



## Tracey COHEN

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DC Lottery and Charitable Games Control Board

### The Unique Governance Model of the Lottery in the Nation's Capital

**PGRI Introduction:** Tracey Cohen is forging her own indelible mark on the industry. She is one of only a handful of women at the helm of a state lottery in the US. Thrust into leadership in the wake of the sudden and unexpected passing of her predecessor, Buddy Roogow, Tracey is now a force of her own. With over 20 years in sales and marketing experience, she is charting new waters for the DC Lottery, the lone city-run lottery in the nation and recently ranked by an independent consultant as one of the top ten lotteries in the country. Among her many accolades is a 2016 PGRI's Lottery Industry Lifetime Achievement Award. Let's meet Tracey Cohen, in her own words.

**Paul Jason:** *Tracey, tell us how you came to the lottery industry.*

**Tracey Cohen:** Buddy would say that he changed my life when I started working for him at the Maryland Lottery. And, he was right—to an extent. I approached the opportunity well equipped with a master's degree in public and international affairs from the University of Pittsburgh and a

solid background as an account executive with an advertising and public relations firm and then, director of marketing and public relations for the Restaurant Association of Maryland. The ten years I spent at the Maryland Lottery were exciting and rewarding. The introduction of new games, development of successful promotional strategies, aggressive product line management, and the brokering of strategic partnerships with professional sports teams were all programmatic elements that highlighted my tenure there.

*So how was the transition from a state lottery with state resources to the unique situation that makes up the DC Lottery?*

**T. Cohen:** In 2010, I came to the DC Lottery as the Chief Operating Officer. That position offered me a real 'lay of the land' perspective to assess the many working parts that ensure a successful lottery. Since assuming the interim executive director's post in 2015, I am proud of the progress we've made and excited about the future ahead.

We are unique as the only municipality-operated lottery—which means our report systems are a little different from state-run agencies, our resources are not on a state-funded level, nor do our territories span across counties.

What we do have is the distinction of being the lottery for the nation's capital, where the District's population of over 670,000 swells to more than one million people thanks to commuters teeming into the city. We've been laser-focused on capturing that audience. Our flagship store located within the iconic Union Station train station was our busiest location during the historic billion-dollar Powerball jackpot. Union Station sees over 90,000 visitors daily. We've taken advantage of this prime opportunity to host exclusive on-site promotions, and staged productions showcasing new product launches. The Official DC Lottery Store at Union Station continues to outperform annual projections with steady year over year gains in sales. This 'winning destination' is overall, our fifth highest performing retailer.

Another effort to harness the buying power of the influx of commuters and travelers into the city has been our mobile retail vehicle, the Lucky Lottery Mobile (LLM). Bringing 'fun on the run' to business corridors during the day, neighborhood festivals, and special events all over the District, the LLM is a mobile lottery sales truck that brings the excitement of the lottery right to the people.

We're also leveraging partnerships with

attractions like the Verizon Center, the premier sports and entertainment venue in the city. The DC Lottery has launched basketball and hockey-themed tickets that have been hot sellers, as well as Money Machine nights that have served as gateway games to those unfamiliar with the lottery and fun introductions to the DC Lottery for those used to playing in their home states. Add to that our partnership with the Washington Nationals, our professional baseball home team and the introduction of the \$2 Racing Presidents scratcher that has been a homerun with players and with four

Jeff DeWitt. It's a sizeable title for a man with the responsibility of the city's financial health and prosperity in his hands. He manages every revenue-generating entity of the District's government from tax collection to lottery transfer. He oversees all financial functions of the city. He is very engaged, astute, and understands the nuances of dual accountability—to the District as well as Congress, as he in turn reports to the District's congressional oversight committee. Like all government lotteries, we are dedicated to serving the best interests of our stakeholders.

