



**VIRGINIA  
LOTTERY**

*Helping Virginia's Public Schools.*

**Virginia Lottery**  
**FY 10 Sales and Forecast**  
**House Appropriations Committee**  
**February 3, 2010**

Paula I. Otto  
Executive Director



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## Sales vs. Prior Year, Forecast July-December

(Results in \$ millions)	Actual	Change from Prior Year		Change from Forecast	
<b>Total Sales</b>	\$707.5	\$33.1	5%	\$7.8	1%
Scratchers	\$351.1	\$12.2	4%	\$1.1	0%
Fast Play	\$3.5	(\$0.2)	(5%)	\$0.7	23%
<b>Daily Games</b>	\$233.6	\$4.7	2%	(\$0.4)	(0%)
Pick 3	122.3	(1.0)	(1%)	(1.8)	(1%)
Pick 4	96.7	5.5	6%	1.4	1%
Cash 5	14.6	0.3	2%	0.0	0%
<b>Jackpot Games</b>	\$119.3	\$25.2	27%	\$6.5	6%
Mega Millions	103.5	25.9	33%	6.6	7%
Win for Life	15.8	(0.7)	(4%)	(0.1)	(1%)
<b>Raffle</b>	\$0	(\$8.9)	(100%)	\$0	0%

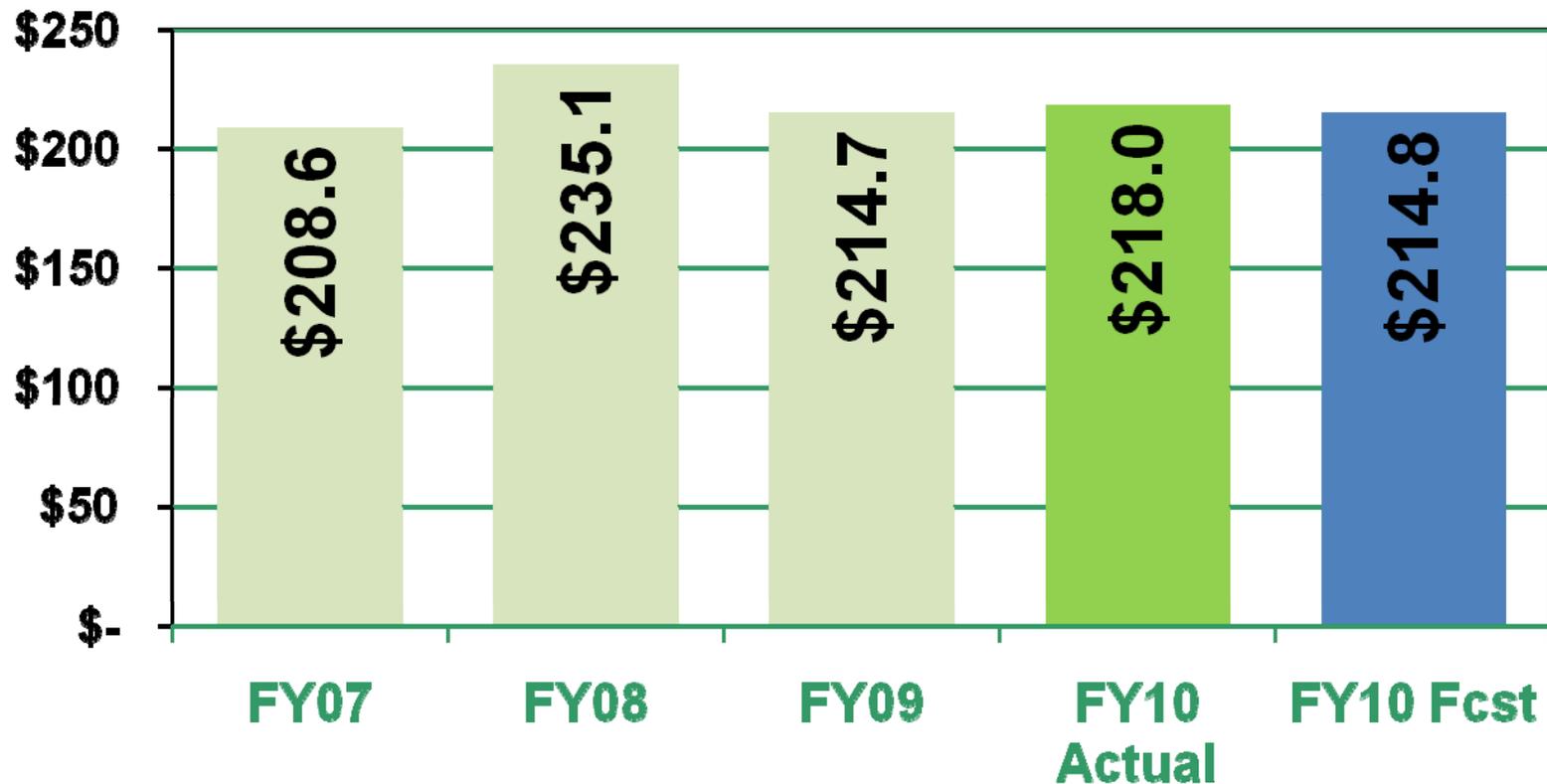


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## First Half FY Profits

(\$ in millions)





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## Jackpot Games



12 states

Jan. 31: added 23 Powerball  
states



31 states + D.C. and Virgin Islands

Jan. 31: added 10 Mega Millions  
states

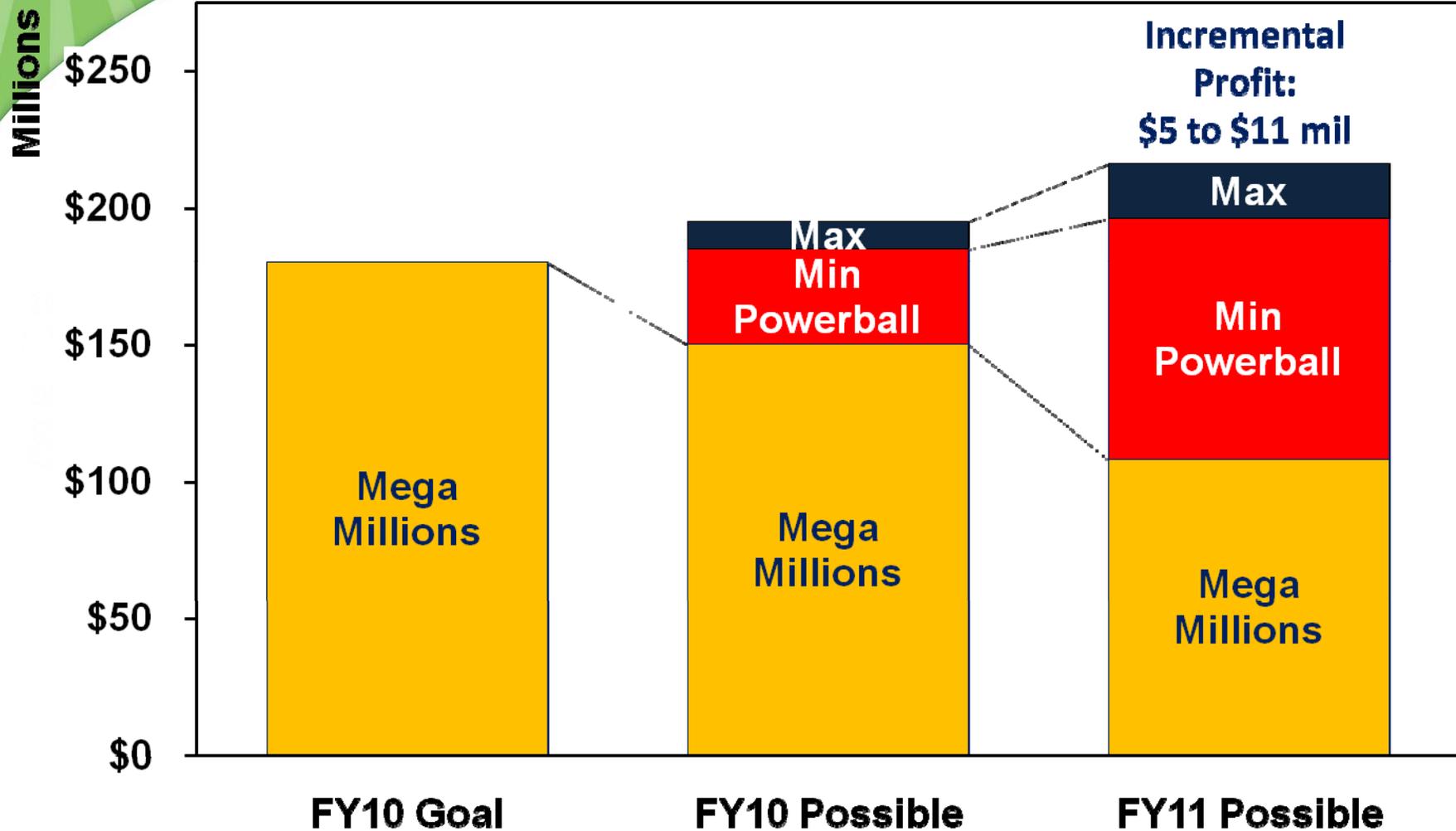
- Virginia was surrounded by Powerball:  
WV, TN, KY, NC + DC
- Virginia and all border states + DC now  
offer both games



