

North Dakota Lottery

Minutes of the Retailer Advisory Board Meeting

April 26, 2005

Attendance

The first meeting of the Lottery Retailer Advisory Board (Board) was held from 1:00 - 3:00 p.m. on Tuesday, April 26, 2005, in the 17th Floor Conference Room of the Attorney General's Office at the State Capitol in Bismarck. Representing the Board were Mr. Scott Abernathy, Mr. George Gottbreht, Ms. Darla Jost, Ms. Sherri Erickson, Mr. Mike Desautel, Mr. Lee Fitterer, Mr. Don Heidt, Ms. LaRayne Haakenson, and Mr. Craig Lemieux. Representing the North Dakota Lottery (Lottery) were Mr. Chuck Keller, Director, Ms. Eileen Walsh, Sales and Marketing Specialist, and Ms. Sherry Maragos, Customer Service Specialist.

Mr. Keller chaired the meeting.

Role of the Retailer Advisory Board

Ms. Maragos provided the Board with a draft document titled "Role of the Retailer Advisory Board." She explained that the purpose of the document is to ensure that the Lottery and Board have a mutual understanding of the role of the Board. Ms. Maragos asked the members of the Board to provide any recommended changes to the document.

Overview – North Dakota Lottery

Mr. Keller provided an overview of the North Dakota Lottery, including:

1. Subscriptions. The subscription service is scheduled to be launched on December 1, 2005. Subscriptions are a convenience to players by enabling them to prepay and be automatically entered in draws for 13, 26, or 52 weeks;
2. New games. The Lottery is interested in any new multi-state online game that would be attractive to players, add value to the Lottery's product mix, and not cannibalize existing games. Potential 4th and 5th games are "2by2" and "CrossMatch" that are supported by the Multi-State Lottery Association. 2by2 is presently conducted by the Kansas and Nebraska Lotteries and CrossMatch is under development. Mr. Keller described how both games would be played, prize tiers, odds of winning, draw days, and projected Lottery per capita sales and net proceeds. The Lottery may launch 2by2 on October 20, 2005 and CrossMatch in mid-2006;

3. Unclaimed tickets. The Lottery writes off about \$8,700 in unclaimed tickets each week. This amount becomes part of the Lottery's net proceeds and is transferred to the general fund;
4. VSAT. About 97% of the retailers use satellite telecommunications which is cutting edge technology;
5. Relationship of sales to jackpots. Sales have been trending downward over the past several months and now directly track jackpot amounts. When the jackpot is high, sales are high;
6. Problem gambling. The Lottery has transferred \$400,000 – entire amount appropriated for the 2003-05 biennium – to the compulsive gambling treatment and prevention fund. The money is administered by the Department of Human Services;
7. Lottery Advisory Commission. A 5-member commission comprised of 3 legislators and 2 former legislators oversees all major activities of the Lottery, including proposed law and rule changes, new games, marketing promotions, point-of-sale items, and staffing levels;
8. Powerball matrix change. The matrix and odds of winning will change effective August 28, 2005. The positive factors include a higher minimum jackpot of \$15 million, rather than \$10 million, minimum addition of \$5 million to the jackpot each draw, doubling of the 2nd tier prize from \$100,000 to \$200,000, and doubling of the 3rd tier prize from \$5,000 to \$10,000;
9. Staffing. The Lottery has 6 employees – director, administrative staff officer I, accountant/budget specialist III, security officer, customer service specialist, and sales and marketing specialist. A 7th employee – 2nd customer service specialist – is being hired. The Lottery plans to hire an 8th employee to manage the subscription service;
10. Sales projections. The Lottery's ticket sales for the 15-month period ending June 30, 2005 will be about \$24 - \$25 million. The Lottery's sales forecasted for the 2005-07 biennium are \$36 million.
11. Customer service. The Lottery will emphasize customer service on a prospective basis. The Lottery's commitment to improving customer service is evidenced by the employment of a 2nd customer service specialist. The Lottery plans to frequently interact with its 400 retailers and meet their expectations of service from the Lottery involving sales strategies and marketing promotions;

12. Promotions. The Lottery plans to do a marketing promotion each quarter. Upcoming promotions are the “Powerball Retailer Clerk Power Play” promotion, “Winner Awareness” promotion, “10 Millionth Ticket” promotion, “Powerball Re-launch” promotion, and “Subscription” promotion; and
13. Internal Control System office (ICS). The members of the Board were provided a tour of the Lottery’s ICS office where the Wednesday and Saturday evening draw activity occurs. Mr. Keller explained the checks and balances of retailer sales data and draw procedures.

Retailer’s Handbook

Ms. Maragos advised the Board of the new retailer’s handbook that is being developed. She asked for their input and indicated that they would have an opportunity to critique a draft version of the handbook before it is finalized. Mr. Maragos discussed the terminal ‘quick reference card’ (QRC). The Board felt that the QRC was effective and preferred that it not be changed.

Consideration of Point-of-Sale Items

Ms. Walsh described and explained 3 proposed point-of-sale items.

The first item was an acrylic “brochure holder” that would consolidate and hold all of the Lottery’s present and future point-of-sale items. The brochure holder would fit nicely around the backside of the terminal. The Board reacted favorably to the proposed brochure holder and its members indicated that they would install it in their stores.

The 2nd item was a proposed outside facing sign that would be a blend of “Jackpot Awareness” and “Call-to-Action” signs. Since the pay-at-the-pump feature at gas stations and convenience stores does not require customers or present or potential lottery players to enter the store to pay, the Lottery needs an effective way to alert present or potential lottery players that the retailer sells lottery tickets and display the Powerball jackpot amount for the next draw. The sign is larger than the Lottery’s backlit logo sign. The Lottery’s backlit logo sign is lost among all of the other signs retailers’ have and would be relocated next to the lottery terminal. The Board reacted favorably to the proposed outside facing sign and its members indicated that they would install it in their stores. One member of the Board asked for 2 signs.

The third item was a proposed inside “Jackpot Awareness/Winning Number” sign. The economic useful life of the present sign is expiring and the sign will become obsolete with the launch of the Lottery’s 4th game. This proposed sign, although larger in size than the present sign, is flexible and can accommodate up to 6 games. The design of the sign enables the Lottery to easily replace the mast, game slide-in piece, or winner awareness piece. The Board reacted favorably to the proposed inside sign and its members indicated that they would install it in their stores.

Critique – Lottery Links Newsletter & Website

Ms. Maragos asked the Board for their recommendations on improving the Lottery Links newsletter and website. The members of the Board indicated that they would like some time to review both items. It was decided to discuss any recommended improvements to the newsletter and website at the next meeting.

Service of Scientific Games International, Inc.

Mr. Keller stated that Mr. Dan Nameniuk, field service supervisor of Scientific Games International, Inc. (online gaming system vendor), would normally participate in the Board's meetings.

The members of the Board did not express any complaints about their level of service from the field service technicians of Scientific Games.

Feedback – Heard on the Street

The members of the Board expressed favorable comments about the image of the Lottery from their perspective and indicated that feedback from players was positive.

Schedule Next Meeting

The next meeting of the Board is scheduled for 1:00 - 3:00 p.m. on Thursday, July 21, 2005.