



Rose HUDSON

President & Chief Executive Officer, Louisiana Lottery Corporation

Putting the Focus on NET funds transfers to *Good Causes*

PGRI Introduction: Rose Hudson joined the Louisiana Lottery at its inception in 1991, serving as the Executive Resource Director where she handled everything from budgets to administration to operations during the Lottery's start-up. She then moved on to the Department of Social Services as its Undersecretary and later to the Department of Education as Assistant Superintendent. In 2000, Ms. Hudson returned to the Lottery as a Senior Vice President where she managed benefits administration, personnel functions, statewide special events and governmental relations.

Ms. Hudson was appointed to the position of President and Chief Executive Officer of the Louisiana Lottery Corporation in 2006. Under her leadership, the past eight years have ranked among the most successful in the Lottery's 24-year history. The Louisiana Lottery is the recipient of the Sharp Award for Good Causes which recognizes the Lottery with the biggest year-over-year increase in net funds transferred to its beneficiary (See page 12 for this announcement). In fiscal year 2015, the Lottery transferred \$184 million to Louisiana K-12 education.

An industry leader, Ms. Hudson is a past-president of the Multi-State Lottery Association, (MUSL), and also served as chairman of its Powerball Game Group. Currently, Ms. Hudson is the first vice president of the North American Association of State and Provincial Lotteries (NASPL).

Paul Jason, PGRI: *Does Powerball's \$1.58 billion jackpot represent a challenge going forward? Or an opportunity to leverage the incredible brand exposure in a positive way?*

Rose Hudson: It has all been positive. I'm still getting residual feedback from people who played Powerball as first-time buyers. The whole experience, the weeks

leading up to January 13, generated so much conversation about the Lottery, about Powerball, about our brand, as well as gratitude for what the Louisiana Lottery does for the state of Louisiana. So I think we have nothing but opportunity as it relates to that big bump that we got in dollars and our ability to use that to talk

about who we are and what we do; it readies us for the next opportunity. I only see it as a positive.

And this kind of a super high-impact event brings attention to the brand and all the other products.

R. Hudson: Exactly. There were sales benefits across our entire product portfolio.

There were also tremendous goodwill benefits in terms of chatter about our organization, what we do, who we are and the support the Lottery gives to public education. We took advantage of the media attention that the jackpot attracted to really highlight the 35% plus that goes to K-12 education.

Our mission is not to simply grow sales. It's to grow net funds to our beneficiary in a responsible way.

It was a wonderful confluence of events. Sales trended high the first half of the fiscal year. Then the record jackpot hits in the middle of the year, creating a wonderful media event for our brand and products. And now the Louisiana Lottery is headed into its 25th year of operation. So we can add our 25th anniversary to the wonderful story of the Lottery in 2016.

Congratulations for winning the Sharp Award for Good Causes. That is a wonderful accomplishment in light of the 35% of gross revenue minimum that you're required to turn over to Good Causes. That is the highest in the country, though there are one or two other states required to turn over that same percentage. Does that inhibit your ability to maximize net revenues to the Lottery's beneficiaries?

R. Hudson: Of course it imposes a discipline that limits increases to our prize-payout percentage. Our top-line sales may not grow as much as a result, but we have learned to be innovative and resourceful—to work within those constraints and fulfill the primary objective, which is not to increase sales necessarily, but to maximize revenue for Louisiana as well as promote a responsible approach to recreational gaming.

Hence, the Louisiana Lottery won the Sharp Award that recognizes the largest year-over-

year increase in net revenues.

R. Hudson: We are extremely proud of the work we've done to strategically manage resources to control costs and maximize state transfers; however it should be acknowledged that a lump-sum transfer of unclaimed prize monies helped contribute to that increase in net funds. Even so, the Lottery has increased its net transfers year over year for the last five years. We have a very systematic and disciplined planned approach to inching-up our scratch-off prize payout. Right now, we are at a 62.75% prize-payout. We try to preserve a little wiggle room to be able to fund special promotions, and we work hard to avoid training players to expect ever-increasing prize-payout percentages. After all, our mission is not to simply grow sales. It's to grow net funds to our beneficiary in a responsible way. Another way we do this is by focusing on efficiency in operations and ROI on advertising and promotional expenditures.

