

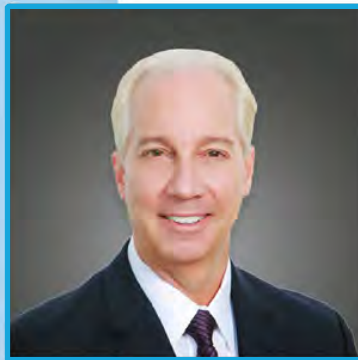
Celebrating a Five-Year PARTNERSHIP

Behind the Scenes of an Instant Game Program That's Making a Difference for Education in North Carolina

When leaders at the North Carolina Education Lottery made the decision to move to a full instant game category management program, it more than paid off. Five years later, NCEL is the No. 6 performing lottery in the U.S. for instant game per capita sales and has achieved 10.2% CAGR over the past four years.

In 2021, the program has surpassed all sales projections. Instant game sales have doubled, with the category representing 70% of annual retail sales. The achievements were the result of new efforts by the NCEL to create the right partnership with the right strategies that would move instant sales from a plateau to the next level.

That partnership began in 2017 with the NCEL and Scientific Games. The Lottery set an aggressive goal for instant game retail sales by 2026. A year later, Executive Director Mark Michalko arrived on the scene, bringing 20 years of gaming industry experience to the Lottery.



Mark Michalko, NCEL



Michalko wanted product solutions. He was interested in maximizing the use of data-driven analytics and research to responsibly grow sales and deliver entertaining experiences to North Carolina players.

“We knew we needed to renew our focus on the products and leverage data to drive strategic business decisions,” says Michalko. “Our partnership with Scientific Games has proven that data has the power to deliver tangible results that grow sales and profits.”



★ Partnering for Results

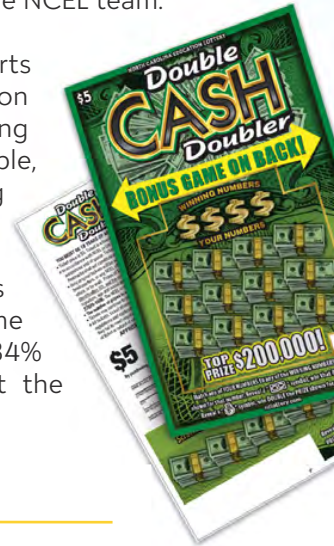
“The *Scientific Games Enhanced Partnership* with NCEL is a true partnership in every sense,” explains John Gorman, Scientific Games Director of Marketing in North Carolina, whose experience in finance and analytics prepared him well for an 18-year career in the lottery industry. “*SGEP* is based on four pillars: product solutions, advanced logistics, retail optimization and digital engagement. But it’s also about people and trusted relationships.”



The company’s 40,000-square-foot *SGEP* facility is located just outside of Raleigh, North Carolina and 15 minutes from NCEL headquarters. More than 30 Scientific Games employees are responsible for accurately filling seven million packs of NCEL Scratch-Off games – 370 million individual tickets – per year. On the product solutions front, the team uniquely includes a dedicated product manager, consumer insights specialist and data scientist. Game designers and more analytics and insights resources are in metro Atlanta, just one state away at Scientific Games global headquarters.

“Our team works in lock step with NCEL’s team so that we are aligned on everything from product development to sales, brand management and even auditing,” explains Gorman. “We know North Carolina players, so we don’t recommend anything that isn’t a fit, or if we can’t provide data to demonstrate the potential incremental revenue to Mark and the NCEL team.”

Scientific Games supports every recommendation to NCEL with a strong ROI analysis. As an example, *Double Cash Doubler* featuring *Scratch My Back* with play on both sides of the game was proposed for the Lottery’s portfolio based on its potential to deliver profits. This game indexed at 175 and generated a 434% ROI vs. a typical \$5 game without the *Scratch My Back* feature.



★ Portfolio Optimization

Michalko’s focus on growth centers on product development and marketing. He streamlined the game development process, moving to 12-month plus plans for game launches. Next, he supported NCEL Deputy Director of Product Development Randy Spielman in the development of a portfolio optimization model that fully utilizes *SGEP* analytics and market research.



Randy Spielman, NCEL

“In simple terms, the right games on sale at the right time for the right consumers is key to our growth,” says Spielman.

One of the most important elements in planning NCEL’s portfolio is the approach to spotlight higher price point game launches. Scientific Games developed forecasting models to assist the Lottery in visualizing the launch cadence of these games five years into the future, which has proven valuable for developing production runs.

The goal? Build a Scratch-Off portfolio with a wide selection of games that appeal to as many current and potential players as possible. One of the largest states in the U.S., North Carolina has a population of 10.5 million and is culturally diverse in every region, from the coast to cities and mountain communities.

NCEL launches 51 games per year, about four per month. All launches are on the first Tuesday of the month – with the popular “Mr. First Tuesday” character promoting new games to players. Each game launch has a specific strategy applied to price point, theme, prize structure, play style, color, and merchandising.

The Lottery offers \$1, \$2, \$3, \$5, \$10, \$20, \$25 and \$30 price points. NCEL’s \$20+ games currently make up 47% of retail sales (vs 34% in 2017), with Scientific Games’ analytics indicating there is even more room to grow higher price point games.



★ What Players Love

The annual *Multiplier X* family of games continues to be a player favorite. NCEL supports this family of games with a TV ad campaign and a second chance contest each year.

