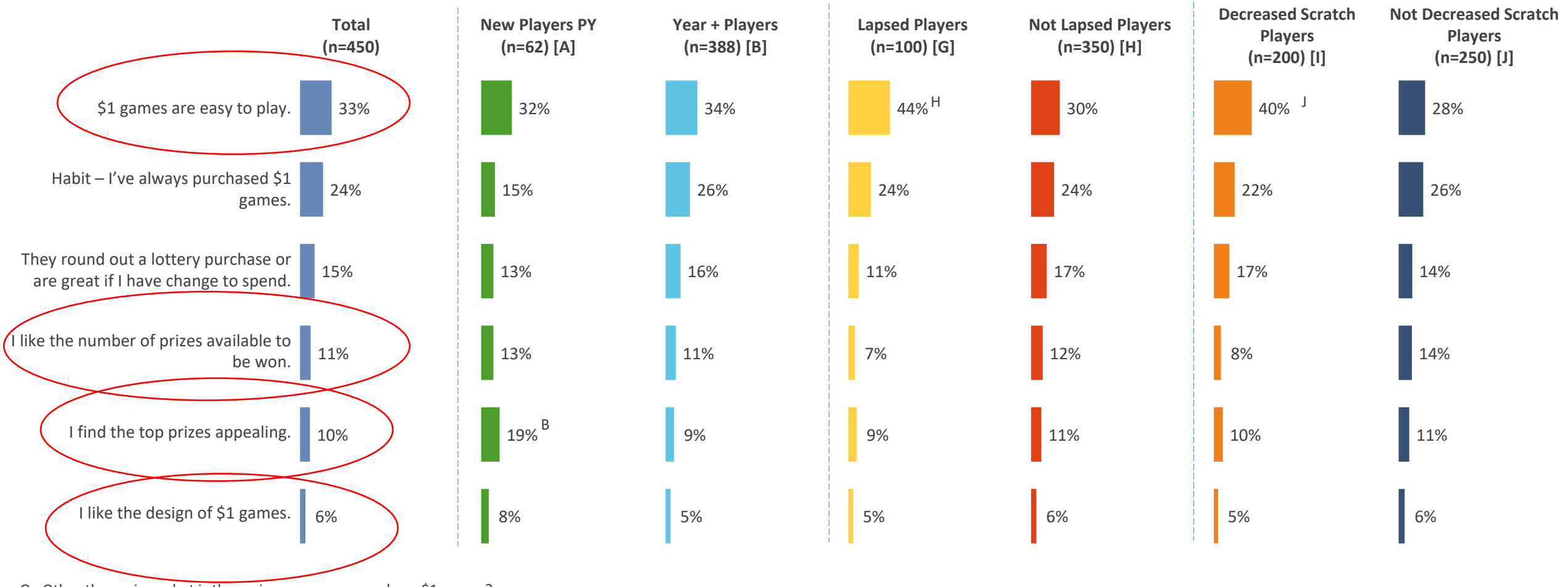


Player Favorites

* As of 4/24

Main Reason Cited for Purchasing a $1

Ease of play is the number 1 reason for purchasing a $1 game. Habit is the second most common reason.



Q. Other than price, what is the main reason you purchase $1 games?
Source: Dynata $1 PP April 2024 Player Research. N = 1,000

Moving Players Up in Spend

Launched What Players Enjoyed in $1

- Easy to play games
- Lots of prizes available
- Appealing top prize
- Attractive design









