



Lottery Benchmarking and Success Factors

Benchmarks, Success Factors, and Best Practices

2nd edition

London/Munich, April 2009

Go to <http://www.lottery-benchmarking.mecn.net> to obtain full report

Summary

To compete successfully in the global marketplace, lotteries want to know as much as possible about benchmarking and success factors, as WLA benchmarking seminars and several regional initiatives have shown. Moreover, MECN also has repeatedly been approached by many lotteries asking for an analysis of industry benchmarks.

In summer 2007 we therefore published our first lottery benchmarking study, which was very well received. Last year, as more and more requests came in from clients, we decided to update the study. Now MECN is proud to present the second edition of our benchmarking study analysing data from more than 150 lotteries. The updated study includes:

- **Analyses of data from more than 150 lotteries for the years 2006 and 2007.**
- **Selected 2008 analyses** - The impact of the global financial and economic crisis on state lotteries.
- **Sales benchmarks** - Total sales and product related sales (e.g., lotto, betting, instant, ...).
- **Sales channel benchmarks** - Number of residents and catchment area per average outlet, interactive/Internet sales per capita and per registered user, ...
- **Operating expenses benchmarks** - Operating expenses in % of sales and analysis of economies of scale.
- **Marketing benchmarks** - Marketing/advertising expenses in % of total sales, min. and max. spending, and optimal media mix of the ad budget.
- **Human resource benchmarks** - Personnel expenses in % of total sales, average personnel expense, and sales per employee.
- **Various others** - Retailer commissions, prizes, IT and communications, ...
- Updated **best practices** as well as **success factors**.

The analysis of the success factors is based on a survey conducted among nearly 50 executives of the foremost European and US lotteries - among them the who-is-who of the lottery industry. In total, the second edition has **98 pages** and over **80 graphs/exhibits**.

