

Lottery Commission Meeting
February 16, 2017
WA Association of Sheriffs & Police Chiefs Building
Lacey, WA

MINUTES

COMMISSION MEMBERS PRESENT

Commissioners Judy Guenther, Peter Bogdanoff, Laura Cantrell and Fred Finn.

LOTTERY STAFF PRESENT

Director Bill Hanson, Deputy Director Jim Warick, Director of Sales and Marketing Ron Smerer, Director of Finance Beckie Foster, Research and Development Manager Stephen Wade, Director of Security Dan Devoe, Marketing Assistant Director Randy Warick, Sales Assistant Director Lance Anderson, Instant Product Manager Gaylene Gray, Information Services Director Crystal Fischer, Business Development Manager Kurt Geisreiter, Regional Sales Manager Dean Renner, IS representative Jim Bevans and Executive Assistant Debbie Meyer

OTHERS PRESENT

Eric Sonju of the Attorney General's Office; Becky Bogard of IGT; Nadine Tull, Ryan Lyonnais, and James Mackenzie of Cole & Weber; Stephanie Kirk of Curator; Drew Scolaro of Sci Games; Ernie Stebbins and Rebecca Kaldor of WIGA; Aubrey Seffernik of Miller Nash

CALL TO ORDER

10:00 a.m. Acting Chair Bogdanoff called the meeting to order.

INTRODUCTIONS

Acting Chair Bogdanoff asked for self-introductions from all attendees.

APPROVAL OF MEETING MINUTES

*Acting Chair Bogdanoff entertained a motion to adopt the minutes of the October 27, 2016 Commission Meeting. Commissioner Finn **so moved** and Commissioner Guenther **seconded**.*

*A vote was called for to approve the minutes of the October 27, 2016 Commission Meeting. Ayes were unanimous. **Motion carried**.*

Rock, Paper, Scissors Draw Game Concept

The commissioners didn't want to approve the game concept until Chair Loveland could join them and also wanted the Lottery to explore the feasibility of adding this game to our portfolio of games.

Acting Chair Bogdanoff entertained a motion to approve the further exploration of the Rock, Paper, Scissors draw game concept as described by the Lottery staff.

*Commissioner Cantrell **so moved** and Commissioner Guenther **seconded**.*

*A vote was called for to approve the further exploration of the Rock, Paper Scissors draw game concept. Ayes were unanimous. **Motion carried**.*

Acting Chair Bogdanoff said that the approval is with the understanding that we talked about legal issues, potentially looking at focus groups and discussion with the appropriate Governor's staff. Once this has been completed, staff will bring back this information to the commission at a future meeting. Director Hanson felt that this was a great solution.

DIRECTOR'S UPDATE

Director Bill Hanson stated that the legislative session is moving right along. He's not quite sure how smoothly it's moving because he hasn't been up on the campus much this year. We don't have any agency requested legislation this year but we do have a couple of things in the budget. He said the only thing that might come up is about the promotion with the Seattle Boat Show. There was a second chance drawing for a boat. We had a kiosk there that was open part time and somehow in the advertising on radio and TV, it was mentioned that the Boat Show was sponsored by Washington's Lottery, which was not the case. We can't sponsor private entities to do anything. We were contacted by Senator Sheldon's office. Jana contacted the Senator's Office and answered their questions.

Bill shared that a bill was introduced to take some of the beneficiary dollars from WOPA and put dollars back in to school construction, which is where the Lottery dollars used to go. He doesn't know where that bill is in the process. He said that a number of people have asked him what he thinks about this idea. He tells them that the legislature gets to tell us where the money goes and so he doesn't worry about it. The only time that he would ever say anything would be if that the legislature put it someplace that it would be hard to market it.

Commissioner Finn mentioned that when we last met there was a bill to merge three agencies that was in the process of being circulated. What has happened with that bill? Bill shared that at the moment that bill is dead and the issue has been tabled at this time.

Commissioner Guenther asked if the legislature has brought up again that the Lottery proceeds should be used for the Horse Racing Commission. Bill stated that he has not yet been contacted by anyone about this.

Commissioner Cantrell was glad that Bill mentioned the Seattle Boat show because she did see the commercial and that was a question she was going to raise. She did ask though if this would be a relationship that would continue on to the next boat show? Bill stated that he hadn't seen all the sales numbers from the Boat Show yet, so we don't know how successful the Boat Show was for us. He did get good feedback from the executive director of the Norwest Marine Trade Association which owns the Boat Show. Bill suspects that they might want to do this promotion again but we will really have to sit down and analyze how this year's event went before we could commit ourselves to next year's event. He believes it is a good promotion for the Lottery, we will just need to make in clear in the advertising that the Lottery is not sponsoring the Boat Show.