Optimizing Bins at Retail



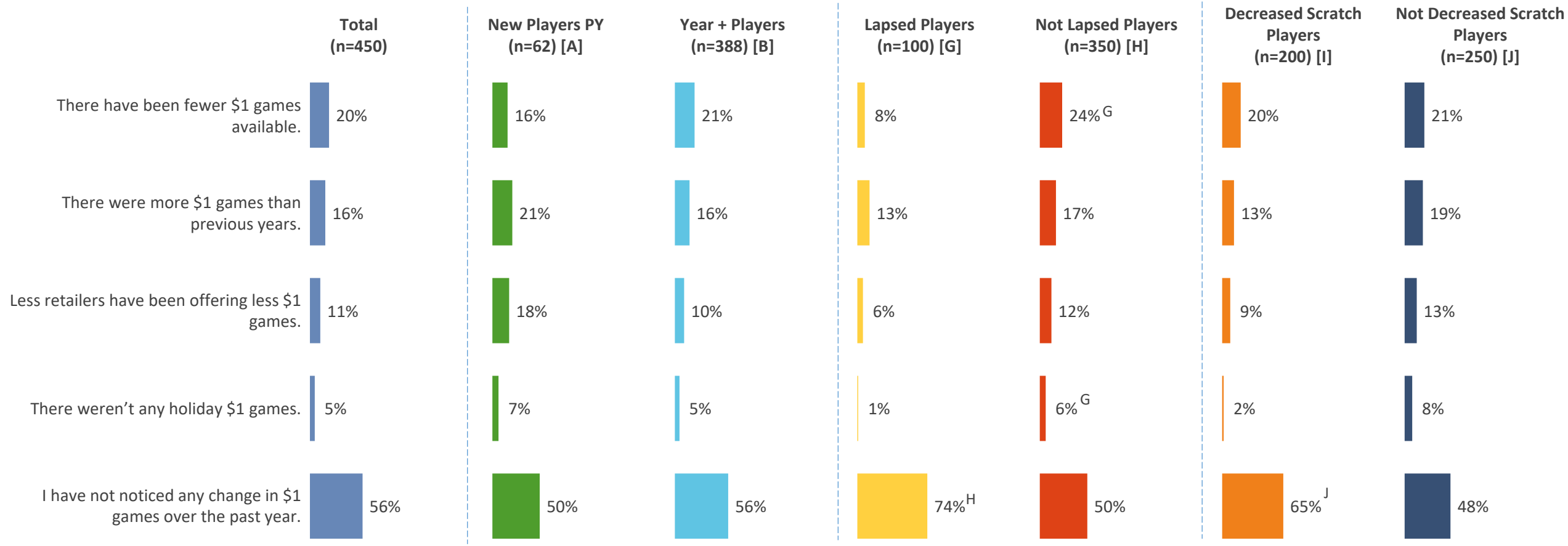
Removal of $1 Games

Enabled us to replace with:

- Most popular games
- Higher price points

Player Response to No New $1 Games

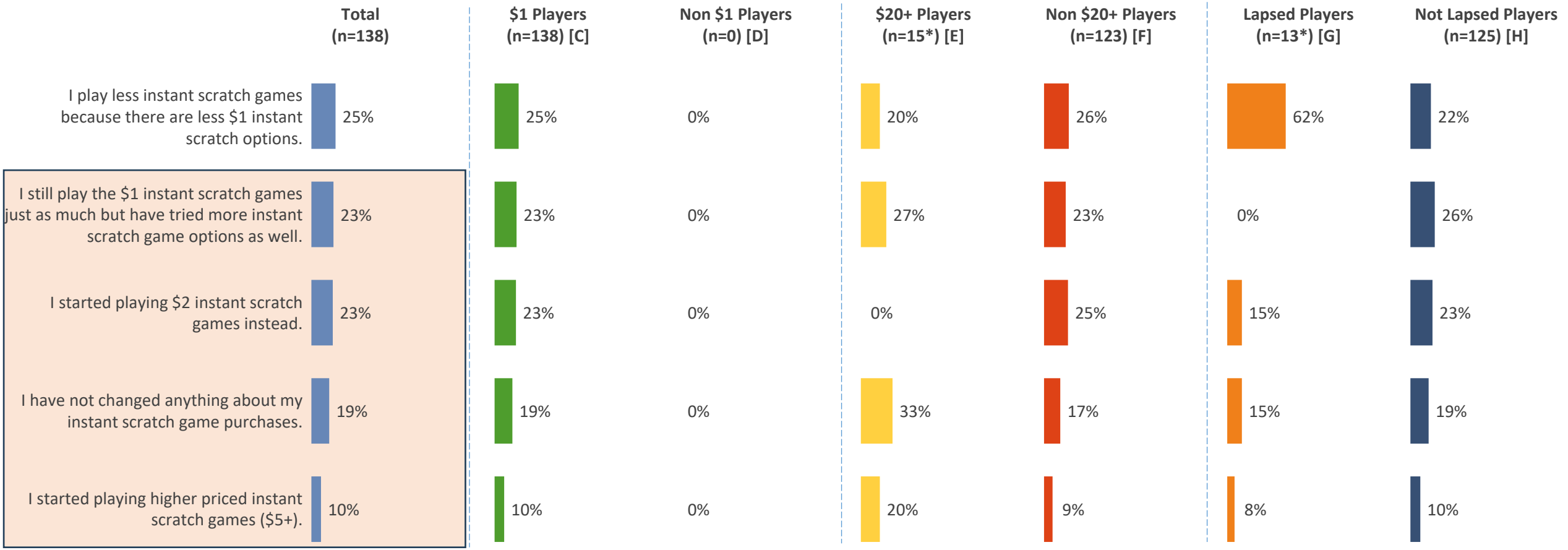
Over half of $1 game purchasers state they have not noticed any changes in the $1 games in the past year.