Sample pages of report

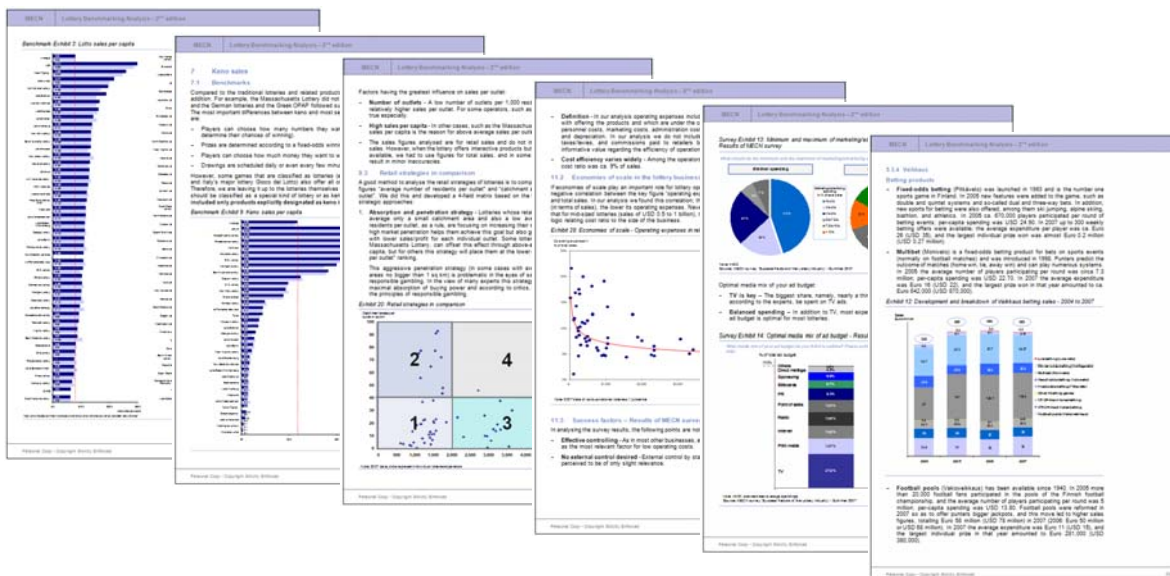


Table of contents

1	INTRODUCTION	4
2	THE IMPACT OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS ON STATE LOTTERIES	6
2.1	The impact on US lotteries	6
2.2	The impact on European lotteries	6
3	TOTAL SALES BENCHMARKS	8
3.1	Total sales per capita	8
3.2	“Real” market penetration - per capita sales as % of per capita income	11
4	LOTTO SALES	13
4.1	Benchmarks	13
4.2	Success factors – Results of MECN survey	16
4.3	Best practices	17
4.3.1	LAE - Loterías y Apuestas del Estado	17
4.3.2	Norsk Tipping	19
4.3.3	Lotterywest	20
4.3.4	Lotto Bremen	21
4.3.5	Irish National Lottery	22
5	BETTING SALES	24
5.1	Benchmarks	24
5.2	Success factors – Results of MECN survey	26
5.3	Best practices	27
5.3.1	Svenska Spel	27
5.3.2	Norsk Tipping	29
5.3.3	Danske Spil	30
5.3.4	Veikkaus	32
5.3.5	PMU	33
5.3.6	OPAP	34
5.3.7	Hong Kong Jockey Club	36
5.3.8	Oregon State Lottery	38
6	INSTANT LOTTERY	39
6.1	Benchmarks	39
6.2	Success factors – Results of MECN survey	41
6.3	Best practices	42
6.3.1	Massachusetts Lottery	42
6.3.2	La Française des Jeux	43
6.3.3	Lottomatica	44
7	KENO SALES	46
7.1	Benchmarks	46
7.2	Best practices	48
7.2.1	OPAP	48
7.2.2	Veikkaus	48
7.2.3	Rhode Island Lottery	48
7.2.4	Massachusetts Lottery	49
8	VLT SALES	50
8.1	Benchmarks	50
8.2	Best practices	51
9	RETAIL CHANNEL - BENCHMARKS RELATED TO THE RETAIL CHANNEL	52
9.1	Density of retail outlets	52

9.2	Sales per retail outlet	56
9.3	Retail strategies in comparison	57
9.4	Success factors – Results of MECN survey	58
10	INTERNET AND INTERACTIVE CHANNELS - BENCHMARKS RELATED TO THE INTERNET AND INTERACTIVE CHANNELS	60
10.1	Internet sales	60
10.2	Registered users, sales per user, and other user-related benchmarks	62
10.3	Growth rates of interactive sales of state lotteries	64
10.4	Success factors – Results of MECN survey	65
10.5	Best practices	66
10.5.1	Austrian Lotteries	66
10.5.2	PMU	68
10.5.3	Norsk Tipping	69
10.5.4	Svenska Spel	70
10.5.5	Veikkaus	72
10.5.6	Kansas Lottery	73
11	OVERALL COST EFFICIENCY	74
11.1	Operating expenses benchmarks	74
11.2	Economies of scale in the lottery business	75
11.3	Success factors – Results of MECN survey	75
12	MARKETING EFFECTIVENESS	78
12.1	Marketing expenses benchmarks	78
12.2	Success factors – Results of MECN survey	79
13	HUMAN RESOURCE EFFECTIVENESS	82
13.1	Personnel expenses benchmarks	82
13.2	Success factors – Results of MECN survey	85
14	PRIZES	86
15	IT AND DATA COMMUNICATIONS COSTS	88
16	RETAILER COMMISSION	89
17	POTENTIAL PUBLIC INCOME FROM LOTTERIES	90
18	OTHER BENCHMARKS	91
19	METHODOLOGY	92
20	LIST OF EXHIBITS	96
21	ABOUT THE AUTHORS AND CONTACT	98

