2011 Video Lottery^{SM} Player Trends Study

On-site Intercepts Findings

Presentation

September 12, 2011

Level 2 - Limited

Background

- Overall objectives for the study:
  - Video Lottery^{SM} players: quantify their play behavior and attitudes, and to establish the demographic profile of players
  - Non-players of Video Lottery^{SM}: quantify their attitudes toward Video Lottery^{SM} and to establish demographic profiles of non-players
  - New players of Video Lottery^{SM}: obtain an in-depth understanding of why they began to play and their attitudes toward Video Lottery^{SM}
- A Quant Card was distributed to all patrons. The objectives of the Quant Card were to:
  - Establish the size of the player versus non-player segments for Video Lottery^{SM}
  - Identify which non-Video Lottery^{SM} games are played by on-premise patrons
- A total of 355 player interviews, 356 non-player interviews and 2,323 quant cards were completed. Below is a table showing the breakdown of interviews by retailer sales volume.

Sales Volume	Player Interviews		Non-player Interviews		Quant Cards		Desired Goal
High	208	59%	158	44%	1223	53%	45%
Low	21	6%	83	23%	333	14%	16%
Medium	126	35%	115	32%	767	33%	39%
Total	**355**	**100%**	**356**	**100%**	**2323**	**100%**	**100%**

NOTE: Sample sizes in some of the graphs and tables are very small (less than 100) and should be considered directional only.

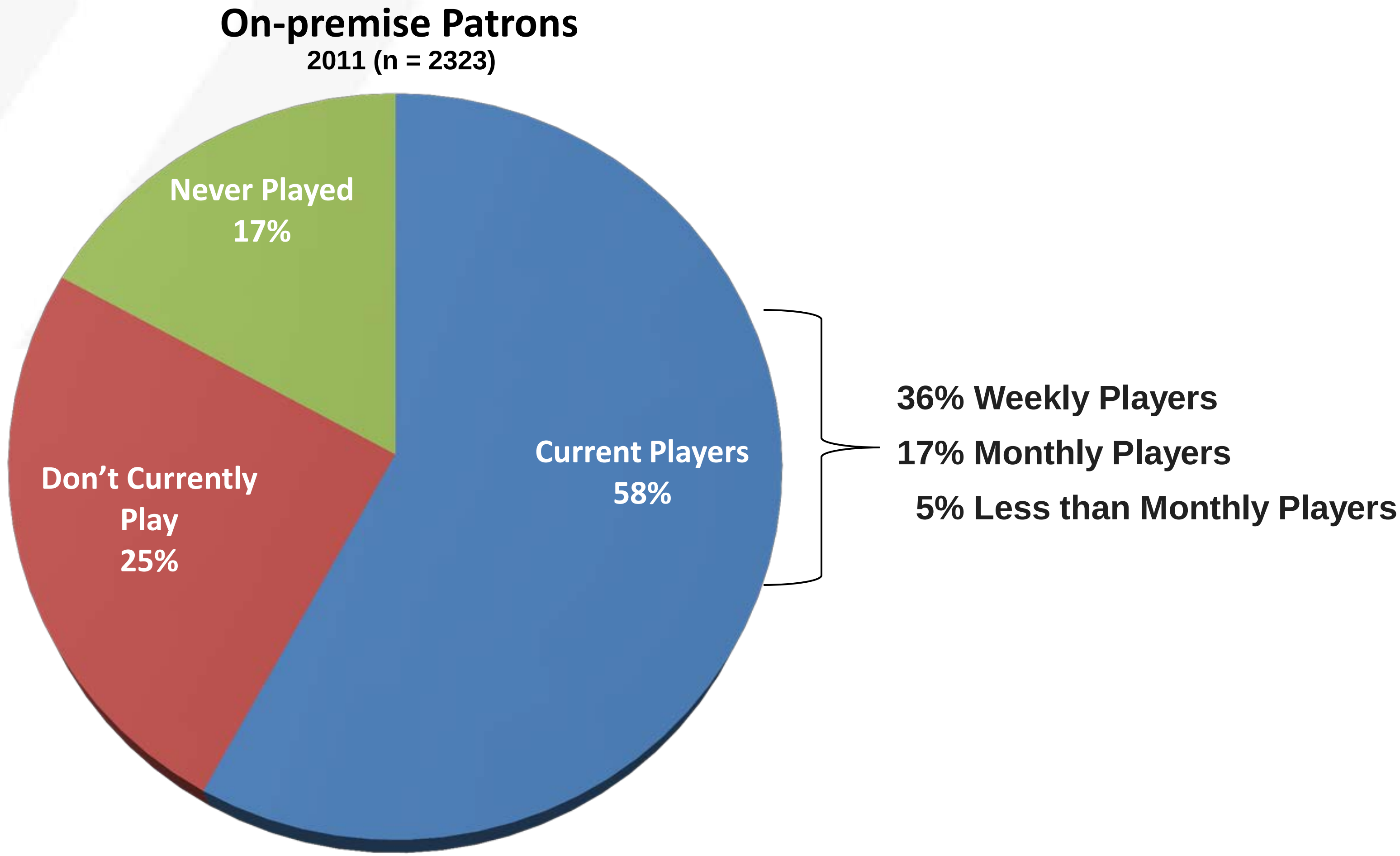
Key Findings

- Player Trends / Game Preferences
- Preferences in Play Environment
- Non-Players: Awareness / Receptivity to Future Play
- Platinum Spin Series Games
- Interest in New Games / Features
- Attitudes Toward Oregon Lottery / Video Lottery
- Marketing / Advertising
- Technology Trends

Player Trends / Game Preferences

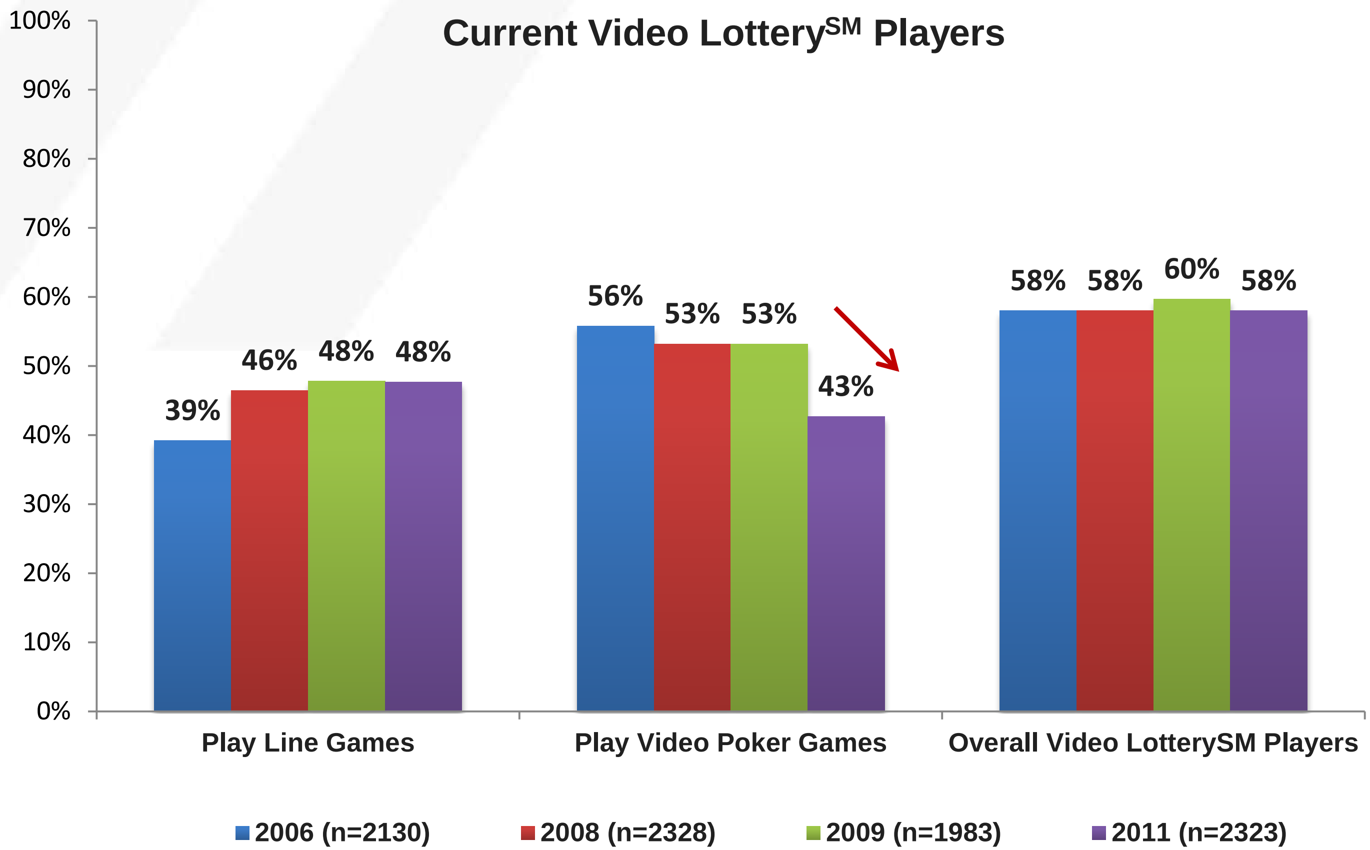
Over half of on-premise patrons play Video Lottery.

- Fifty-eight percent of on-premise patrons are self-defined as current players.
- Among those who report they do not currently play, 25% have played Video Lottery in the past, and 17% have never played.



Significant shifts in player type and game preference.

