

Embracing the Essence of Lottery: Inspired by the True Story about the Birth of “Baby Carrots”

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Ever see a product and wonder how the product development sessions unfolded? Like, back in the 80’s, when the creatives were sitting around a conference table trying to figure out what to do about the declining sales of carrots. Someone might have said something like “I know, let’s cut them up into little bite-size pieces and put them into plastic bags and sell ‘em in gas stations.” And her colleague responded “that’s the stupidest idea I ever heard. We’ve done countless focus groups and nobody ever complained about the length or size of the carrot. I mean, what’s so hard about holding the carrot and just eating it down? Not only that, the earned media of Bugs Bunny’s endorsement would go down the drain. And who wants to buy carrots when they’re pumping gas? Besides, how much would it cost to do all this? Next you’ll say we’re supposed to wash the carrots ahead of time. This could get ridiculous.”

Thankfully, this little drama does have a happy ending. “Baby Carrots” were born, were a big hit, and reignited growth in the stagnating carrot category. Thank you, Baby Carrots. For reminding us that inspiration to innovate can come from the strangest places.

Why “baby carrots?”

Baby carrots changed the way people think about carrots and expanded the reach of the category to new consumer segments and usage occasions. This one innovation helped double the per capita consumption of carrots in the US in 15 years from 6 pounds per person per year in 1986 to 11 pounds per person per year by 2002. That’s an increase of over 180%. In the process, baby carrots completely upended the existing market dynamics, now representing 80% of all carrots consumed in the US.

The entire modern consumer economy is facing a challenge to extend the life-cycle of mature product categories. It’s true for Lottery just as it is true for most everyone in the consumer products industry, and in the random-number-generated games-of-chance category too (i.e. slots as well as Lottery). The good news is that true innovation has nothing to do with inventing the Next Big Thing, or becoming something we’re not. It’s about re-imagining who we are and what we can do with the assets we have. Baby carrots transformed the entire category with what, in hindsight, is a relatively minor change to an existing product. It’s true that the one change to the product reshaped the way the product was perceived by the consumer, and how it could be promoted and



distributed. That's the brilliance of it—one minor change opened the door to reinventing the entire category. It changed carrots from being a vegetable to being a healthy alternative to snack food like candy. You can't transform carrots any more than you can transform the fundamental game logic of random-number generation. We can, though, embrace who we are, appreciate the beauty of our products in fresh new ways, reinforce the connection that Lottery has with its huge customer base, and inspire in our customers the love they've always had for Lottery.

Lesson Number One: A new product experience can drive category growth

In 1986, the average consumption of carrots per person in the US was 6 pounds. Carrots were mainly distributed through grocery stores. The stores would require them to have a certain size and look, which led to farmers facing tremendous waste, and having carrots they couldn't sell. And even once your carrots made it to the store, convincing people to eat them was another matter entirely—they had to be washed, peeled, and then cut or grated.

Because of these restrictions, some farmers, like Mike Yorusek from Bakersfield California, had to discard up to 400 tons of carrots every year. Not surprisingly, Mike wasn't happy. Legend has it that he was feeding so many of the rejected carrots to his pigs that his bacon turned orange. So, he decided to do something about it. He started experimenting.

He didn't get it right the first time, though. His first attempt, which he called "bunny balls," didn't lead to the hoped-for success. His second attempt, though? That second attempt led to the "baby carrots" we now all know and love. The local grocery stores which Mike used to test his ideas went crazy over this new way to sell carrots.

So what happened? Why did this "simple" change in shape and form lead to this radical category growth? We believe there are several reasons that explain this success.

Convenience as a benefit: Obviously, baby carrots provide a clear convenience benefit over regular carrots. There is no need to wash, peel and cut the carrots any longer. They can be consumed as is without any extra effort. But convenience alone can't explain the whole story.

From vegetable to snack: Instead, we believe that the real power of baby carrots was in their ability to re-frame the whole category in consumers' minds. All of the sudden, baby carrots weren't seen as a vegetable primarily served as a side dish. It wasn't

just "produce." Instead, they were being perceived as a healthy and convenient snack!