Exhibits

Benchmark Exhibits

Benchmark Exhibit 1:	Total sales per capita
Benchmark Exhibit 2:	Per capita total sales as % of per capita income
Benchmark Exhibit 3:	Lotto sales per capita
Benchmark Exhibit 4:	Lotto sales as % of total sales
Benchmark Exhibit 5:	Betting sales per capita
Benchmark Exhibit 6:	Betting sales in % of total sales
Benchmark Exhibit 7:	Instant lottery sales per capita
Benchmark Exhibit 8:	Instant lottery sales in % of total sales
Benchmark Exhibit 9:	Keno sales per capita
Benchmark Exhibit 10:	Keno sales in % of total sales

- Benchmark Exhibit 11: VLT net income per capita
- Benchmark Exhibit 12: VLT net income (in thousands) per machine
- Benchmark Exhibit 13: Number of retail outlets per 1,000 residents
- Benchmark Exhibit 14: Average number of residents per outlet
- Benchmark Exhibit 15: Catchment area of outlets – sq km per outlet
- Benchmark Exhibit 16: Sales per outlet (in USD thousand)
- Benchmark Exhibit 17: Interactive/Internet sales per capita
- Benchmark Exhibit 18: Interactive/Internet sales in % of total sales
- Benchmark Exhibit 19: Registered users of lotteries in % of population
- Benchmark Exhibit 20: Registered users of lotteries in % of total Internet users
- Benchmark Exhibit 21: Demographics of interactive customers of selected lotteries
- Benchmark Exhibit 22: Sales per registered user
- Benchmark Exhibit 23: Growth rates of interactive (Internet, mobile) sales of state lotteries
- Benchmark Exhibit 24: Operating expenses in % of total sales
- Benchmark Exhibit 25: Marketing/advertising expenses in % of total sales
- Benchmark Exhibit 26: Personnel expenses in % of total sales
- Benchmark Exhibit 27: Average personnel expense per employee (in USD thousand)
- Benchmark Exhibit 28: Average sales per employee (in USD million)
- Benchmark Exhibit 29: Average prizes in % of total sales
- Benchmark Exhibit 30: IT and data communication expenses in % of total sales
- Benchmark Exhibit 31: Retailer commission in % of total sales
- Benchmark Exhibit 32: Potential public income from lotteries
- Benchmark Exhibit 33: Average number of employees by department - example
- Benchmark Exhibit 34: Operating expenses breakdown (excl. retail commission) - examples
- Benchmark Exhibit 35: Average age of employees - examples
- Benchmark Exhibit 36: Length of employment - examples

Survey Exhibits - Results of MECN survey

- Survey Exhibit 1: Success factors for achieving high lotto sales (semi-active and passive lotteries)
- Survey Exhibit 2: Success factors for achieving high betting sales
- Survey Exhibit 3: Success factors for achieving high instant lottery sales
- Survey Exhibit 4: Success factors for achieving high retail sales
- Survey Exhibit 5: Lotteries that are doing the best job regarding effective retail management -
- Survey Exhibit 6: Success factors for achieving high Interactive sales
- Survey Exhibit 7: Lotteries that are doing the best job regarding effective interactive channel management
- Survey Exhibit 8: Success factors for achieving low operating costs
- Survey Exhibit 9: Appropriate rate (% of sales) to spend on operating expenses
- Survey Exhibit 10: Likelihood of buying groups in the lottery industry
- Survey Exhibit 11: Lotteries that are doing the best job regarding effective cost management
- Survey Exhibit 12: The most relevant factors for achieving high-impact marketing/advertising
- Survey Exhibit 13: Minimum and maximum of marketing/advertising spending
- Survey Exhibit 14: Optimal media mix of ad budget
- Survey Exhibit 15: Lotteries that are doing the best job regarding effective marketing
- Survey Exhibit 16: Appropriate rate (% of sales) to spend on personnel expenses
- Survey Exhibit 17: Appropriate rate (% of sales) to spend on IT and data communications