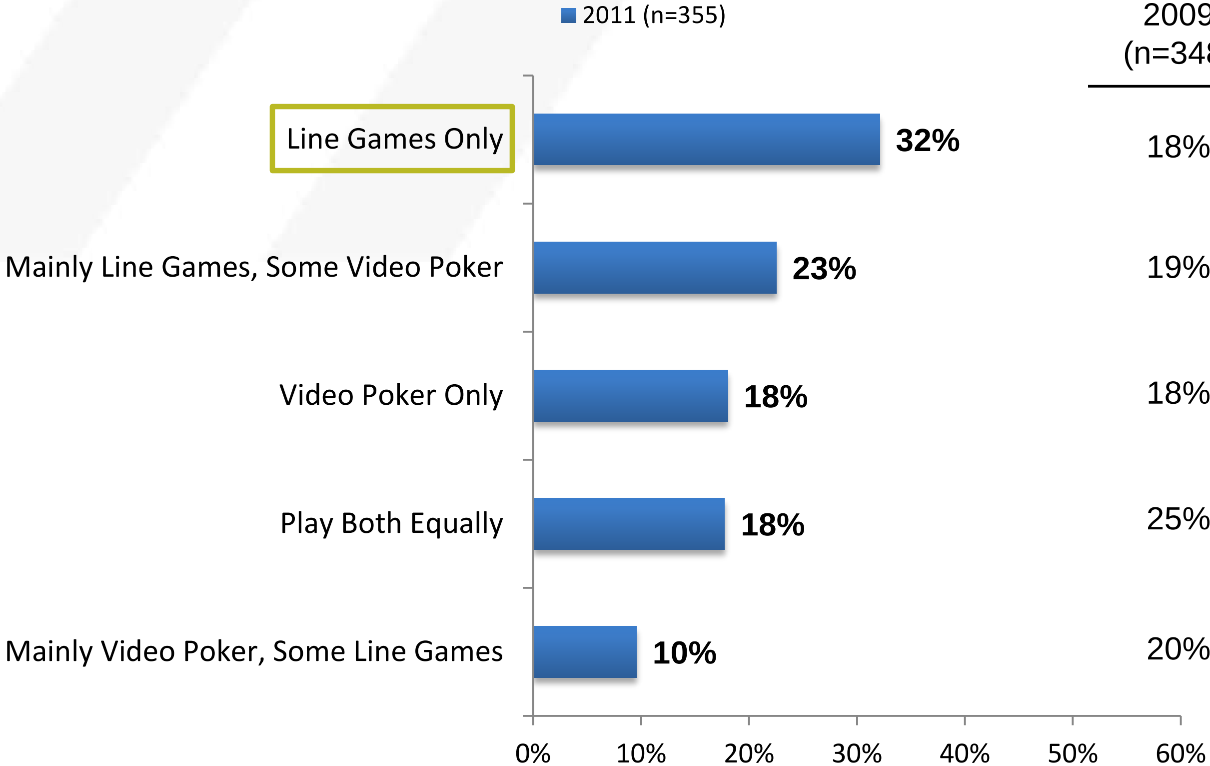
- 10-point decrease in the percentage of people who play Video Poker while the percentage of Line Game players remained consistent with 2009.



Significant shifts in player type and game preference.

- Moreover, the percentage of people who only play Line Games increased by 14 points from 2009 and now accounts for the largest player segment.

Distribution of Line and Poker play in the last 6 months



	2009 (n=348)	2008 (n=418)	2006 (n=423)
Line Games Only	18%	13%	5%
Mainly Line Games, Some Video Poker	19%	26%	19%
Video Poker Only	18%	20%	31%
Play Both Equally	25%	17%	18%
Mainly Video Poker, Some Line Games	20%	25%	27%

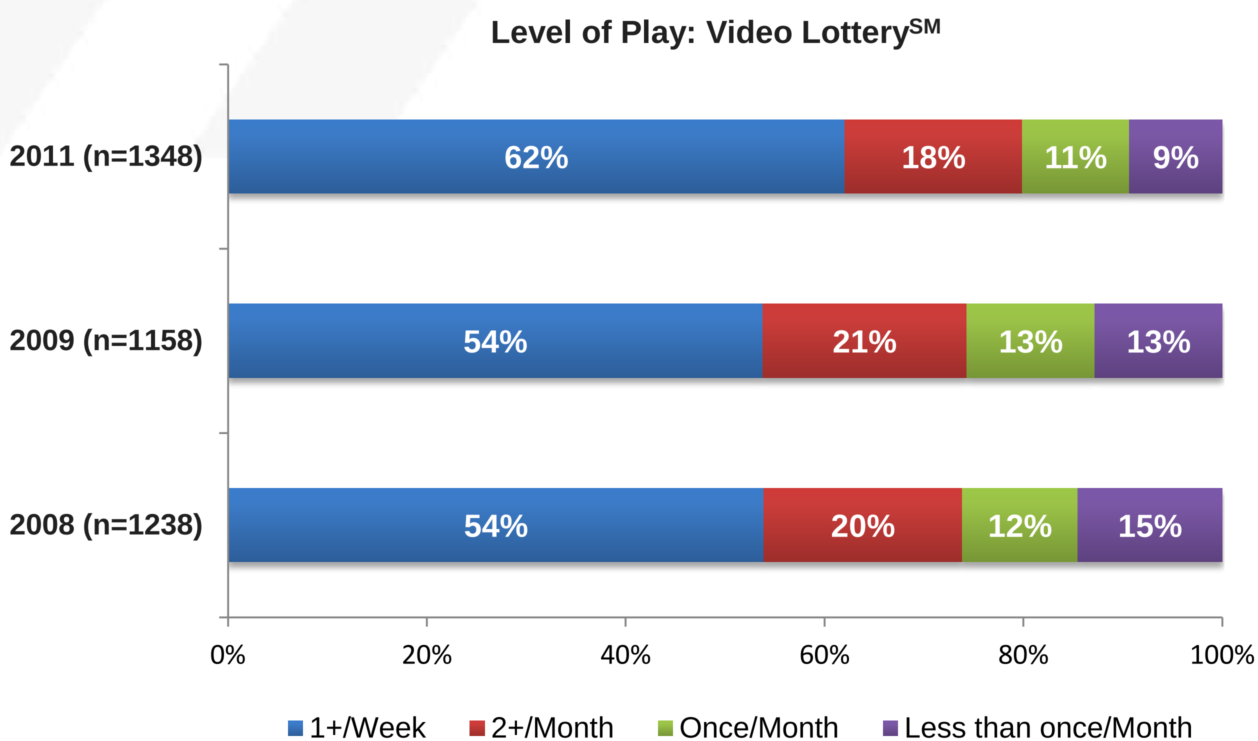
High levels of cross-play among Video Lottery players.

- Approximately one third of Video Lottery℠ players also play Scratch-Its℠, Keno, Megabucks, and Powerball at least once per month.
  - Results between Line Game and Video Poker players were consistent across all other Oregon Lottery® games.
- Non-Video Lottery℠ players are much less likely to play other Oregon Lottery® games.

Play other Lottery games at least once per month	Video Lottery℠ Players	Non-Video Lottery℠ Players
Scratch-Its℠	33%	11%
Keno	33%	9%
Megabucks℠	31%	14%
Powerball®	28%	13%
Mega Millions®	19%	7%
Win for Life℠	9%	3%
Lucky Lines℠	4%	1%
Pick 4℠	3%	1%
Sample	**1,348**	**975**

Increase in frequency of play since 2009.

- In 2011, 62% indicated they play Video Lottery℠ once per week or more compared to 54% in 2009.
- Six percent of players are new to playing Video Lottery℠ (started playing in the past year).
  - The typical Video Lottery℠ play session remained consistent with previous waves:
    - 75% reported playing for less than one hour.
    - 74% reported spending $50 or less – $25 median spend per session.
- Twenty-one percent reported spending more time playing in the past year (5 point increase).

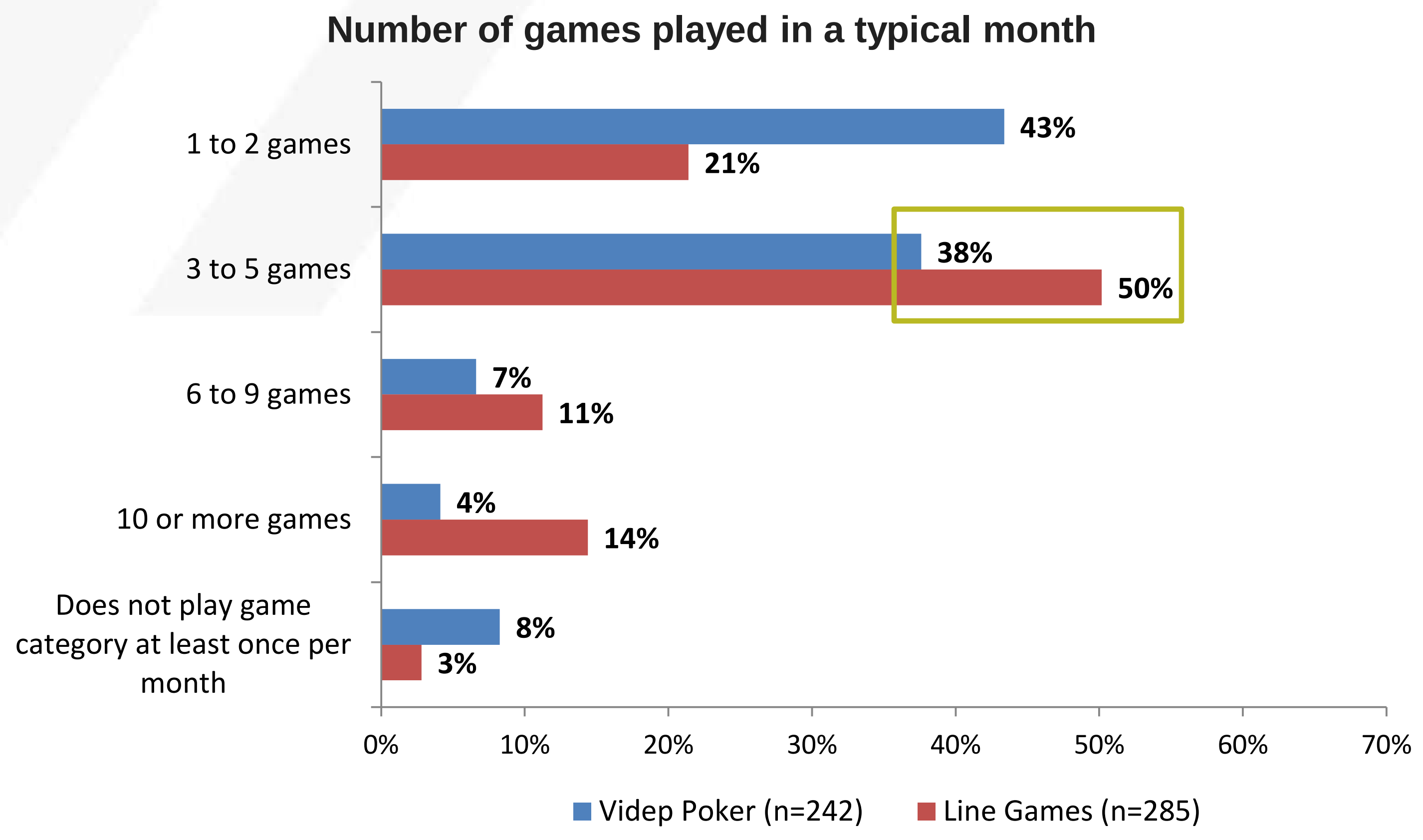


Play 1+/Week

LG	VP
64%	56%
57%	51%
53%	51%

Number of games played in a month differs by game type.