New usage occasions: Re-positioning baby carrots as a snack opened up completely new usage and consumption occasions and market opportunities and invited a whole new range of consumers into the category, something the lottery is trying to do as well. Moms could put them in their kids' lunch boxes, they could be served as party snack (I suspect they also contributed to the growth of ranch dressing consumption), they could be kept in a handbag and eaten on the go (or at work) as a fun snacking alternative. Suddenly, people had many more reasons to buy- and they took advantage of these increased opportunities!

New distribution opportunities: This new product format also led to new distribution opportunities—suddenly, convenience stores and gas stations were interested—places that never had a "produce" section, and still don't! This simple product change increased the reach and buying touch-points of the whole category. And the lottery category knows all too well that an increase in distribution will impact sales.

Would that work in the lottery industry?

Right around now, you might hear yourself saying "this is entertaining and interesting Ulli, but how do these learnings apply to the lottery industry? How do we change the product/player experience of the lottery products to drive renewed consumer interest and create new growth opportunities?" We at First-The-Trousers asked ourselves the same questions. So, we decided to test this hypothesis in the scratch-off segment. We had a designer mock up 5 different product ideas (all containing a scratch-off element) and tested them quantitatively.

Previous research had shown us that consumers play the various lottery products for a variety of reasons as they try to satisfy a variety of need states. We had also hypothesized that because of their mechanisms of play and appearance consumers tended to lump all the existing scratch-off games into the same "mental bucket." And, our prior research showed that the current products were only good at satisfying and delivering against half the relevant players needs in the category. In other words, the current products offered in the category did not manage to deliver against many of the relevant reasons people played the lottery. Suddenly, when you realize that only 50% of player need-states are being met, 180% growth doesn't seem that unrealistic. The learnings we found held true for scratch-off games and draw games and across jurisdictions.

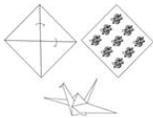
Five New Lottery Product Ideas.



1. A new line of **greeting cards for special occasions** (Mother's Day, Valentine's Day, Father's Day, etc.) that also contain a scratch-off game that enables the receiver of the card to win up to \$50,000.



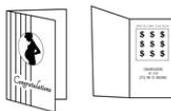
2. A new line of scratch-off games that in addition to giving you a chance to win \$50,000 also contains **little brain-teaser exercises and quizzes to challenge you mentally.**



3. A new line of scratch-off games that can be folded **into origami figures** (flowers, animals, etc.). The opportunity to start you own origami collection or fun little presents you can hand out to friends and family.



4. A scratch-off game that acts as a **coffee cup sleeve.** You can ask for it when you order your coffee at your favorite coffee shop, convenience store or gas station on your way to work in the morning.



5. A line of greeting cards that can be given to **celebrate specific life events** such as a wedding, a baby shower, buying your first house, the first day at work, graduation day, etc., giving the recipient a chance to win \$50,000 to help him or her better manage the next stage in his or her life.



6 (benchmark): Very simply, a line of scratch-off tickets that give you the chance to win \$50,000 like you would find in a gas station or at your convenience store.

Five new product ideas tapping into 5 different relevant consumer need states

The 5 new product ideas we came up with and tested were:

- Special occasions greeting cards containing a scratch-off elements (social sharing need state)
- Every day occasions sentiment cards (need state of making memories)
- Scratch-off tickets that could also act as coffee sleeves (part of players' morning ritualized behaviors)
- Scratch-off tickets that could be folded into an Origami figure after the play
- Scratch-off tickets that included a brain teaser element, satisfying players' needs to get challenged intellectually.