DEPUTY DIRECTOR'S UPDATE

Deputy Director Jim Warick followed up on a couple of items that Bill talked about around the legislative front. The Lottery prepared a fiscal note around the reallocation of what was going to be going into the WOPA Account and again it was to fund possible bonds for education construction. There was a secondary bill that was around grabbing 5% of our unclaimed prize money that would go towards a child rescue fund. Jim believes that neither bill has moved out of committee and this would need to happen by tomorrow. Jim stated that the reason we are meeting in this building is because we are in the process of remodeling our building. Unfortunately we were supposed to break ground on that this past Monday and that was delayed because we are waiting on Department of Enterprise Services to finalize the lease agreement. We have relocated the Sales & Marketing staff to the drawing studio.

Acting Chair Bogdanoff asked what the timeframe was for completing the remodel. Jim shared that the projected timeframe for us is that we need to have all work completed by June 30.

Jim shared with the Commissioners that we are, as part of our contract with IGT, getting ready to go in to a SOC 2 audit for our gaming system. We do SOC 2 audit every other year and hopefully it will be completed very shortly.

Because of Kurt's work with the tribes, we have a several projects going. We have projects going with Angel of the Wind, 7 Cedars, Ilani which is the new casino going in outside of Vancouver and the Muckleshoot tribes. We currently have our second slot tournament going with Northern Quest. Jim said that he has been able to attend some of the working meetings with Kurt and he is excited about the possibilities.

At our last meeting we talked about the Fall NASPL meeting. Jim wanted to get in an early plug in for this year's fall meeting, which is being held in Portland, OR. The dates are September 13-16. Jim encouraged the commissioners to consider attending if they can make themselves available.

Acting Chair Bogdanoff asked that if commissioners wanted to attend the NASPL meeting, what kind of lead time would be needed to let Lottery staff know. Jim said commissioners should let Debbie Meyer know by the first part of July.

REGIONAL UPDATE

Lance Anderson shared that in an effort to showcase what happens around the state, that we have invited the regional sales manager for our largest region, Dean Renner. He is the manager for our Federal Way Office. Dean also happens to be the FY16 regional sales manager of the year. He comes to the Lottery with an enormous amount of experience and we are lucky to have him.

Dean shared the geographic profile of the Federal Way Office. We start out to the north of Hwy 520 in the city of Seattle, north of 520 is the Everett region. As we work in the City of Seattle our territory includes downtown, Capital Hill and West Seattle. We have the vast majority of Renton and also the City of Kent. On the I-5 corridor we serve South of Seattle and end up in the Lacey area. We go as far east as Packwood and Maple Valley. We serve the entire Olympic Peninsula down to Ocean Shores. It is a fairly large geographic area.

Dean shared that the region has 1200 retailers – 454 are corporate stores and the Gemini Touch vending machines are in 477 stores.

Dean shared that the regions FY 2016 goal for all games was \$227M and we blew that out of the water \$264M in sales. The scratch game goal was \$146M and actual sales were \$166; it was a really good year for scratch sales. The draw games sales goal was \$80M and actual sales were \$97M because of the big Powerball jackpot we had.

Dean also shared his new FY 2017 sales goals. We are doing well in the scratch game sales but we are struggling some with our draw game sales because we are not getting any big jackpots.

Dean showed a picture of the Federal Way Team. There are three office staff in the regional office that support Dean, the 11 DSRs in the region as well as David Loveland who is the kiosk supervisor. We have kiosks at our malls and the airport.

The SeaTac Airport kiosk opened in April of 2016 and we are coming up on our one year anniversary. We have Tacoma Mall and Southcenter Mall. Included with this group is the vending machine at Coleman Dock at the ferry terminal. Sales were great last year, due in part to finally being able to open up the airport kiosk. We have a total of seven vending machines at the airport and we still have areas of the airport where you can walk in and go through security and go to your flight and not see our kiosk or a vending machine and we are still trying to grow our business at the airport.

The two malls and Coleman Dock sold as much as the airport did when you combine all three of them. In FY 2016 the three combined sold \$616,640 compared to the airports \$664,606 in sales.

We have some current projects going on in the region. We have promotional & POS that we are always keeping current. We spent a lot of time the first part of this year optimizing our NextGen ProCall system. We are trying to get it to work for the stores and the DSRs.