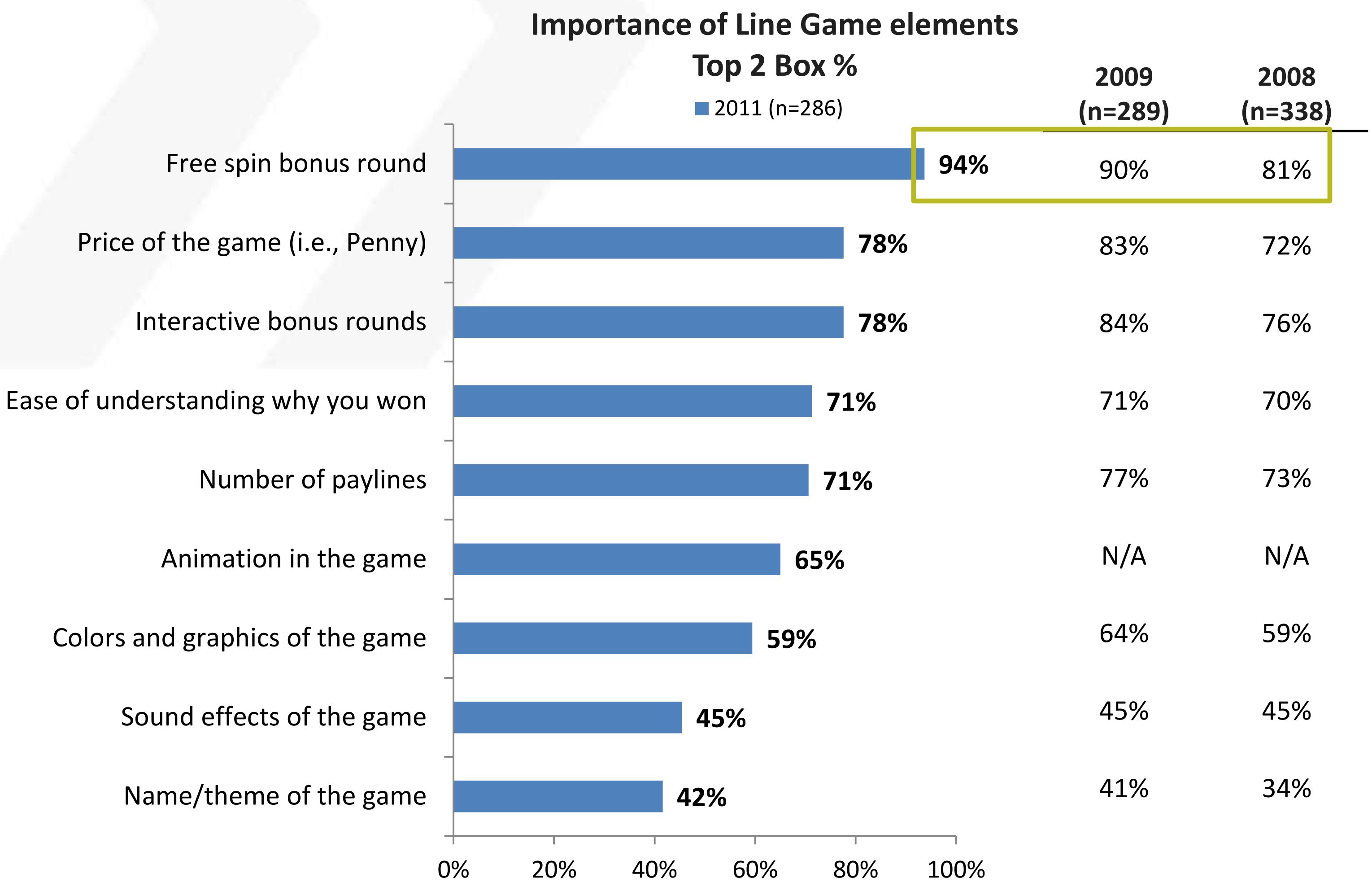
- Seventy-five percent of Line Game players play 3 or more games in a typical month compared to only 49% Video Poker players.
- Among Video Poker players, 43% play 1 to 2 games per month and only 4% play 10 games or more.



NOTE: This question was added in the 2011 wave.

Free spin bonus continues to be the most important element.

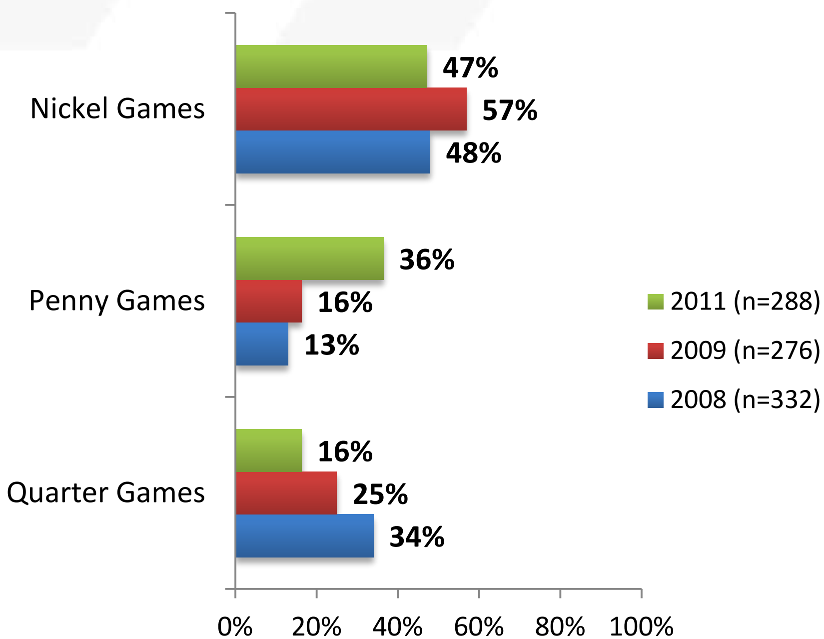
- Consistent with previous waves, free spin bonus round had the highest top 2 box percentage.
- The price of the game and interactive bonus rounds had scores close to 80%.



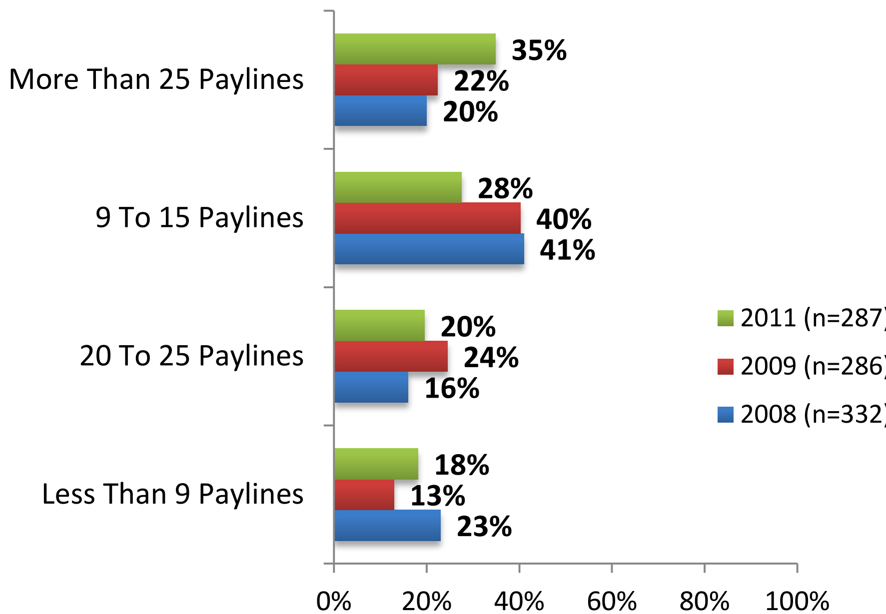
Nickel continues to be the denomination played most often.

- Nickel games are still the most popular; however, findings showed a 10-point decrease from 2009.
- Penny games had the largest increase from previous waves with 36% of the participants saying they play Penny games most often.
- Unlike findings from previous waves, games with more than 25 paylines was the most selected answer in 2011.
    - It should be noted that there are more high line count and penny games available now than in previous waves.

Denomination played most often



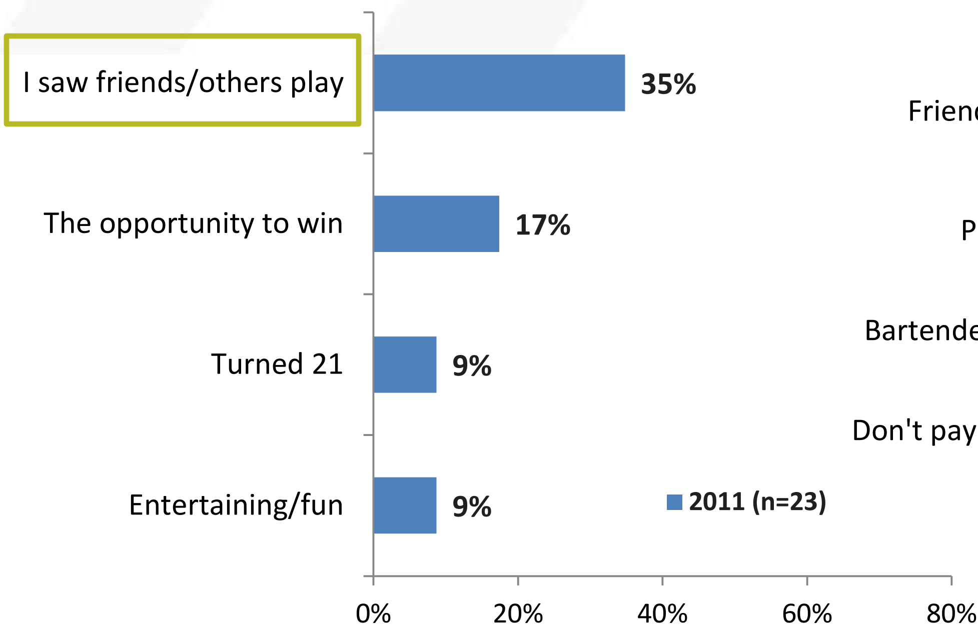
Preferred number of paylines



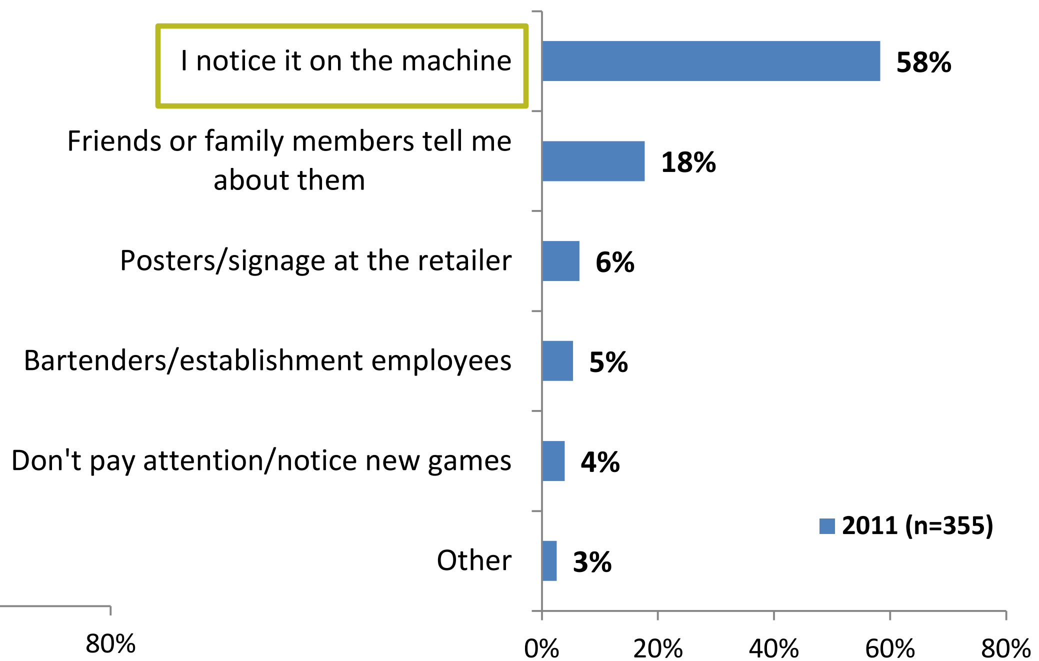
Friends or other VL players impact trial.