Right now, the Lottery's hottest Scratch-Off is its latest \$30 game, *200X The Cash*, which launched the first week of March – the last member of its 2022 *Multiplier X* family of games. The game is NCEL's sixth \$30 product since the price point was introduced in 2015.

NCEL has also experienced a great deal of success with a recent series of \$500 prize-loaded games at the \$5 price point.

"When we changed the prize structure from a \$5 game with a six-figure top prize that was heavy on \$500 prizes, to a game with exclusively \$500 top prizes, sales surged," says Spielman. "This approach is now a core part of our portfolio optimization model."

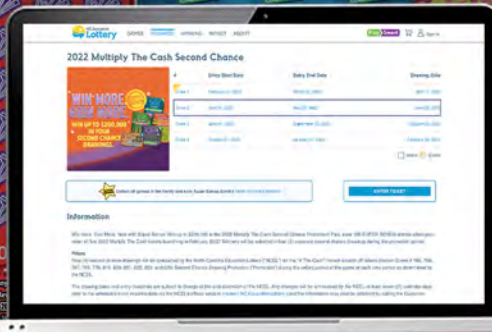
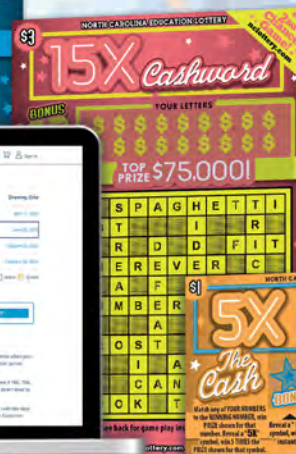
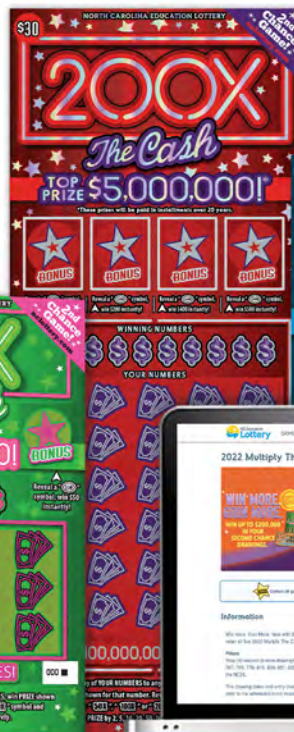
NCEL's first \$25 game, *Extreme Cash*, launched in March of 2020 was a success. It was also its first no break-even game, a new feature in prize structures. The game featured a minimum \$40 prize and a top prize of \$1 million.

"We wanted a strong, spotlight game but didn't want to launch a third \$30 product. *Extreme Cash* and its unique value proposition filled that need and it was a huge hit with our players," explains Spielman. "We're so pleased with the results, that we are considering extending this value proposition to other price points in the portfolio."

When it comes to licensed brands, NCEL relies heavily on market research, including focus groups and its online player panel, to strategically incorporate favorites into its portfolio. Recent selections include *LOTERIA*, *THE PRICE IS RIGHT* and *MAGIC 8 BALL*.



NCEL is also interested in reaching new players through social media. The Lottery participated in *7-11-21 LIVE!* which featured a Scratch-Off game sold at retail, and a Facebook Live social media event. The digital event reached 26,000 players, achieved 48,000 engagements, and attracted 4,800 viewers – the most viewers of any *LIVE!* event to date.





★ Out of the Ordinary

NCEL and Scientific Games teams continually drive improvement, using the predictive ordering component of *SciTrak Ultra* technology to efficiently manage inventory levels and reduce out-of-stocks.

The Lottery's Scratch-Off sales skyrocketed during COVID with two consecutive years of double-digit growth. When other forms of gaming in North Carolina closed, long stretches of 35-40% Scratch-Off growth put pressure on retail inventory levels.

Throughout the pandemic, NCEL benefitted from continuous warehouse operations and inventory levels in the field were maintained through its *SGEP* program despite global supply chain and workforce challenges.

"We had no shortage of inventory and kept the pipeline to retail dispensers flowing despite supply chain pressures, even at the most critical points during the pandemic. Our teams delivered a 99.98% order accuracy," shares Gorman. "This was possible because we followed a stringent employee safety protocol and our all-hands-on-deck approach on both sides of the partnership definitely proved its worth. We stayed in constant contact and navigated through the turbulence together."

The Lottery performed so well, that in 2020 it advanced to one of the prestigious Top 10 performing instant game lotteries worldwide for the first time.

★ Teamwork Makes the Portfolio Work

When it comes down to it, the mutual goal of everyone behind NCEL's *SGEP* program is to generate more funding for education in the state. In FY21, the Lottery raised the most money ever for education programs in the state, \$936 million.

"The NCEL and Scientific Games teams both live and work in North Carolina, so it's not only a partnership but a shared goal," says Gorman. "There's no better sense of accomplishment than coming to work every day and knowing what you do improves the lives of millions of students in communities around our state."

7-11-21®, Scratch My Back® and SciTrak Ultra are registered trademarks of Scientific Games, LLC. © 2022. All rights reserved.

LOTERIA™/©: Licensed by Don Clemente, Inc. 2022. All Rights Reserved.

MAGIC 8 BALL and associated trademarks and trade dress are owned by, and used under license from Mattel. © 2022 Mattel. All Rights Reserved.

The Price Is Right® is a registered trademark of Fremantle © 2022 FremantleMedia Netherlands B.V. All Rights Reserved. Licensed by Fremantle. www.fremantle.com

©2022 Scientific Games, LLC.