Dean shared that staff are currently working at the kiosks at Tacoma and Southcenter malls on a customer engagement project that Dean called "Daily Game Clinic". We are trying to introduce people to the Daily Game. What we are trying to do is keep it real simple. We are telling people that they just need to pick three numbers and if they all come up, they win \$500.00. We are just trying to introduce people to a simple version of the Daily Game that isn't hard to play.

The region is also doing a vending machine merchandising test in a couple territories. We are using planograms and providing them to the stores. We are suggesting to the retailer what games to put in the machine, where to place the tickets and why. Dean shared a picture of an example that was used with a retailer during the holidays.

SALES & MARKETING

Sales & Marketing Director Ron Smerer shared the sales numbers with the commissioners. Our sales are down a bit because of the Powerball number we are up against from last year. However, we are kind of holding our own and making headway. The staff are doing a good job on things that we are doing to try and increase sales. One example is what Dean shared with the planograms. If we don't have any big jackpots we will have a tough time hitting our sales goal numbers.

Bill mentioned the Boat show and our numbers for three day period of sales were over \$17,000. We haven't done a full debrief yet but we will be doing that in the next couple of weeks. Ron shared that we had a lot of positives. He worked the event one night and the remarks and people coming over to us were impressive. He was skeptical about this event and after he left his shift he was very impressed with all the people that came to the booth asked questions and bought tickets and Ron thought it was a good venue. We will look it over and determine if we move forward with doing this event next year.

Ron shared a quick WalMart update. Terri Killion has been assigned the WalMart Account. We have started weekly phone conversations with staff at WalMart headquarters. We will be licensing seven locations – there are five neighborhood markets and two fuel locations. The locations are in: Bellevue, Lynnwood, Lacey, three in Vancouver and Othello.

The Superstores locations will follow in nine to twelve months, if all goes well. We believe that everything will go well. The phone conversations have gone well. We have supplied them with a lot of CAT testing and it's finally been approved so our next step is to license the stores. We will then visit the stores and pick out locations for the equipment and hopefully by the first to mid part of March that we will be up and running in the stores.

Marketing Update

Marketing Assistant Director Randy Warick talked about the Seahawks one last time this fiscal year because we had a Superbowl promotion and we were fortunate to have two winners and their guests that got to go and watch the Superbowl. One of the winners took her grandson with her. She responded back and shared that it was a trip of a lifetime. Everything was high end and she couldn't thank the lottery enough for the experience. The sad part was her grandson dropped his cell phone when they first walked in and it shattered and he couldn't take any pictures. Besides that she said the game was exciting and everything was top notch. It truly was a tremendous experience that she couldn't buy and those are words we like to hear.

We were able to hold one promotional event after the Seahawks won the NFC wild card game and we gave fans a chance to head to Atlanta and watch the Seahawks play in the divisional playoff game. We would have loved for the Hawks to win another game so we could have had another promotional event at Southcenter but we will look forward to a better year next year. Randy called out a couple of highlights – we had 32 pieces of online and broadcast coverage which garnered about 3,582,354 impressions and once again the Seahawks are a huge draw for us.

We have lots of winners and people love to hear our winner's stories. Our winners do a lot of different things with their winnings. One winner donated to the Fraternal Order of Eagles; another winner gave money to the local humane society; one winner helped 4-H students; another winner bought his daughter a new car and another winner was able to be present at the birth of her first grandchild. Many of our winners do a lot of good with their winnings and we love to share their stories.

We work really hard to teach people to use their imagination. What we have evolved in to is less what you do for yourself and more about what you do for others if you win. We took that cue and this year's broadcast, we really dialed that in. If I won the lottery, I would make my dad's, my mom's, my dogs and even someone else's day – a stranger's day. They would make someone's day because it makes you feel good and it makes your day to see someone else happy and you can relate that back to Christmas.

What we tried to do with this in our media, we wanted to capitalize on that feeling of doing good for somebody else. We did a commercial called car wash and basically the person ends up with a newer and better car than what they started with. (Unfortunately the audio did not work on the computer.)

On top of that we had a basketball commercial. We have an avid sports fan and he won the lottery. He plays on a recreational basketball team and he calls up a buddy and says he can't make the game but he has a friend that can take his place. The door opens and Sean Kemp walks in to play basketball. No one knew that Sean Kemp was going to play on the team so we were able to catch the real reaction of the players. The payoff at the end of the commercial was that the guy who said he couldn't make it, walked in and said "This is how to make a fan's day every day."

This is another feel good commercial and this is playing at a time when there is a lot of conversation going around about the Sonic's and bringing the Sonic's back, so we reached out to Sean and he was very excited to work with us.