- Among new players, seeing friends or current Video Lottery[SM] players play a game was mentioned as one of the primary reasons for starting to play.
- Moreover, seeing others play Video Lottery[SM] was the primary reason that motivates players to start playing when they are at an establishment.
- In addition to noticing new games on the machine, "friends or family members" was also mentioned as one of the primary ways players learn about new games.

Reason for starting to play Video Lottery among NEW PLAYERS. (Those who have been playing for less than one year)



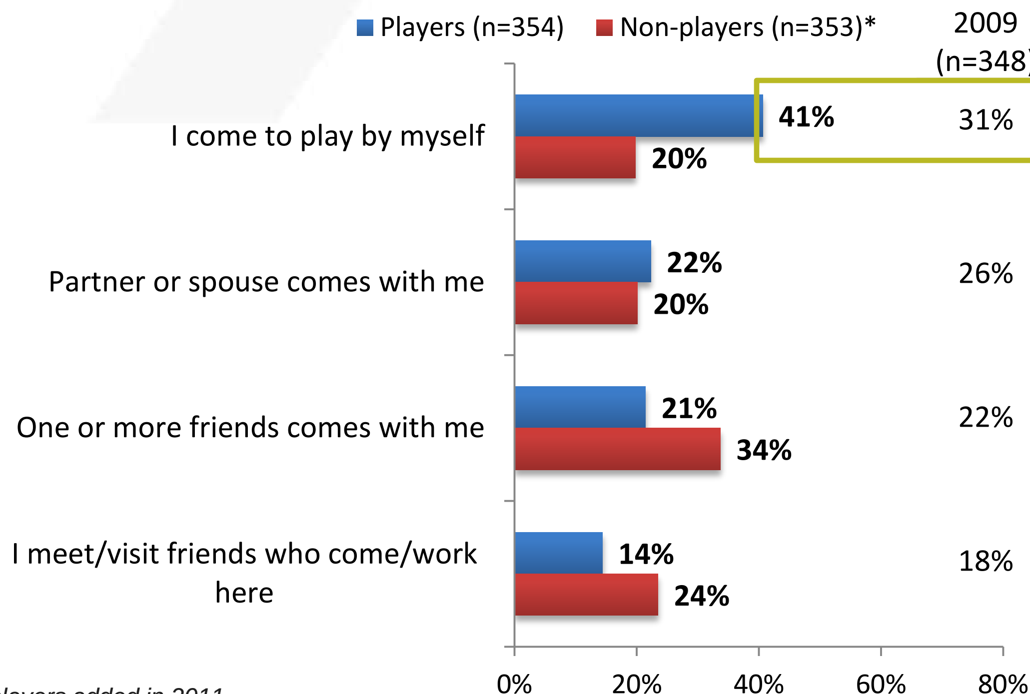
Ways players become aware of new Video Lottery[SM] games



Video Lottery^{SM} is currently a solitary experience.

- Four in ten players indicated playing Video Lottery^{SM} by themselves. This was an increase of 10 points from 2009 findings.
- Solitary play was also the most selected method when asked specifically about Line Games (47% prefer to play alone) and Video Poker (49% prefer to play alone).
- Although the largest segment of players are playing alone, qualitative findings indicate there is a strong interest in new types of games or features that would allow greater interaction with others.

Social vs. Solitary Play of Video Lottery^{SM} / Visiting Age-Controlled Venues



Players

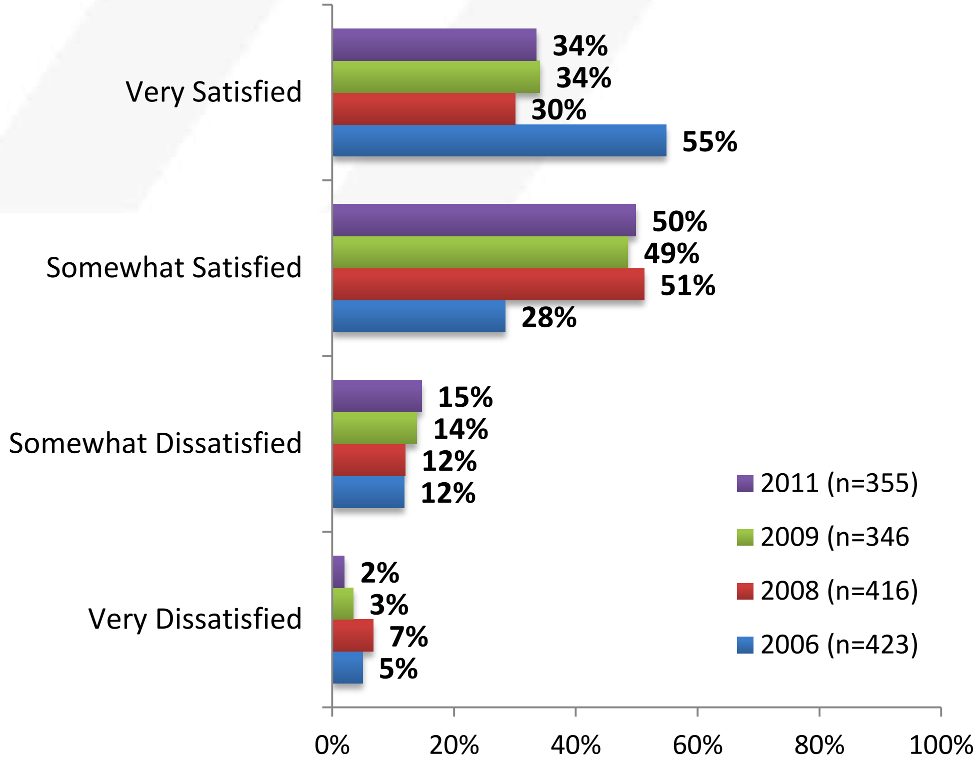
	2009 (n=348)	2008 (n=418)	2006 (n=423)
I come to play by myself	31%	33%	29%
Partner or spouse comes with me	26%	27%	29%
One or more friends comes with me	22%	19%	19%
I meet/visit friends who come/work here	18%	18%	18%

**Question for non-players added in 2011.*

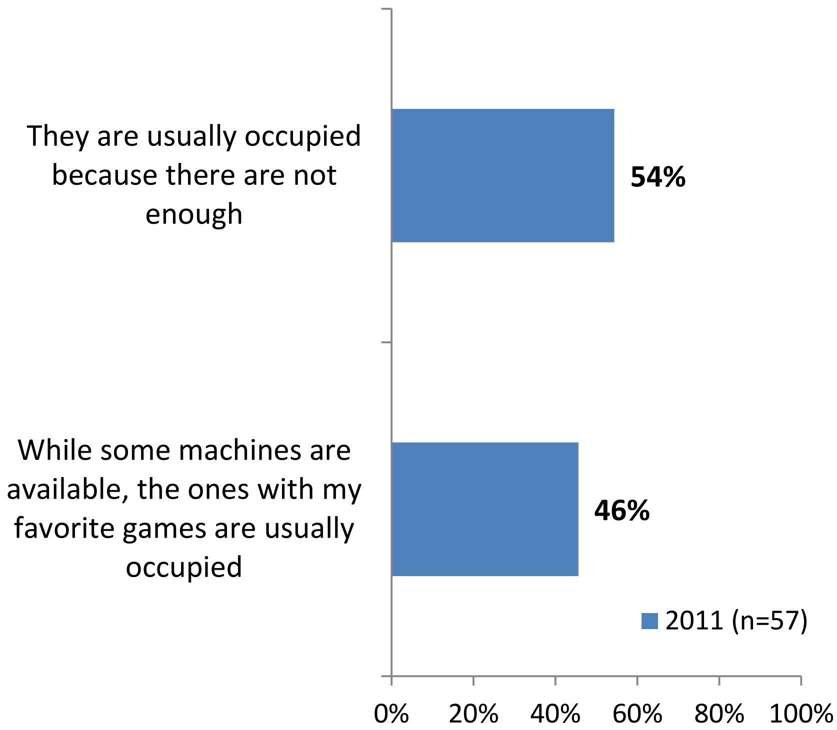
Players satisfied with availability of machines.

- The majority of players (84%) said they are satisfied with the availability of machines at establishments.
- Of those dissatisfied, slightly over half (54%) said it is because there are not enough machines in each establishment.

Satisfaction with the availability of terminals



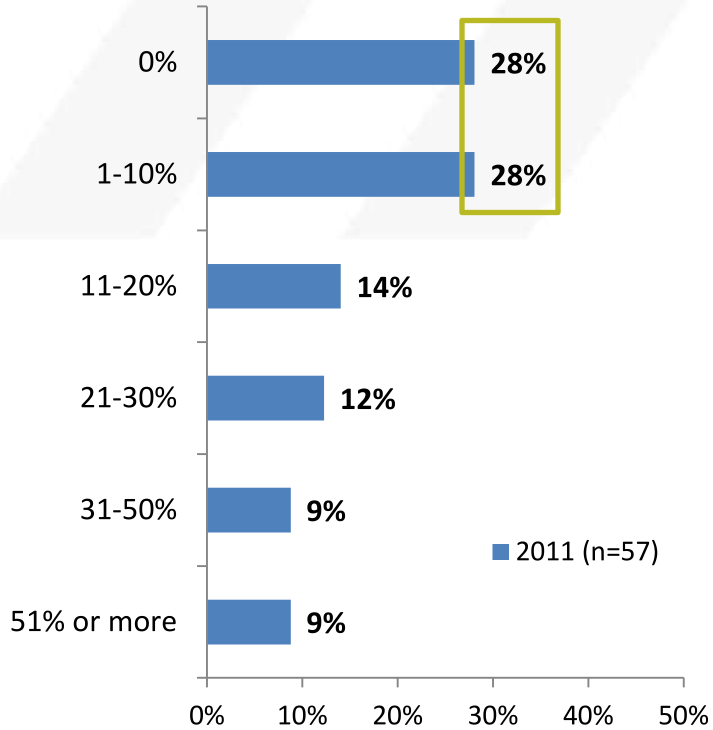
Reason for dissatisfaction with availability of machines



Players satisfied with availability of machines.