sales plummeted by \$27 Million, or 45% from their high in FY12, resulting in over \$3 Million in lost transfer as of FY15. But, you make the best of what you have. You get innovative. You dig in. We became a more efficient organization reducing operating expenses, streamlining business operations, and cross-training staff. We became very aggressive in introducing new games and promotions to our other franchise games—particularly the DC Fast Play family of games. We replaced instant ticket facings with DC Fast Play selections. During this period, we also introduced new Tap-N-Play games and the multi-state Lucky for Life. Players transitioned nicely to the new offerings. When our full line of scratchers was reintroduced in 2015, we took huge efforts to thank our players for playing and staying with the DC Lottery with player reward promotions of never-before proportions and payouts of more than \$1,000,000 in total prizes. And, again players have responded overwhelmingly. Our Second Chance contests have seen marked increases in participation, setting new benchmarks for entries and prize payouts.

Since reinstatement, instant ticket sales have been robust. FY16 sales are tracking more than 60% positive over last year's sales—a direct result of the return of instant tickets to our game portfolio.

The federal shutdown of October 2013 had a seismic impact throughout the country. We temporarily suspended winning ticket redemption. But, again—lemons to lemonade. Days before the shutdown, we awarded a \$1 Million scratcher winner; two months later, we had a \$2 Million Powerball winner. The lottery must go on.

The recent Best Practices study—that named us among the top ten lotteries in the nation—confirmed that we were doing some things right. We're ranked 7th out of 45 lotteries in the most important area of financial measure—operating income per capita. The study involved evaluations of more than 50 organizational processes, practices, and systems. The DC Lottery received high marks. Specifically, ten processes and systems were noted as best practices while 31 others were highlighted as exemplary.

We learn a lot about ourselves during periods of adversity. While we are challenged



**It's no secret the challenges the agency faced during the instant ticket shortage that began in mid-2013 when our entire product line of scratcher tickets ran the risk of near depletion for almost two years. That absence of product was a significant hit in sales with resounding impact to our bottom line and transfer. Instant ticket sales plummeted by \$27 Million, or 45% from their high in FY12, resulting in over \$3 Million in lost transfer as of FY15. But, you make the best of what you have. You get innovative. You dig in. We became a more efficient organization reducing operating expenses, streamlining business operations, and cross-training staff. We became very aggressive in introducing new games and promotions to our other franchise games.**



scenes, become a collector's item among baseball enthusiasts.

Unlike several other lottery entities, the DC Lottery does not have a cause-specific designation. Proceeds from the sale of DC Lottery games are channeled directly to the District's General Fund which supports essential city services like public safety, education, and infrastructure.

In terms of reports, we are accountable to both our city government and the federal government. My boss is Chief Financial Officer of the District of Columbia

*Sounds like quite a turnaround from some of the previously reported challenges faced by the DC Lottery. How did you do it?*

**T. Cohen:** We are a 'small but mighty' agency that likes to say we're experts at turning lemons to lemonade. It's no secret the challenges the agency faced during the instant ticket shortage that began in mid-2013 when our entire product line of scratcher tickets ran the risk of near depletion for almost two years. That absence of product was a significant hit in sales with resounding impact to our bottom line and transfer. Instant ticket



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to do and be our best—I think we’re still doing a good job.

*I’m wondering if the “necessity is the mother of invention” situation might have prompted you to discover additional solutions that you might not otherwise have found and that ends up making you an even stronger marketing organization.*

**T. Cohen:** We were anxious to do anything and everything we can to increase our bottom line and ultimately our transfer. We’re always strategizing to increase our player base. In addition to the Lucky Lottery Mobile, Union Station, and strategic partnerships—we are hitting hard on retailer promotions to drive day-time sales. These activities propel our presence in the market and further our efforts to seize the availability of daytime customers. The experience has given us a stronger, broader, more robust foundation for future growth. We now have integrated into our culture an appetite for innovation and creative thinking that may not be here if we hadn’t had to deal with the challenges presented.