Randy recapped the holiday scratch campaign – Happy Holiplays is the spin we gave this year's campaign and our consumers love it. We had a lot of fun with it and the tickets do the heavy lifting for us but it is always fun to put a creative spin to it.

Randy shared a couple of our social media spots and he set up the scene since we have no audio. There is an adult man looking through the stair banister and he wants to open presents and it is very clear that it is not time to open presents. He is asking his wife, can I open presents and he basically answers for her and then it pans down to the presents. This took us in to a second spot called early morning and this supported the radio buy this year. Our radio was a husband and wife and the husband wants to open his presents and he says: Can we open presents now? The wife says no and a few seconds go by and the husband says: How about now? The wife still says no. The husband is wide awake and the wife leans over and asks if he bought scratch tickets. He said maybe. Then the wife says wakie wakie, it's time to get up and open presents.

We are partnering with Northern Quest Casino on our second scratch ticket. The slide shows a picture of the scratch ticket. We have some gas station TV buys and Randy shared the ad played that shows the advertising.

To date the Northern Quest ticket was the first ticket that we launched with online entries, and so our players won't have to mail in their entries. Last time when we did the Northern Quest ticket our first drawing we received roughly 33,000 mailed in entries. We are currently 2-1/2 weeks in for the second ticket and we are already at 25,000 online entries. We believe this makes the process much easier and our players no longer have the burden of finding an envelope and stamp.

We have 175 seats that we will fill with our two second chance drawings for the slot tournament. There will be two rounds and then the top 20 winners will play in the final round and the top winner will win \$50,000. The top ten in the final round will win money. What is unique about our scratch tournament is that for every person that sits down and presses the button for their heat of the slot tournament they will make some money whether they win or get knocked out. Each player in the tournament is guaranteed to win some money.

Randy stated that we have also launched the Powerball Power cruise which is a draw product. It is a \$10 Powerball ticket purchase and now what happens is that there is a web code that prints on the ticket itself and the player goes online and enter the web code for a chance to win the cruise. We have about 8,800 that have entered for this second chance opportunity in a 10 day period. We are seeing some positive results and Randy has only had one complaint from someone who said they didn't have access to a computer.

Randy shared that since our last meeting in October, we have had over 26,000 additional downloads bringing our total app download to over 186,000. We also saw an increase in app activity around the Holiday Season which would indicate an increase in purchase and gifting activity around this time.

As we see jackpots get bigger we start to see more people download our app.

We are very proud of our social media and we are constantly in the top three states of all lotteries in social media. We have evolved in our social media. It used to be that we just had a photo and now our players want live feeds; they want videos and this fun stuff so we are starting to see how we fit into this format. This last holiday season we did a couple of videos for Facebook where we did a holiday skit. You saw a car parked and it had a parking ticket and someone took the parking ticket and replaced it with a scratch ticket. Another one showed someone leaving a gift basket on someone's porch and these played very nice. We received a lot of nice compliments on these social media spots.

COMMISSION REPORT – INSTANT TICKET ARTWORK REVIEW

Instant Product Manager Gaylene Gray asked the commissioners if they had any concerns with the artwork. Commissioner Cantrell did have a comment on the Year of the Dog ticket, does anyone know what the symbols on the ticket mean? Gaylene told her that the symbol means dog. Laura also asked about the color because that isn't in alignment with the Year of the Dog. Gaylene shared that we have normally used the traditional red and gold and thought about trying something different with the blue. Laura shared that the traditional colors are red, green and purple.

Commissioner Guenther said the turkey and the goat looked a little childish to her but she was ok with them but felt they were on the cusp of needing some updating.

COMMISSION BUSINESS

Acting Chair Bogdanoff asked if there was any commission business to bring before the commission. There was none.

OTHER BUSINESS

Acting Chair Bogdanoff asked if there was any other business that needed to come before the Commission. There was none.

PUBLIC COMMENT

Acting Chair Bogdanoff asked if there was any public comment and there was none.

FUTURE AGENDA ITEMS

Acting Chair Bogdanoff asked about future agenda items for the next meeting.

Commissioner Finn would like to have information on the marketing area. He would be interested in learning about where we spend our money and what media is chosen & why. Is there any way to measure the success of the buy.

Randy stated that he can work with Cole & Weber on a presentation for the next commission meeting.

ADJOURNMENT

11:02 a.m. *Acting Chair Bogdanoff adjourned the meeting.*

February 16, 2017 Lottery Commission Meeting Minutes approved this _____ day of _____, 2017.

Respectfully submitted,

Valoria Loveland, Commission Chair

Debbie Meyer, Executive Secretary