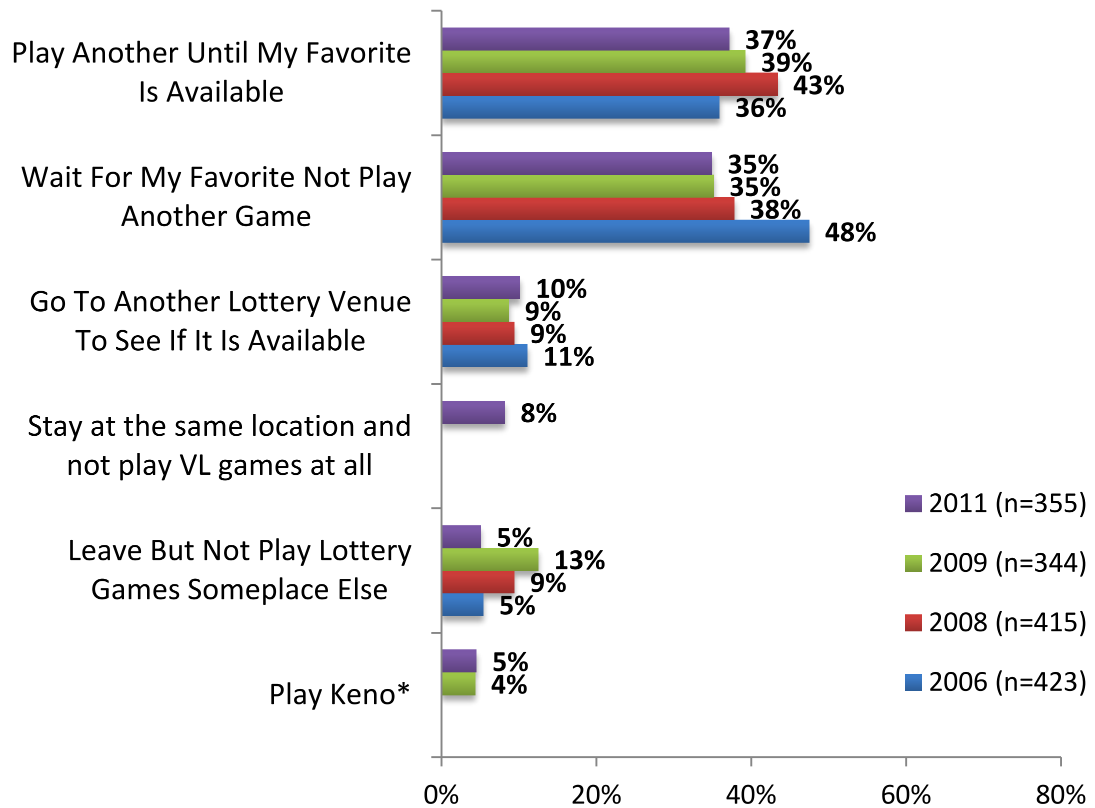
- Of those dissatisfied, the majority said they spend less than 10% of the time waiting for a machine to become available.
- If a machine is taken, 37% said they play on another machine until their favorite becomes available. Thirty-five percent said they wait and do not play another game.

Percentage of time spent waiting for a machine to become available



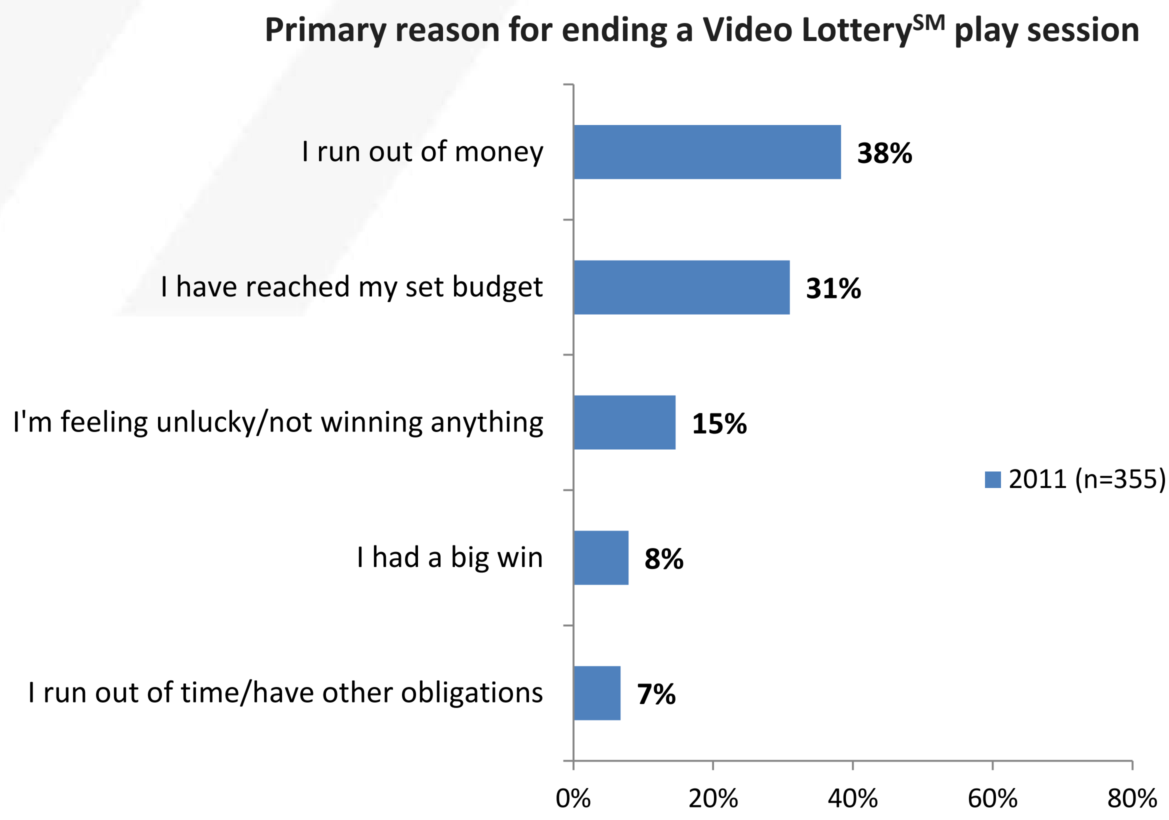
Question asked to those who are dissatisfied with terminal availability (17% of total respondents).

Outcome of waiting for machine



Running out of money primary reason for ending a VL session.

- “I run out of money” was the primary reason for ending a play session followed by “I have reached my budget.”
- These results are consistent with qualitative feedback during focus groups.



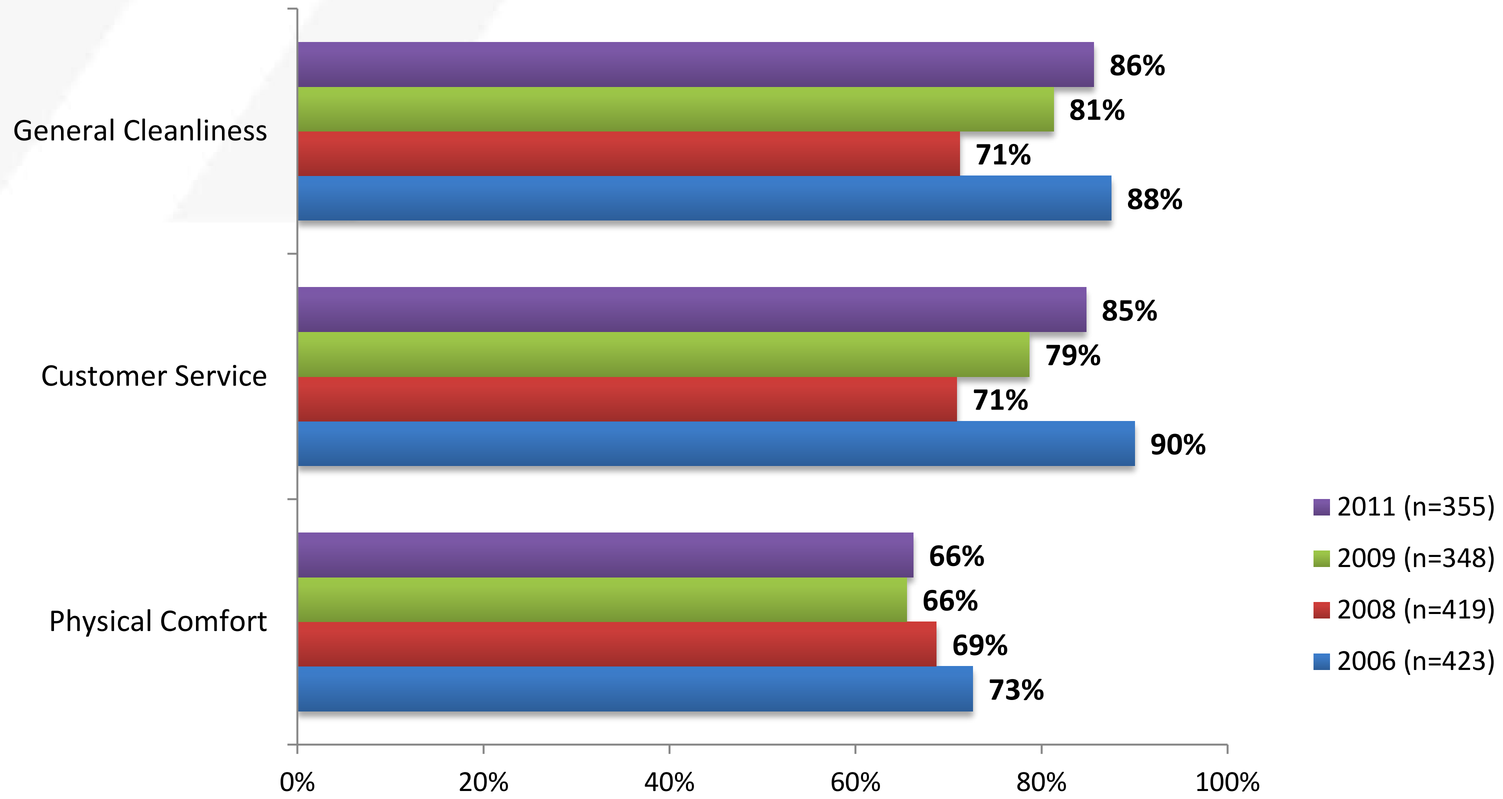
NOTE: The chart does not include response categories that are less than 3%.

Preferences in Play Environment

Importance of environment and service increased.