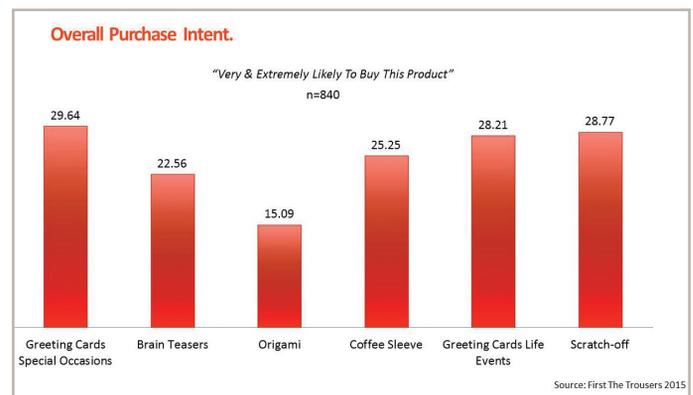
Test results:

We tested these 5 new product ideas for "purchase intent" and for their ability to "satisfy relevant player need states and play-

ing occasions" amongst 840 respondents. We also bench marked those 5 new product ideas against a typical scratch-off game format. Here is the summary of what we learned (feel free to contact me directly if you'd like to see the whole research with all the findings):

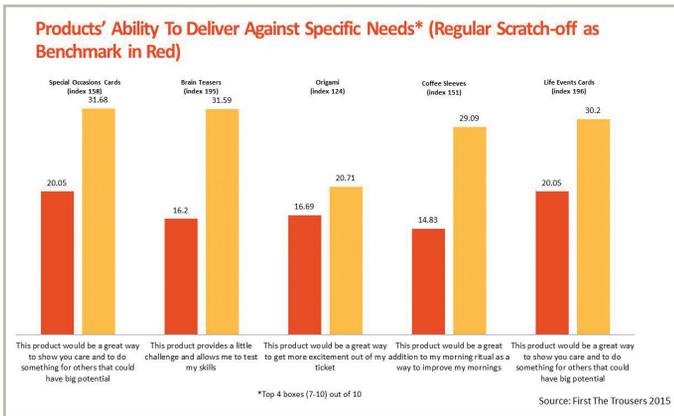
Purchase intent:

- Three out of the five new product ideas tested equally well or higher than regular scratch-off games in terms of purchase interest: "Greeting cards for special occasions," "Greeting cards for life events" and "coffee sleeves." Our respondents found these three product ideas equally or more motivating than regular scratch-off games.
- The overall result (25.2% top two boxes) for the "coffee sleeve" idea is misleading because it includes the responses from people who do not stop on their way to work in the morning for coffee. When focusing only on people who stop for coffee in the morning (47% of total population and 57% of Millennials) the purchase intent for this product increases to around 50% (twice as high as the purchase intent for scratch-off games). In other words, half the people who stop for coffee in the morning would be interested in purchasing a coffee sleeve scratch-off game as part of their morning ritual.



Ability of the product ideas to deliver against category specific relevant need states

We also asked respondents about the product ideas ability to deliver against the category relevant need states. Results show that all the product ideas we tested were perceived as delivering better against a specific and relevant need state than current games. This data also shows us that these new product ideas would be able to satisfy new purchase and playing occasions and thus potentially help expand the market.



So, what does this tell us?

The original question was "could differently "packaged" scratch-off tickets be more appealing, better deliver against category needs, and therefore help expand the category by increasing playing and purchase occasions?" Our quantitative data seems to suggest that the answer is a resounding "yes."

In fact, there's likely the opportunity for significant new lottery revenue by following these guidelines. Experimenting with new products that re-frame the way consumers (both players and non-players) think about the category and better meet their true needs would be the first step. From there, the lottery can open up a variety of new buying occasions and distribution channels.

Lesson Number Two: Product form is one thing, positioning is another

Now, changing the product form is not that simple. It requires experimentation, the allocation of resources, testing and time. And even though it may be essential for the future growth of the category, it is still more of a mid-term solution.

But interestingly, "baby carrots" can also teach the lottery industry another lesson about how to grow its business faster. This lesson is not about product experiences, but about the way the products are positioned and communicated. It's a lesson about brand storytelling.