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# How Much Will Powerball Sell?



Potential incremental profits for FY 11: \$5.0-\$11 million



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# Jackpot Games FY 10 Sales Forecast

	FY 10	FY 10 w/Powerball	FY 11 w/Powerball
Mega Millions	\$180 million	\$150 million	\$108 million
Win For Life	\$30.5 million	\$30.5 million	\$30.5 million
Powerball	--	\$35-45 million	\$88-\$108 million
Total Sales	\$210 million	\$215-225 million	\$226-246 million
Potential Incremental Profit		--	\$5-\$11 million



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## **Lottery Forecast Process**

- Lottery's economists develop forecast using:
  - sales history and trends
  - seasonality
  - marketplace influences
  - economic conditions
  - "expected" luck based on mathematical models
- Lottery Board approves forecast



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## **Lottery Advertising**

*Why does the Lottery need to advertise?*

### **The Lottery is a consumer product**

- 2% ad budget, compares to 7% average for other amusement/recreation products
- need to maintain awareness of new games, jackpots
- increase revenues by expanding player base, not just increasing existing players' spending
- advertising must reflect changing consumer habits



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# Consumers Need to See the Number





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# Why the Lottery Advertises

**We need to properly support our retail partners**

- 4850 retailers earn \$77 million in commissions
- Lottery brings consumers into their stores
- Lottery supports small businesses and helps create jobs





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## Why the Lottery Advertises

### Growing competition from neighbor states

- Lost approximately \$70 million in sales from NC after NC Lottery began in 2006
- WV gaming venues are advertising in VA media

Richmond Times-Dispatch Sunday, December 13, 2009

*Introducing the*  
**TAVERN  
CASINO**  
*at*  
*The Greenbrier.*  
AMERICA'S RESORT

Be one of the first to experience gaming at the world-famous Greenbrier resort. Our new Tavern Casino features 44 slots, Blackjack, Roulette and Three-Card Poker, all served in an intimate and elegant guests-only setting. Gaming like this has never been offered so close to home before, just 3 hours from Richmond. When you combine our newest attraction with The Greenbrier's 50+ activities set on our 6500-acre playground, you will see why there is only one America's Resort.

Call 866-534-4465 today  
to book one of our exciting introductory packages.



Introductory offers are subject to availability. Some restrictions apply.





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## What does \$26 million buy?

	FY09 Spending	FY10 Budget
<b>Production services</b> <i>Includes television &amp; radio (all spots are produced and filmed/recorded in Virginia), print, and point-of-sale development</i>	\$2 million	\$2 million
<b>Media</b> <i>Includes television, radio, billboards, transit, internet</i>	\$14 million	\$15 million
<b>In-store</b> <i>Includes electronic signage, player information centers, scratch ticket dispensers for 4,850 locations statewide</i>	\$3 million	\$3 million
<b>Agency fees</b> <i>Contractual fees for full services, no "cost-plus" arrangements. (DC-based firm; 10 Virginia employees)</i>	\$2 million	\$2 million
<b>Lottery Drawings</b> <i>Includes production and broadcast costs</i>	\$3 million	\$2 million
<b>Community Events</b> <i>Includes event sponsorship fees, University sports marketing partnerships</i>	\$2 million	\$2 million



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## Impact of Advertising

- Important source of revenue for 150+ Virginia media outlets
  - 28 TV stations
  - 150 radio stations
  - 76 jackpot billboards + 120 other billboards
  - 11 bus companies
- Production dollars spent in Virginia
  - shoot all television commercials in the Commonwealth
- \$26 million investment in advertising supports \$430 million for K-12 education



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Questions?