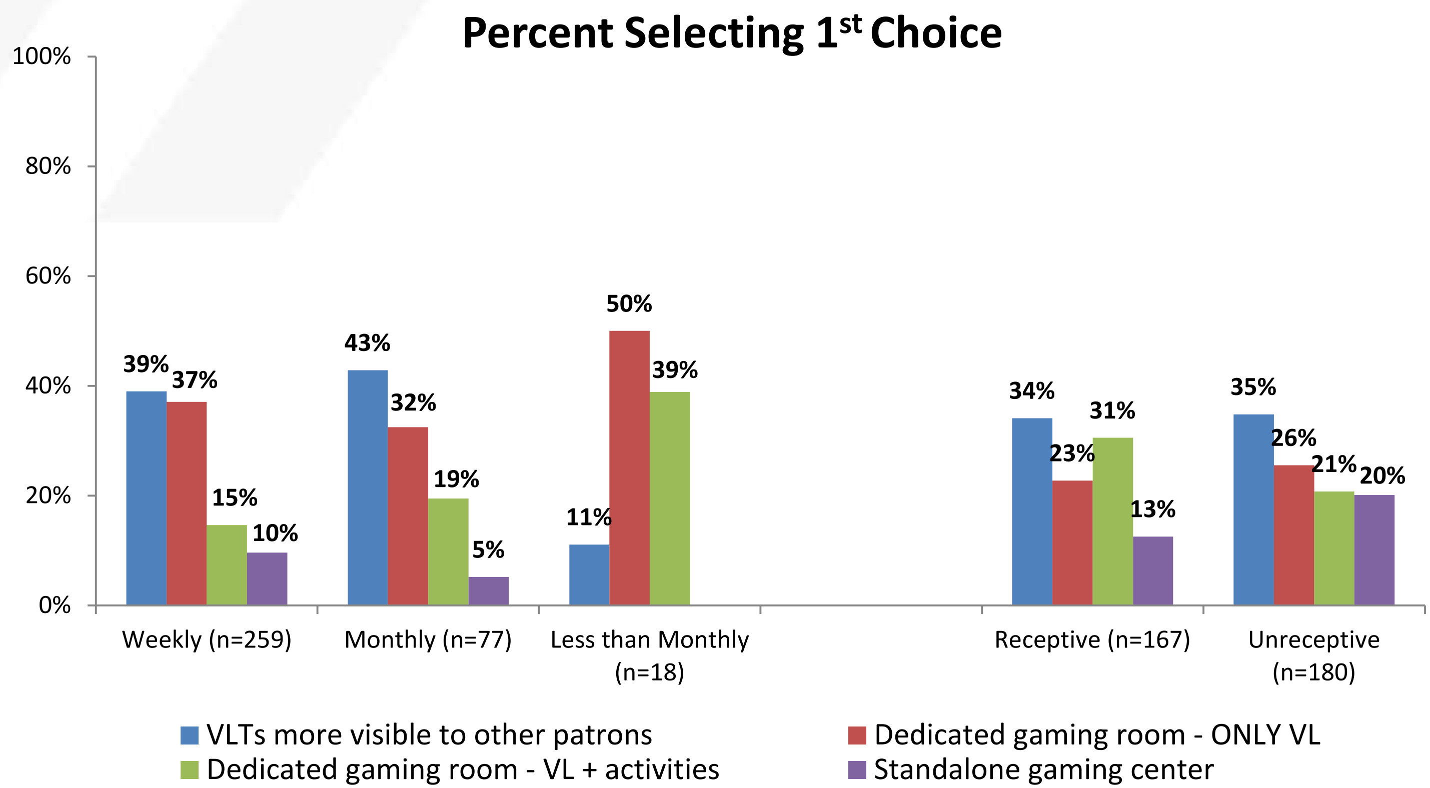
- Importance of General Cleanliness (86%) and Customer Service (85%) have both been increasing since 2008.
- Importance for Physical Comfort remained consistent with 2009.

Importance of physical environment and service at establishments
Top 2 Box Percentages



VLTs in a more visible location preferred.

- Findings from the in-depth focus groups revealed that the physical isolation of Video Lottery[SM] games was a contributing factor as to why some lapsed/non-players discontinued playing.
- When asked about their preferred play environment, both players and non-players selected "VLTs in a location more visible to where patrons are gathered within the current retail establishment" as their first choice.
- Receptive non-players also express an interest in dedicated gaming rooms offering Video Lottery and other activities.



Non-Players: Awareness and Receptivity

One-third of non-players unaware of VL products offered.

- There are still many non-players who are not aware of specifics about Video Lottery[SM] games with 30% not knowing the Lottery offers games similar to slot machines and 40% not knowing the Lottery offers penny games.
- Of those who were not aware, less than one-third said this would make them more likely to play Video Lottery[SM] games.

Aware that the Lottery offers games similar to slot machines available at casinos	
Yes	70%
No	30%

(n=356)

→

Does this make you more likely to play Video Lottery[SM] games?	
Yes	25%

(n=106)

Are you aware that bets can be as low as 1 cent?	
Yes	60%
No	40%

(n=356)

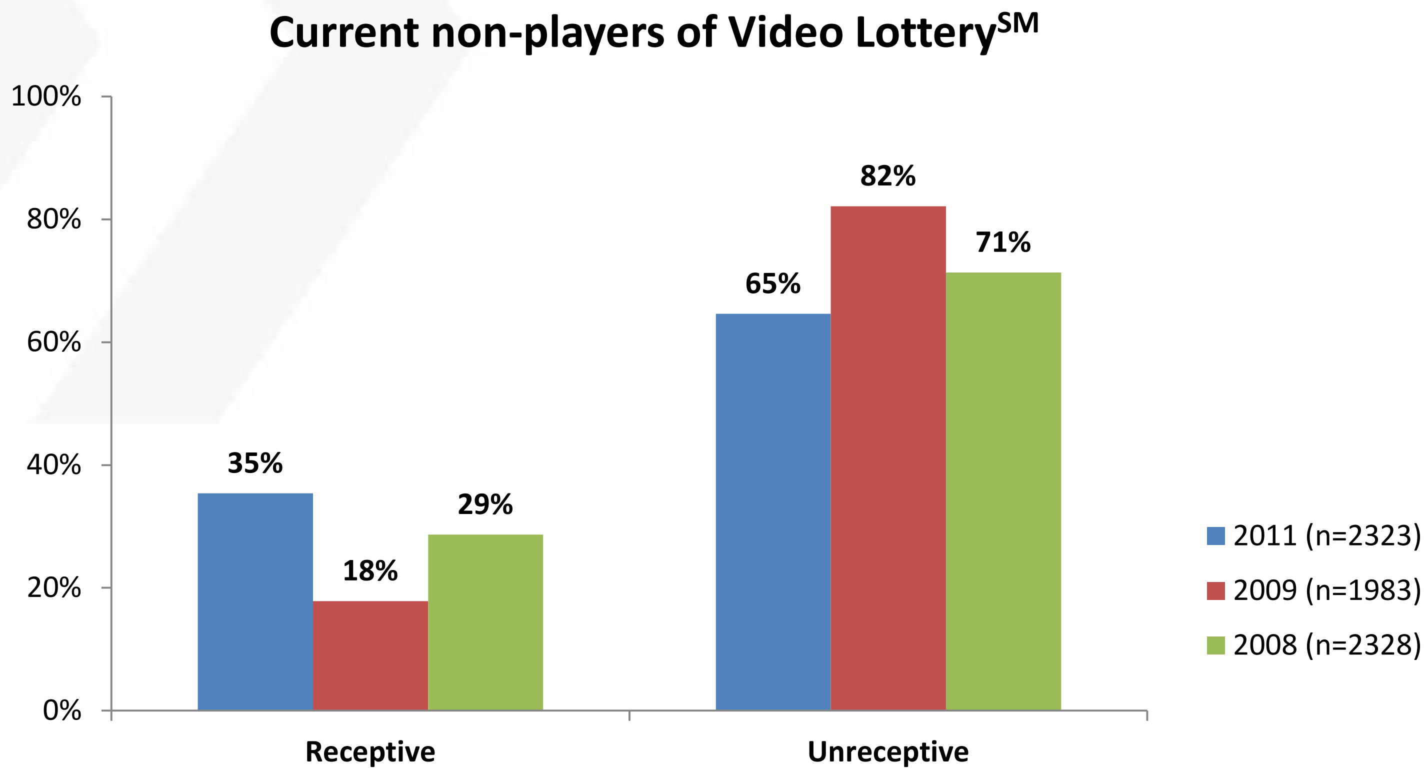
→

Does this make you more likely to play Video Lottery[SM] games?	
Yes	29%

(n=143)

Receptivity to future play grows.

- The percentage of non-players who would consider playing Video Lottery℠ in the future increased 17 points from 2009.



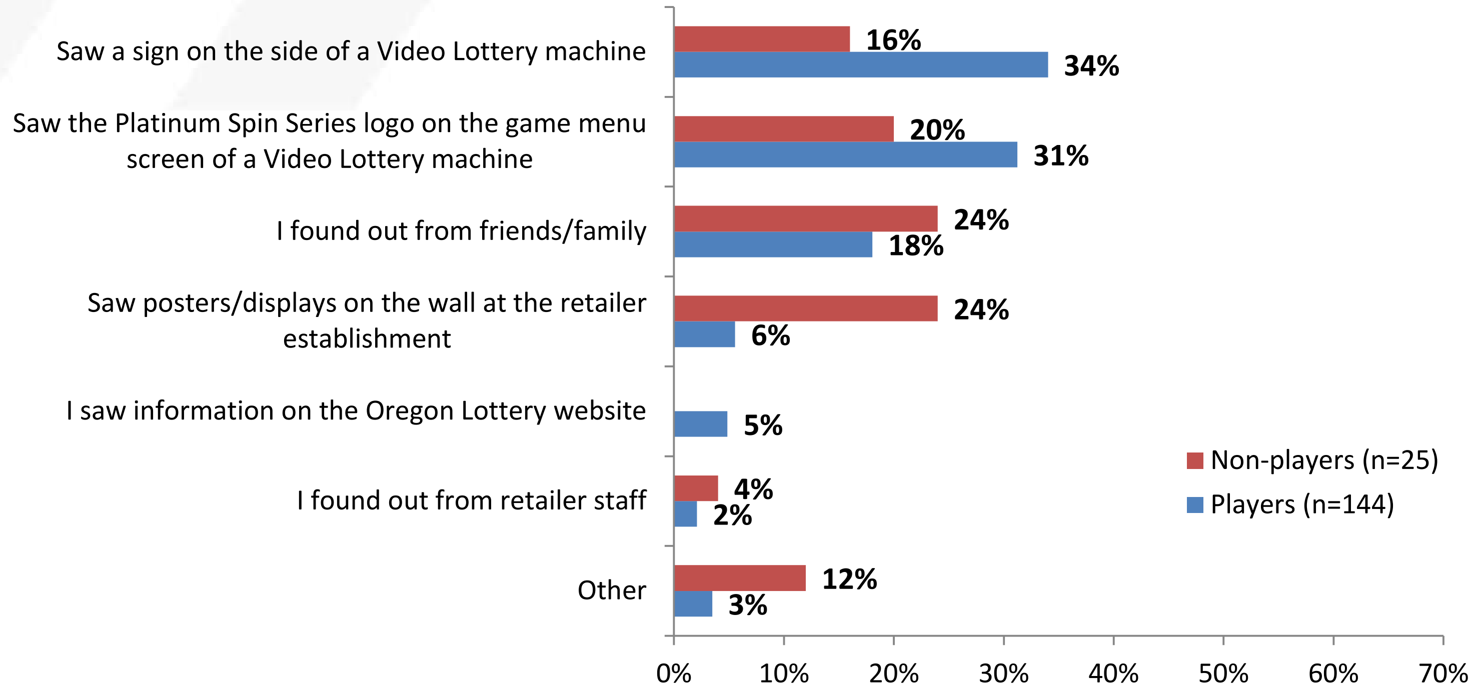
Receptive	Unreceptive
• Never played, but I may try it sometime • I have played before and I will probably play again	• Never played, and will definitely not play it in the future • Never played, and probably will not try it in the future • I have played before, but I probably will not play again

Platinum Spin Series

Low awareness of PSS games.