Q. Over the past year, have you noticed any changes in $1 instant scratch games from the Georgia Lottery?
Source: Dynata $1 PP April 2024 Player Research. N = 1,000

Player Self-Reported Effect of Fewer $1 Games

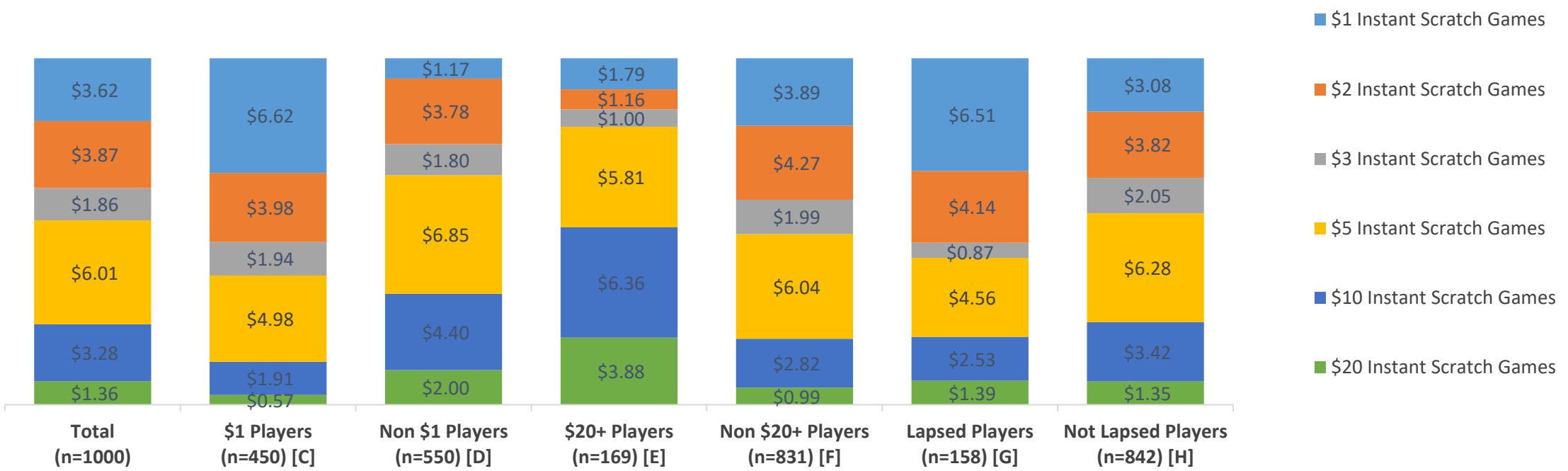
75% who noticed a change have not altered their spending habits and/or moved up to $2 games and above.



Have noticed changes in $1 Games
Q. Has the Georgia Lottery and retailers not offering as many $1 games changed your instant scratch game purchases or play?
Source: Dynata $1 PP April 2024 Player Research. N=1,000

FY24 Share of Wallet Exercise

If given $20 to spend on Scratch, most of the share moves to $5 games.



Q. If someone gave you $20 how would you spend it?
Source: Dynata $1 PP April 2024 Player Research. N=1,000

FYTD Results



- Removal of new $1 game launches mitigated some of the loss we experienced this FY as players naturally moved up to the $2 and $5 price points

- For retailers choosing not to carry $1 games, the removal was operationally positive
  - Fewer tickets to track
  - Unanimous positive feedback from retailer base

- **No negative impact to overall GGR** due to the small portfolio contribution of $1 games YOY
  - Increase in $2 game sales and accompanying GGR will offset lost GGR $ from the removal of $1 games.

Thank You