

Just Because It Looks Like a Duck...

Cross Sell Lessons in Branding

By Ed Kully, President of Crestwood Partners

There are over 150 different species of ducks. To most of us, many look very much alike, but once you get beyond the initial view, the differences can be huge. And so it can be with Lottery games.

Each year, the Lottery Industry invests significant man-hours and monies in making sure game construction is correct. For the most part, this has served the industry well and resulted in excellent returns for beneficiaries. Sometimes, however, it pays to look even deeper on these investments.

About a year ago, the Lottery Industry undertook one of the boldest steps it had ever taken – the cross sell of Powerball and Mega Millions in each others' jurisdictions. By all accounts, the effort has generated incremental sales – though not necessarily as high as some had hoped. As the industry now looks to new game alternatives, it may help to step back and look beyond the sales results and review just what was achieved by this undertaking.

Last summer, Crestwood undertook a small study of its own to gain a perspective on current lottery purchasing behaviors. One of the subjects addressed was cross sell. Instead of looking at the data in the aggregate, as much of the analysis has been conducted, we chose to look at it from the perspective of Powerball and Mega Millions legacy jurisdictions – this afforded us the opportunity to look at the impact on the respective brand franchises.

Some of the results were as expected:

- Approximately two thirds of the weekly or core players had tried the alternate game (this was consistent with initial projections).
- Within Powerball States, those who played Powerball less frequently were also less likely to have tried Mega Millions (also not a surprise).

On the other hand, within the Mega Millions jurisdictions, trial of Powerball was as high or higher of Powerball

among the less frequent players. This was not expected; as it was assumed that less frequent Mega Millions players would also act like the less frequent Powerball Players. After all, why wouldn't Lottery players of similar games act in a similar manner when presented with additional variety?

In our discussions with different lotteries around the US, two industry perceptions have emerged:

- Mega Millions jurisdictions may have benefited more from Cross Sell than Powerball jurisdictions, and
- Mega Millions has been cannibalized to a greater extent.

Both perceptions appear to be supported by our player based data. In fact, this data not only supports these observations, but may indicate a stronger brand presence for the Powerball game. Potentially, Mega Millions was not satisfying as many player's perceived needs, thus, Powerball filled a bigger gap among those interested in Bloc Games, but not so much for Mega Millions. Similarly, this would also explain some of the perceptions of high cannibalization.

Statistics aside, the big story here is that Brand matters. There is a personal, somewhat emotional side to these games, especially the bloc games. As the industry prepares to move to the next stage, we hope the essence of the brand is taken into consideration. Staying the course will only lead to long term loss of significance. On the other hand, not seizing the full opportunity risks "throwing out the baby with the bath water."

Moving forward, we encourage you to continually challenge yourselves by asking the following questions in looking at new games:

- Do these games bring something "new" to players? By this, we mean is it "new" in their eyes?
- Are we reaching their hearts as well as their heads?

Back to Cross Sell, the observation – just because the two games may have looked like ducks (similar price, payouts, big jackpots), and quacked like ducks (big jackpots and a chance for the player to dream), didn't necessarily mean that their brands were similar, or that adoption would be universal.

Crestwood has been and continues to be a supporter of Cross Sell and national games. Initial results indicate incremental gains. The framework established can propel the industry to new heights in player satisfaction and beneficiary return. The key to success has been and will continue to be in establishing and managing strong brands, not just strong games. ♦