

Follow the Leaders:

As consumer shopping behavior shifts, leading companies adapt to new marketplace reality.

Coke offers it. So do supermarket giants Kroger and Bigg's.

Companies with business models as divergent as Starbucks and CVS Pharmacy also offer it. In fact, its popularity with consumers is so statistically compelling, more and more progressive companies with household names have begun rolling out their own customized versions of these programs.

You can now add the Arkansas Scholarship Lottery and Minnesota State Lottery to this list.

"It" – by the way – is a loyalty-marketing program that rewards customers for purchases. Such programs are popping up, seemingly, every day. Rewards are very often given in the form of "virtual points" which members can collect and redeem for various prizes, entries into drawings, or, in the case of the two supermarket chains mentioned above, for per-gallon discounts on gasoline.

"The downturn in the economy has created a shift in shopping behavior, with consumers becoming noticeably more value conscious," says Kyle Rogers, MDI Executive Vice President. "Today's leading business-to-consumer companies have taken note of this practical consumerism and, accordingly, are making adjustments to adapt to this new marketplace reality."

Which brings us to Arkansas. In early 2010, Scientific Games' Points for Prizes™ program made its worldwide debut in America's newest lottery. The second component of the Arkansas Scholarship Lottery's The Club website, Points for Prizes is a complementary piece to Play It Again™, which launched at start-up on September 28, 2009. Play It Again allows members to enter any non-winning instant ticket on the Internet and qualify for a second chance to win the top cash prize for that game.

Points for Prizes allows members to earn points from non-winning instant tickets and redeem those points from an extensive online catalog of merchandise. The program was announced in mid-January, and, on February 8th, the merchandise store opened for business on the Internet at <https://pfp.aslplayerservices.com/>.

"The Points for Prizes program is unprecedented in the lottery industry in terms of the redemption options being made available to participants" says Rob Arnold, Vice President Creative and Client Services, MDI. "And having Points for Prizes integrated with the Play it Again last top prize program makes the value proposition very attractive for players. When we first announced the Points for Prizes program, we saw a rather significant bump up in the number of tickets being entered each

week, in the neighborhood of 45 percent. Members certainly like the Play it Again feature, but it's been clear from day one that they really appreciate the extra value they get from Points for Prizes."

Non-merchandise items are also available from the Points for Prizes menu. This includes, for example, discount certificates to restaurants and discount coupons for hotels. According to Arnold, "we're now very close to adding music downloads and magazine subscriptions to this menu. And as time goes on, the Lottery and MDI will continue to look to add more of these types of prizes so we can keep the prize offerings fresh and exciting for members."

In the six months since inception, more than 125,000 Arkansans have become members of Play it Again and Points for Prizes. Particularly encouraging to lottery officials is that more than 4 in every 10 registered members also have opted-in to receive emails about new games, special promotions and other lottery information. The number of registered members, to date, equates to about 5.9 percent of the state's total adult population (18+). Participation has been strong among most all age groups, with younger adults accounting for a significant portion of all registered players. "The overall level of participation has been very encouraging and it appears to be coming from a wide spectrum of age groups," says Arnold.

Other statistics from the first six months of the program's availability in Arkansas worth noting, including:

Members have entered over 12 million tickets in total, which approximates to roughly 2 million a month; Members have accumulated more than 161 million points in their accounts. What has also been especially pleasing to lottery officials is that the percentage of tickets entered has been higher with higher price-point games. Points awarded on each ticket on average increase with ticket price. Arkansas currently offers five price points: \$1, \$2, \$3, \$5 and \$10. The percentage of eligible tickets entered for some higher price point games have approached 30 percent in recent weeks. "These numbers tell us that our members recognize and appreciate the fact they earn more points for purchasing higher priced games than they earn for \$1 games," says David Barden, Vice President, Gaming Operations for the Arkansas Scholarship Lottery.

The Minnesota State Lottery also recently introduced a points-for-loyalty component as part of its Lucky MN players club (<http://www.luckymn.com/>). In Minnesota, members receive points on one special game, whereas, in Arkansas, Points for Prizes members can get points on all scratch-off tickets. MDI recently assumed management responsibilities for the Lucky MN players club, of which there are now more than 72,000 registered members.

"These and other components of our new Properties Plus program are really stage one of the bigger picture of Internet products that will be available through our Sciplay joint venture," says Rogers. "Lotteries historically have been a step removed from their players. These programs are designed to help a lottery bridge this gap, build up and refine their database, establish a one-to-one relationship with their players and get them accustomed to lottery activities on the Internet. All of which helps lay the foundation and pave the way for whatever the future may hold in terms of Internet play. "By investing now in their promotional infrastructure, lotteries will be creating broader awareness of their offerings by leveraging into new, non-traditional channels. In the process, they'll also be collecting real-world information on the best ways to promote their products via web technologies, as well as understanding how to use this medium in the most socially responsible manner possible." ♦