Other Exhibits

- Exhibit 1: Lottery clusters according to product portfolio
- Exhibit 2: Development of size/breakdown of Spanish lottery market - 2003 to 2007
- Exhibit 3: LAE lottery tickets and retail shop
- Exhibit 4: Development and breakdown of Norsk Tipping's lotto sales - 2004 to 2007
- Exhibit 5: Development and breakdown of Lotterywest's lotto sales - 2004 to 2007
- Exhibit 6: Development and breakdown of Lotto Bremen's lotto sales - 2004 to 2007
- Exhibit 7: Development and breakdown of Irish National Lottery lotto sales - 2005 to 2007
- Exhibit 8: Development and breakdown of Svenska Spel's betting sales - 2006 to 2007

- Exhibit 9: Development and breakdown into retail and Internet channels of Svenska Spel's betting sales - 2004 to 2007
- Exhibit 10: Development and breakdown of Norsk Tipping betting sales - 2004 to 2007
- Exhibit 11: Development and breakdown of Danske Spil's betting sales -2004 to 2006
- Exhibit 12: Development and breakdown of Veikkaus betting sales - 2004 to 2007
- Exhibit 13: Development and breakdown of OPAP's betting sales - 2004 to 2007
- Exhibit 14: Development and breakdown of HKJC's betting sales - 2004 to 2007
- Exhibit 15: Development and breakdown of Oregon Lottery's betting sales - 2004 to 2007
- Exhibit 16: Development and breakdown of Massachusetts Lottery's instant sales - 2004 to 2007
- Exhibit 17: Massachusetts Lottery - examples of instant lottery tickets
- Exhibit 18: LFDJ – examples of instant lotteries
- Exhibit 19: Development of Lottomatica's instant sales - 2004 to 2007
- Exhibit 20: Retail strategies in comparison
- Exhibit 21: Development of Austrian Lottery's interactive/Internet sales (Win2Day) and registered users - 2004 to 2007
- Exhibit 22: Austrian Lotteries - examples of Internet casino games
- Exhibit 23: Development and breakdown of PMU's interactive sales - 2004 to 2007
- Exhibit 24: Development and breakdown of Norsk Tipping's interactive sales - 2004 to 2007
- Exhibit 25: Norsk Tipping - examples of Internet games
- Exhibit 26: Development and breakdown of Svenska Spel's interactive "net revenues" - 2004 to 2007
- Exhibit 27: Development and breakdown of Veikkaus interactive sales - 2004 to 2007
- Exhibit 28: Economies of scale - Operating expenses in relation to total sales
- Exhibit 29: Exchange rates
- Exhibit 30: Lotteries included in benchmark analysis

Companies mentioned in this report

Arizona Lottery	Lotto Baden-Württemberg	NSW Lotteries
Atlantic Lottery	Lotto Bayern	OGLC
Austrian Lotteries	Lotto Berlin	Ohio Lottery
B.C. Lottery	Lotto Brandenburg	ONCE
California Lottery	Lotto Bremen	OPAP
Colorado Lottery	Lotto Hamburg	Oregon Lottery
Connecticut Lottery	Lotto Hessen	Pennsylvania Lottery
D. K. Klasselotteri	Lotto M.-Vorpommern	PMU
D.C. Lottery	Lotto Niedersachsen	Rehab Lotteries
Danske Spil A/S	Lotto Rheinland-Pfalz	Rhode Island Lottery
De Lotto	Lotto Saarland	Sachsenlotto
Delaware Lottery	Lotto Sachsen-Anhalt	SAZKA
Dutch National Lottery	Lotto Schleswig-Holstein	SKL
Dutch Postcode Lottery	Lotto Thüringen	South Africa Nat'l Lottery
Florida Lottery	Lottomatica	South Australia Lottery
Georgia Lottery	Louisiana Lottery	South Carolina Lottery
Golden Casket Lottery	Maine Lottery	South Dakota Lottery
Hong Kong Jockey Club	MALTCO	Sports Toto Malaysia
Idaho Lottery	Maryland Lottery	Svenska Spel
Illinois Lottery	Massachusetts Lottery	SwissLos
Indiana Lottery	Michigan Lottery	Szerencsejáték
Iowa Lottery	Minnesota Lottery	Tattersall Lottery
Irish National Lottery	Missouri Lottery	Tennessee Lottery
Kansas Lottery	Montana Lottery	Texas Lottery
Kentucky Lottery	Nebraska Lottery	Tipos
La Française des Jeux	New Hampshire Lottery	U.K. National Lottery
LAE	New Jersey Lottery	Veikkaus
Loterie Nationale	New Mexico Lottery	Vermont Lottery
Loterie Romande	New York Lottery	Virginia Lottery
Loto Catalunya	New Zealand Lotteries	Washington Lottery
Loto-Québec	Norsk Tipping	WestLotto
Lotterywest	North Dakota Lottery	Wisconsin Lottery