This approach has enabled us to increase instant sales by 40% over the last five years and keep administrative costs less than 5% of gross revenues. There is always room to grow, but we prefer a gradual and steady pace—it's a model that has worked for Louisiana.

I am amazed at the outspoken support you always seem to get from your winners. Do you do anything special to get your winners to feel good about stepping up to be such great ambassadors for the Lottery?

R. Hudson: Winner awareness is the cornerstone of our public relations program because the excitement of winners is truly contagious. The thought that everyone has an equal chance to be a winner is really the heartbeat of the lottery-playing experience. Winners are magnets for conversation and built-in product testimonials. We harvest that goodwill, invite players to talk about their winning experience, including where they bought their ticket, how they feel and what they plan to do with the money. That's a kind of publicity that we couldn't

even begin to pay for.

It is part of our corporate culture for everyone to embrace the full mission of the Lottery. As an enterprise with about 125 full-time employees, everyone is held accountable for their performance on their specific assignments. But everyone is also encouraged to have a genuine appreciation for the over-arching mission of the Lottery and to dedicate themselves to the fulfilment of that mission. You know, it is human nature to want to connect with a purpose that is bigger than ourselves. Everyone enjoys the feeling of working together for a cause that we can all be proud of. That's why our regional managers and regional office staff really go the extra mile to make our winners feel good about their role in the cause of the Louisiana Lottery. Our regional reps enjoy their role as deputized members of the PR staff and work hard to capture winner stories. Of course, winners already feel good about the Lottery because they've just won! So it's just a matter of tapping into that excitement and encouraging them to share their joy with others. Then we do everything we can to capture and publicize their excitement with videos, news releases, website banners, social media posts, and all the other tools in our box that allow us to tell their stories.

That's very interesting what you just said. It takes a big effort and real leadership for an enterprise to engage everyone in the big-picture mission. Easier said than done.

R. Hudson: Actually, our regional staff love it. They feel a powerful sense of accomplishment when a winner agrees to have their picture taken in front of the green screen with that oversized check. We all get to experience the joy that the winner feels and know that we serve a good cause that also brings such rewarding experiences to the recipients of Lottery funding as well as to the winners. So, yes, winner awareness is very important to us.

"The Big Deal" website campaign is so cool. How does it work?

R. Hudson: The Big Deal is a regular web-based news show inspired by the YouTube channel type format, a subscription service. Our own Communications and Graphics departments produce it themselves. They come up with interesting story angles, tape video nuggets including outside interviews and then produce accompanying computer generated graphics to provide the latest Louisiana Lottery news. The general public is a voracious consumer of news and that's just what this is. It's news that also promotes all the wonderful things that Lottery does for everyone.

Do you see a positive trend-line for viewership of The Big Deal?

R. Hudson: Oh yes! We monitor the metrics closely and make adjustments to length, topics and format to encourage viewers to watch to the end. And the benefits of it apply internally as well as externally. Our own staff members enjoy it as much as anyone and feel more connected to the company being "in the know." It has become a vehicle to educate and inspire all of us as well as the general public.

That would seem to loop into the ways in which you get all the people in the organization excited about your mission.

R. Hudson: The culture of the organization is so important to us. We hope our enthusiasm is communicated to all our stakeholders and players. The Big Deal has proven to be a very effective tool to get that message across.

Achieving your mission is no longer about management by fiat and passing down mandates from on high. Now more than ever, leadership is about engagement and affiliation—helping people to feel a genuine sense of belonging, purpose and pride of who you are and what you stand for.

You also seem to make a special effort to integrate cultural and Louisiana-specific connections for your consumer. Louisiana has a unique and rich cultural heritage. Do you make a special effort to connect that with the Lottery brand?