- Despite strong sales performance, less than half (41%) of players are aware of Platinum Spin Series games.
  - The majority (73%) of players who are aware of PSS also play the games.
- Among non-players, only 7% said they were aware of these games.
- The majority of players became aware from either a sign on the side of the machine or the PSS logo on the game menu screen.
- Non-players most frequently found out from friends or family and/or posters/displays.

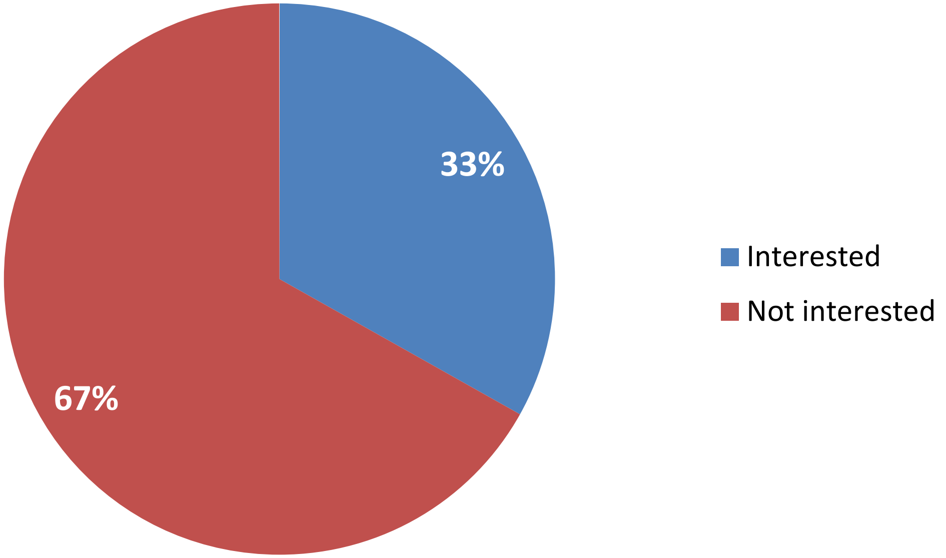
Ways they learned about Platinum Spin Series games



Low awareness of PSS jackpot prizes offered.

- The majority of both players and non-players indicated that they were not aware of Platinum Spin Series games or that they offer single jackpot wins of over $600 and as high as $10,000.
    - Those who do play these games said they do so primarily because of the opportunity to win large jackpot amounts.
- Overall, the large majority said they would like the Lottery to continue to offer these games.

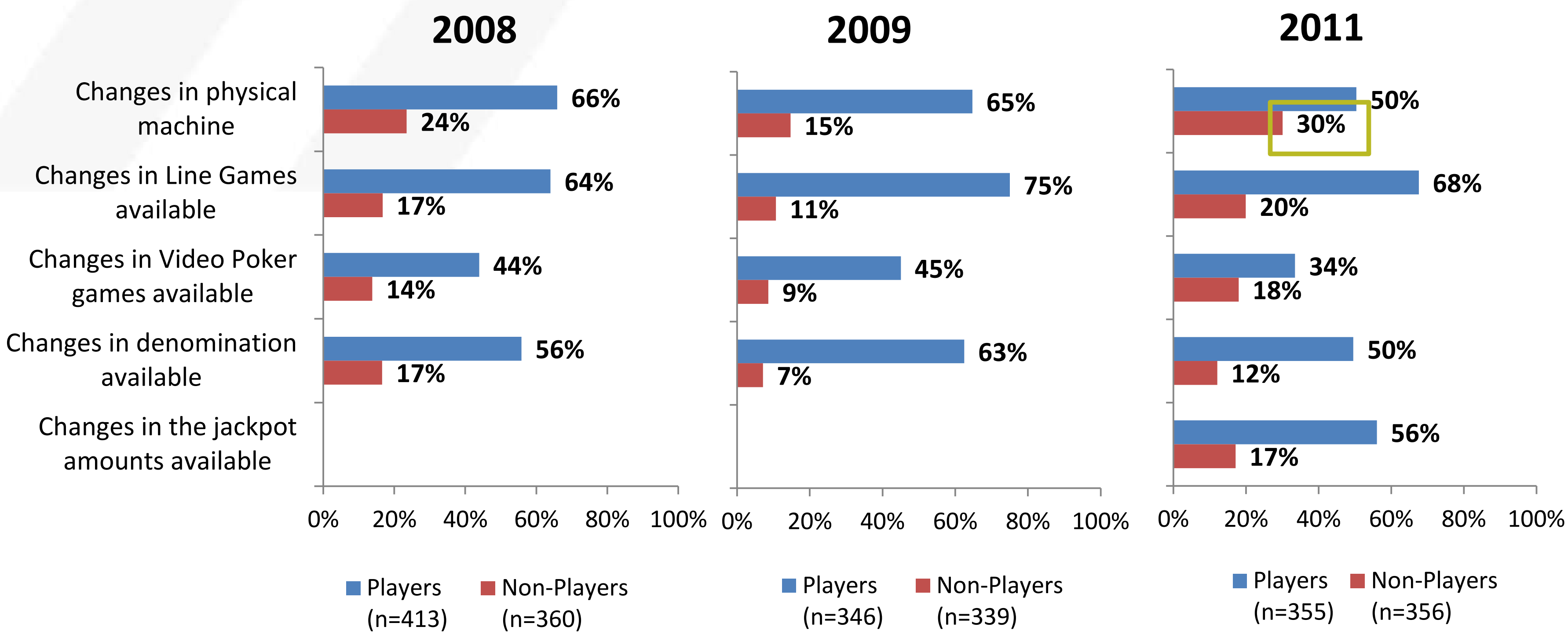
Interest in Platinum Spin Series games among non-players (n=356)



New Games / Features

Awareness of changes in VL products increased among non-players.

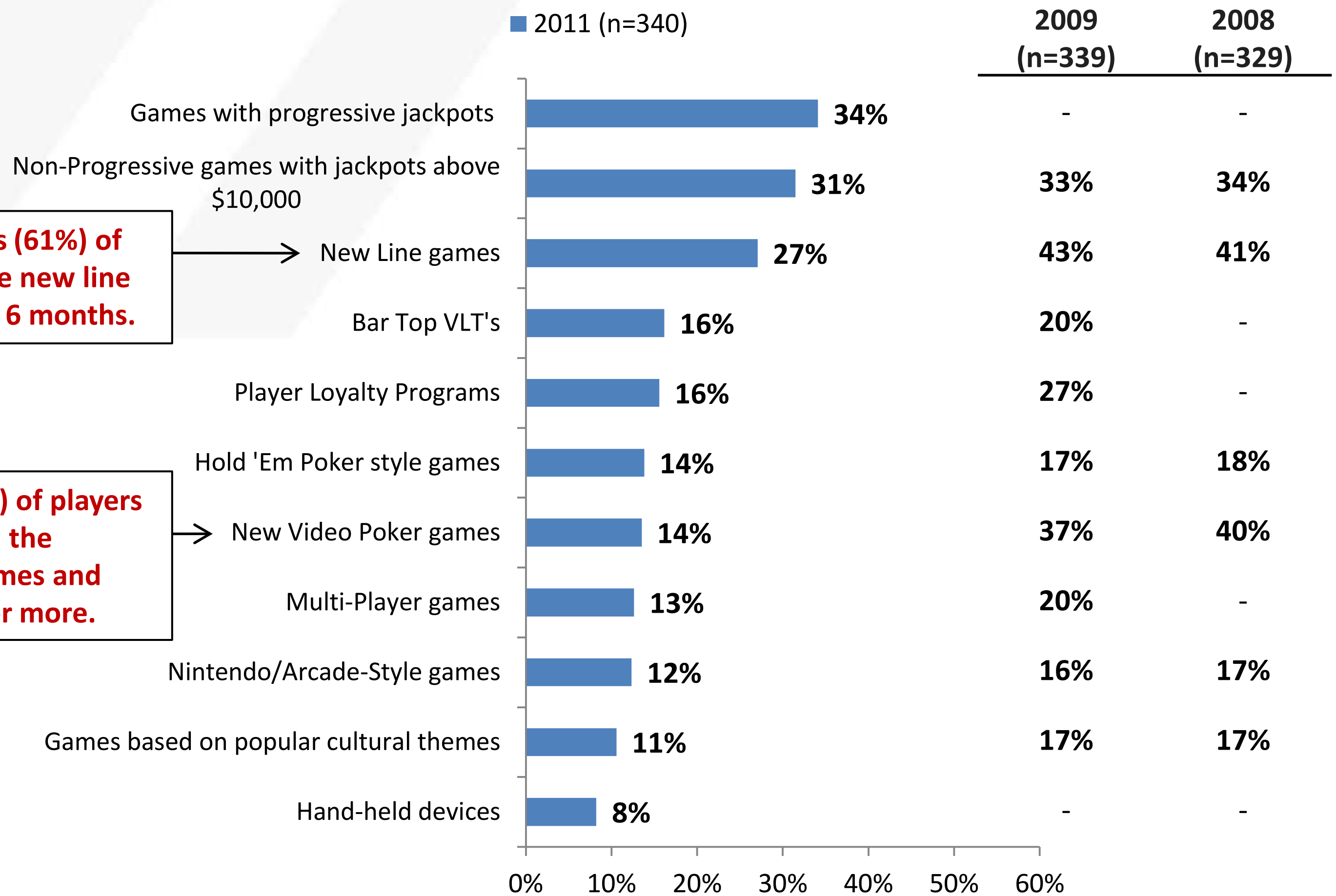
- Non-players were more aware of changes in 2011, particularly changes in the physical machines, and in the Line Games and Video Poker games available.
  - This could coincide with the increase in receptive players in the non-player segment.
- When compared to findings from 2009, players indicated being less aware of changes in Video Lottery[SM] products in 2011.



Progressive games most appealing feature in 2011 among players.

- New Line Games and non-progressive games with jackpots above $10,000 continue to be appealing features.
- However, games with progressive jackpots was the most appealing feature in 2011.
- Bar Top machines, Player Loyalty Programs, New Video Poker Games and Multi-player Games, although appealing, were selected by less than one-fifth of the participants as their top two favorite.