Let's take another look at the carrot category but fast forward to the year 2010. Baby carrots, as a new product format, had radically changed the way the category is perceived while leading to significant growth and Mike Yorusek became a wealthy man by selling his business to Bolthouse Farms, one of the country's leading carrot producers (Mike passed away in 2005).

But, after ten years of consecutive growth, baby carrots and the category overall started to stagnate. Just like so many other categories, it suffered from the recession. People were buying and

eating less carrots to save money. Jeff Dunn, the CEO of Bolthouse Farms (and an ex Coca-Cola marketer) was not satisfied with this development and wanted to reinvigorate sales. Various consumer research efforts (and talking to more than twenty advertising agencies) finally lead them to a completely fresh way to position its baby carrots: "as junk food" (captured by the line "Eat 'Em Like Junk Food").

Common wisdom would have suggested to highlight the product attributes and benefits of carrots. They're healthy. But everyone knew that already and it did not seem to have helped consumption. Common wisdom might also have suggested to position baby carrots as a healthier option to junk food. But while junk food and vegetables tap into very different consumer need states with very different associations and expectation, this type of comparison would have always made choosing baby carrots look like a compromise. And who wants to compromise, especially when indulging?

The breakthrough came when the team decided to position baby carrots not "against" junk food but "as part of the junk food world" allowing it to tap into the same (indulging) conventions as real junk food. This positioning wasn't taken out of the blue. Rather it was based on a product truth, In fact, baby carrots already possess many of the defining characteristics of our favorite junk foods. They're neon orange, they're crunchy, they're dippable, they're kind of addictive.



A multichannel advertising campaign around this new positioning led to a lift in sales of over 10% versus the prior year in the markets where it was tested.

Framing, or the context in which you present a product, brand or idea, plays a huge role in psychology and in communication. In fact, First-the-Trousers did an analysis of over 1200 case studies of

The 26 Universal & Consumer Relevant Approaches to Brand Positioning Based On The Analysis of 1200 Case Studies.

Setting The Stage (Frame of reference)	Creating The Story (Product Exploration)	Defining The Type of Connection (Consumer Engagement)
Frame of reference	Origins	Benefit
Gold Standard	Creation Story	Sensory Experiences
Culture	Product workings	Reward
Rituals	Components/Ingredients	Branded Rituals
Usage Context	Defining Attributes	Shared Values
Category Conventions	Weaknesses	Purpose
Category Paradox	Scarcity/Exclusivity	Brand's Archetypes
Usage Barriers	Torture Test	
Perceived Enemy	Experts	
Brand archeology		

Source: First The Trousers 2015

effective marketing and identified 26 universal approaches to tell a brand story (www.positioning-roulette.com).

These 26 universal approaches can be classified into three broad groups. 10 of these 26 approaches (around 40% of them) fall into what we call the “frame of reference” category which highlights the importance of contextualizing your product when positioning and communicating it. The other two areas deal with the product (how to tell the product story) and with the consumers (how and at what level to connect with the consumers).

The lesson to be learned here is about the type of story you tell about your products and how you frame their story to engage consumers.

Our experience shows that the lottery category generally focuses its advertising on communicating the playing mechanism and benefits of its new products. This type of communication then often also includes an emotional benefit, a reward for the player. There is nothing wrong with this type of communication and it often worked. But it also has become expected for the category (just like you'd expect carrots to be advertised around a health benefit). And the core players are used to it. Worse, it doesn't help to draw in light or lapsed players or younger generations of players and it doesn't invite new types of playing occasions.

What the “baby carrot” re-positioning example shows us is that exploring and identifying a fresh context through which to tell your product story can lead to surprising sales growth. And it can be done way faster and more cost efficiently than through a product redesign.

Conclusion

I hope that by now you'll agree with my introductory observation that the lottery industry can learn a lot from baby carrots:

1. In the short term, the whole industry can tell more compelling stories about its products by positioning and communicating them within a context and frame of reference that is relevant to consumers rather than by simply focusing on the game mechanisms.
2. Midterm, there's the opportunity for significant growth by rethinking the product experience and format, creating new buying occasions and conquering new distribution channels. ■

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