About the authors and contact



MECN

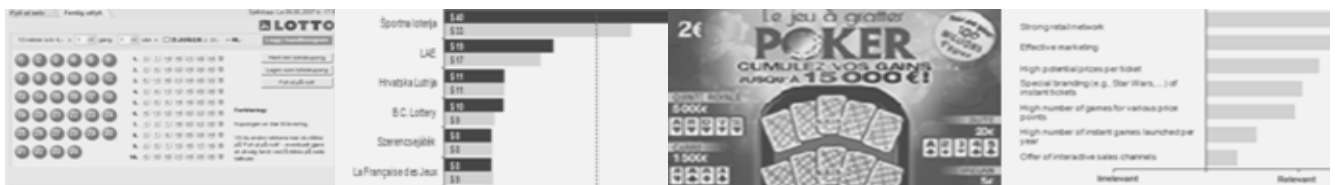
Media & Entertainment Consulting Network
Martin Oelbermann

MECN
Office 404, 4th floor
Albany House - 324/326 Regent Street
London W1B 3HH
United Kingdom

MECN
Isabellastrasse 19
80798 Munich
Germany

Tel.: +49 (0)89 7412 0235
Fax: +49 (0)89 7412 0102
E-mail: info@mecn.net
www.mecn.net

MECN is a network of experts on issues concerning the media and entertainment industry. Together we provide in-depth knowledge, analysis, and advice to global clients. For the gambling industry, we provide market insights and strategic support to various clients ranging from bookmakers to state lotteries.



**Fax order form for the report:
*Lottery Benchmarking and Success Factors –
 2nd edition***

Fax to +49 (0) 89 3835 6786 or +44 (0) 207 692 4089



Please send me an electronic version (pdf) of the report (24-hour delivery):
Lottery Benchmarking and Success Factors – 2nd edition

USD 885.00 (exc. VAT/MwSt)

Personal Information

Mr/Mrs/Dr: _____ First Name: _____ Last Name: _____

Company Name: _____ City: _____

Address: _____ Country: _____

Post Code: _____ Telephone: _____

Email: _____ Company VAT/TVA/MOMS/IVA number: _____

Signature: _____

Date: ____/____/____

Enter company tax no. to avoid VAT, **EU countries only**.
 Non-EU countries are always exempted from VAT/sales tax.

Payment Details

Please invoice my company

or

Please debit my Visa Mastercard Amex

Card No.:

Expiration Date: /

Card Holder Name: _____

Signature: _____

Contact us:

For questions, please contact reports@mecon.net

London / UK
 MECN GmbH
 Office 404, 4th Floor - Albany House
 324/326 Regent Street
 London W1B 3HH - UK

Munich / Germany
 MECN Germany
 Fürstenrieder Str. 279a
 81377 Munich
 Germany

Tel.: +44 (0) 207 692 4088
 Fax.: +44 (0) 207 692 4089
info-uk@mecon.net

Tel.: +49 (0) 89 7412 0235
 Fax.: +49 (0) 89 7412 0102
info-germany@mecon.net