R. Hudson: I think all lotteries try to connect with their market-specific culture. We certainly do. We have enjoyed great success with our Louisiana-themed scratch-off tickets. Recently, our \$2 game Spice It Up!, a partnership with a food company called Tony Chachere's Creole Seasoning, won the best instant game of 2015 at NASPL. It indexed at 151 for us, so it was a good ticket for us in a lot of ways. When we have a successful product like that, we leverage the value through as many different channels and media as we can to extend the excitement. The game was featured in The Big Deal web-cast where we showcased a behind-the-scenes look at the operations of Tony Chachere's plant, including their unique style of product development, marketing, logistics, manufacturing, etc. We engaged social media to talk to our fans about how they use the product. We gave out Tony Chachere gift packs to winners. We are always exploring local companies to partner with.

The New Orleans Saints football team is our big-brand affiliation. Over the last seven years, we have seen great success with special second-chance Saints experiential prizes and promotions in those games.

In the past, we sponsored an art contest through our Office of Cultural Recreation and Tourism for a Mardi Gras ticket design, picked an artist from Louisiana, and used the as a jumping-off point to celebrate Louisiana—the art, music and all that's special about Louisiana. We also partner with as many festivals as we can. Those are fabulous venues to connect our brand with the local culture and the people directly. I think it's true what you said—Louisiana does provide lots of opportunities for us to connect our brand with the local culture.

How do you use social media to promote Lottery?

R. Hudson: We use Facebook to engage fans and discern what appeals to them, such as what they follow, what are their likes and dislikes. That helps us determine what could be next for us in terms of brand partnerships and promotional strategies. I'm not the ex-

pert on Instagram but that too is being used to great effect. Our social media team is definitely being challenged to push the edge of the envelope. They give special attention to developing the tools to measure the results and continually improve the effectiveness of our social media initiatives.

We always tend towards telling a story and providing entertainment more than selling a product. For instance, we featured a family of six different emojis for our Valentine's game called Love To Win. We conducted an emoji-gram promotion on Twitter that enabled followers to use our hashtag #lovetowin to send an emoji to a friend. They tweeted to their friends and we selected some of the tweets to put up on billboards across the state. Instead of directly promoting the game, the billboards promoted the players. We featured this billboard campaign on our website and gave away Valentine's themed prize packages to both the player and their tagged friend if their entry tweet was selected. The number of Twitter followers over the two-week campaign more than doubled our typically monthly growth because our followers were engaging their followers and friends. Driving along and looking for the possibility that your tweet might be seen on a billboard, or what other players had to tweet about, was also great fun for everyone.

You do such a great job at creating a story that promotes the brand. Do you spend more resources on building the brand than promoting specific games or the hope and dream of a life-changing event?

R. Hudson: We must adhere to strict marketing guidelines that do not allow us to explicitly appeal to the change-your-life theme. That is why we talk about a reason to smile, brand building, and cultural affiliations. Our story is more about entertainment and fun than how winning the jackpot changes your life. We feel good about the position that the Louisiana Lottery has carved out for itself in the local culture. In the end, the value proposition of our games as a fun diversion and cultural affiliation may even prove to be a more a sustainable business strategy than

focusing on winning a life-changing jackpot.

How have you applied technology to improve operational efficiencies?

R. Hudson: We developed our own Lottery-specific iPad application for our sales reps that allows them to analyze their individual retailer sales in real time by game and time frame which enables them to make real-time strategic decisions. This technology is coupled with our own data-driven inventory management system that we use to predict which scratch-off games will sell best in each retailer location.

We want to be able to help our retailers

manage their inventory in a way that ensures the right products are on the shelves at the right time. Predictive Ordering is the term used to describe the process of analyzing the product mix and ensuring that the combination of price-points and game styles is always optimized for meeting the needs of the consumer. It also puts us in a position where dialogue with our retailers is meaningful and adds real value, which they appreciate. The ROI on performing at these fundamental operational levels is material and, well, very predictable.

Next year will be especially busy for you!

R. Hudson: The term as president of NASPL lasts one year, and most things take longer than one year to accomplish. I am working with May Scheve, the current president of NASPL, to make sure we carry on with the important initiatives begun this year and in prior years. NASPL really needs a strategic plan to enable incoming presidents to shepherd the ongoing progress of projects and initiatives begun in the years prior. That is a priority of May's that I share and will do my best to execute it as well. ■