*How about products like Fast Play—did it continue to be a meaningful contributor to sales after you got back to offering the full portfolio of Instantants?*

**T. Cohen:** At the height of the instant ticket shortage, DC Fast Play accounted for 10% of our total sales. Now, with a full complement of games, DC Fast Play holds steady at 4%—a figure we celebrate as scratcher tickets and DC Fast Play games are both elements of our instant ticket product line. Both have seen incremental increases in sales and profit since before the disruption. We continue to promote the DC Fast Play lineup, adding new games to retain player interest and exciting promotions to extend the player’s experience. We see this category of games as a growth product and are investing accordingly.

We operate in a very competitive market. The District of Columbia is positioned between two Goliath-like state lotteries. In ad-

dition to the existing casinos in nearby Baltimore and our immediate suburbs, MGM Casino is building a mammoth sized gaming structure just outside our border. Prior to 2010, our neighboring states did not sell Powerball. When they did, the cross-sell negatively impacted DC Lottery revenue as commuters who lived in those states and worked in DC were now able to purchase in their state of origin. But, again our ‘small but mighty’ lottery is sharpening our understanding of the activity and behavior of commuters to help minimize the impact of these threats.

I think we all make our own party. We work hard to make it fun for everyone because that is what this business is all about. More fun for the players adds up to increased sales and revenue. In the midst of an election cycle that has electrified the nation, we are capitalizing on that excitement with our \$5 You Decide ticket. Now, in its second print run, this ticket is a hot seller and easily among the top five all-time scratch ticket performers at the \$5 price point. We’re playing up on the ‘2016’ concept big time. The Second Chance contest has a coffer of \$201,600 in cash prizes. The fate of that cash payout is in the hands of the players as they decide whether one winner takes all or if the prize money is shared among a selection of winners. At this time, it’s a winner take all game. And, here’s the November surprise—the second chance contest winner will be announced the day after the presidential election.

And, nobody knows DC like the DC Lottery. Another top performer in this year’s scratcher portfolio is the \$5 Chuck Brown ticket, named for DC legend and music pioneer Chuck Brown, the Godfather of Go-Go. Strategically, we like to embrace local culture and interests whenever possible.

*You are a big fan of licensed properties, attaching a pop culture brand to the Instant ticket. It’s worth the small percentage you pay for the license?*

**T. Cohen:** Definitely and always with-in reason. There are different schools of

thought. Some people think that the cost of the license can replace the cost of extra promotion—that the licensed brand attracts consumer attention so you do not need to promote it as much. I’m of the school that thinks if you’re going to pay for a brand license then it makes sense to invest in promoting it aggressively as well. I believe that the benefit of availing licensed brands is that it helps create demand not only for that specific product but also energizes sales across the entire product portfolio. We have a formula that works for us. Why fix it?

*You share a media market with Virginia and Maryland. Have you explored the possibility of collaboration on a new tri-jurisdictional game, or perhaps a promotion for the games that you all sell, like Powerball and Mega Millions?*

**T. Cohen:** The Washington Metropolitan Area is one of the most expensive marketing areas in the nation. I believe we’re second only to New York. Sure, many hands make light work, right. So, we’re looking into possible partnerships with our neighbors across the District lines for a new multi-state game for our region. And I hope something interesting results from those discussions. I definitely think it would be mutually beneficial for us to collaborate on a game and/or a promotion.

*Games like Fantasy Sports and Pokémon Go are capturing the imagination of the consumer. Is there anything we can learn about consumer game-playing preferences by studying what makes popular games appealing?*

**T. Cohen:** Always. Our marketing director relentlessly scouts player trends and the latest innovations in leisure and entertainment. He’s determined to bring whatever is exciting the zeitgeist to the DC Lottery. I won’t give all our secrets away, but yes there’s pretty interesting technology out there and we want to be among the first—if not the first—to introduce those innovations to the industry.

The DC Lottery is in its 35th year of bringing the fun and excitement of lottery games to players in the District of Columbia. We’ve been tested for sure. A world-class lottery, we’ve come through the other side a stronger agency with the vigor and vision to take on the next 35 and more! ■