Appeal of proposed game features among players – Top 2 Box %



Nearly two-thirds (61%) of players would like new line games every 3 or 6 months.

Almost half (47%) of players are satisfied with the current poker games and have no desire for more.

Non-progressive games most appealing feature among non-players

- Among non-players, non-progressive games with jackpots above $10,000 was the most appealing in 2011.
- Nintendo/Arcade-Style games, Bar Top machines, and Multi-Player games were also selected as appealing features among non-players.

Appeal of proposed game features among non-players - Top 2 Box %

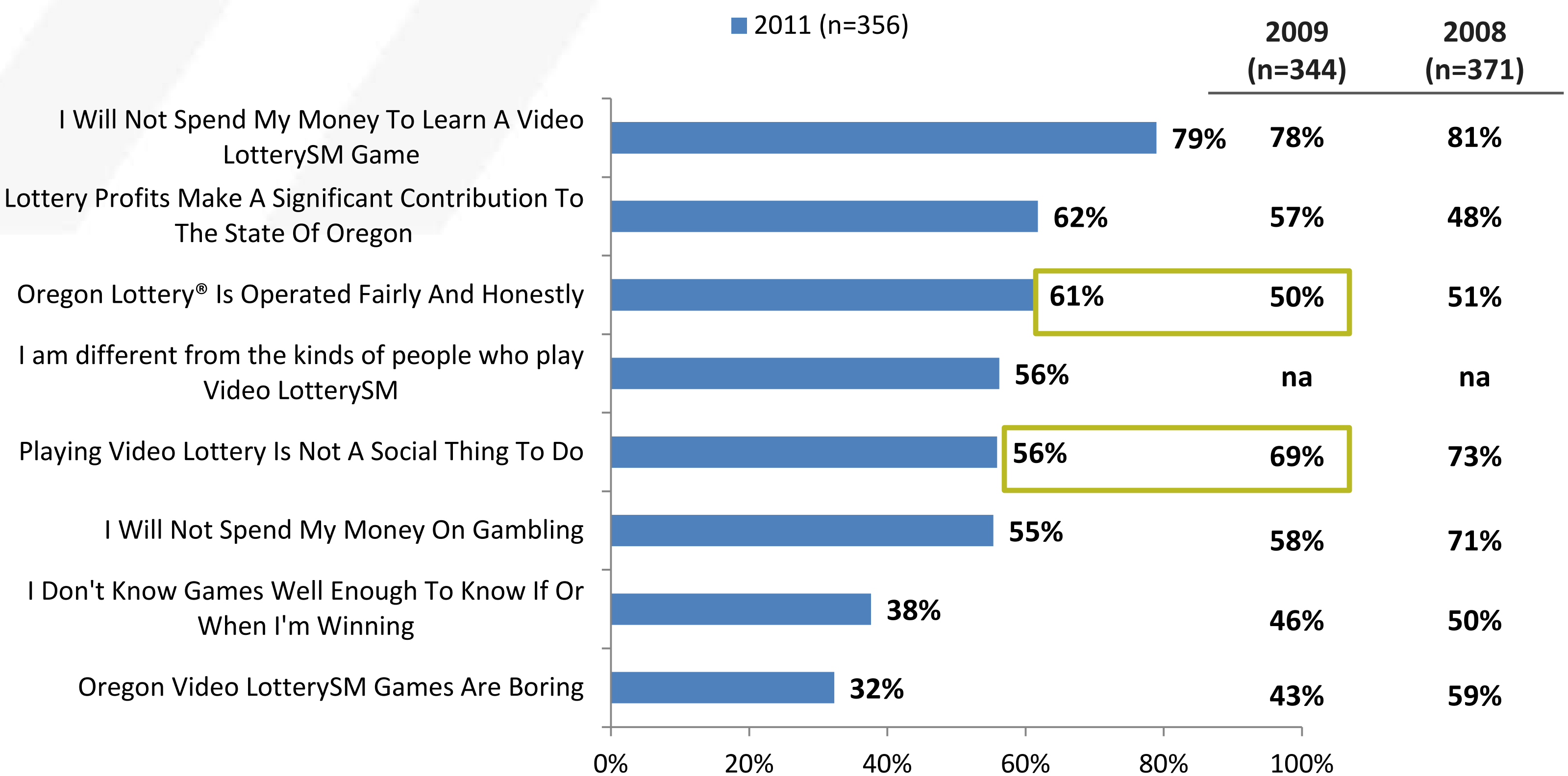
	2011 (n=264)	2009 (n=339)	2008 (n=180)
Non-Progressive games with jackpots above $10,000	31%	25%	27%
Nintendo/Arcade-Style games	29%	46%	46%
Multi-Player games	25%	30%	-
Bar Top VLT's	24%	13%	-
Games based on popular cultural themes	21%	40%	31%
Games with progressive jackpots	19%	-	-
Hold 'Em Poker style games	13%	30%	30%
Hand-held devices	11%	-	-
Player Loyalty Programs	8%	20%	-
New Video Poker games	7%	16%	17%
New Line games	5%	10%	13%

Perceptions and Attitudes Toward Oregon Lottery® / Video Lottery℠

Perceptions about OSL and VL continue to improve.

- The percentage of individuals who agree that the Oregon Lottery® is operated fairly and honestly (61%) and that the Lottery makes a significant contribution to the state (62%) increased in 2011 (11 and 5 point increases since 2009).
- Fewer non-players are considering Video Lottery℠ a non-social behavior – 56% in 2011 compared to 69% in 2009.

Perceptions of Oregon/Video Lottery℠ among non-players - Top 2 Box %



Marketing / Advertising

Recall of Video Lottery℠ advertising messages is low.

- While 30% of players were able to recall Video Lottery℠ advertising messages, only 20% of non-players indicated being able to recall a message.
  - This was consistent with findings from the qualitative portion which revealed that most participants (players and non-players) were unaware of any advertising specific to Video Lottery℠ games.
- Responsible gambling messaging was mentioned most frequently among players, followed by Oregon Lottery® gives back.
- Among non-players, Oregon Lottery® gives back was the most frequently mentioned followed by responsible gambling and "Knight of Fun."
- The majority of players and non-players indicated having seen these messages on television.

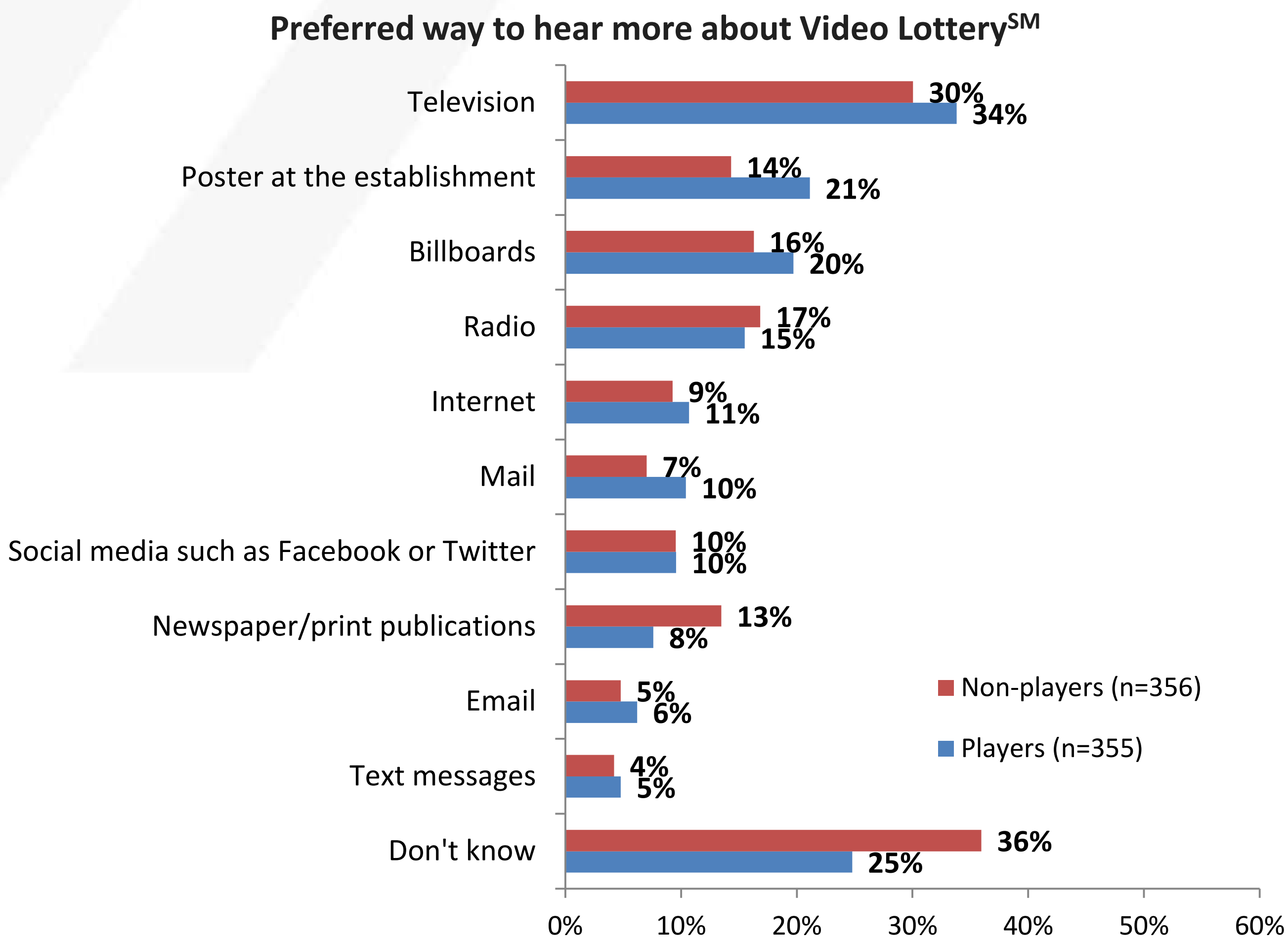
Message recalled	Players (n=108)	Non-players (n=69)
Responsible gambling/entertainment only/counseling	19%	10%
Oregon Lottery gives back	17%	14%
Zeus	10%	3%
Cleopatra	9%	4%
General Oregon/Video Lottery or logo (unspecified)	7%	9%
Various games (unspecified message)	6%	-
Pharaoh	5%	-
New/extra jackpot/winnings	4%	-
TV ad (unspecified)	3%	-
Rogue River ad	3%	7%
Don't remember	3%	10%
Knight of Fun	2%	10%
Leprechaun	2%	7%
On bar signs/window signs	-	6%
Other	23%	32%

Participants were able to provide multiple responses.

NOTE: The table does not include response categories that are less than 3% for both players and non-players.

Television is the most preferred way to hear more about VL.

- Results showed that television was selected by both players and non-players as the most preferred method to hear more about Video Lottery[SM].
- However, while television is the most preferred method from media communication channels, the majority of participants said they currently learn about new games by noticing what is new on the machines.



Coupons and Free Play might impact trial among non-players.

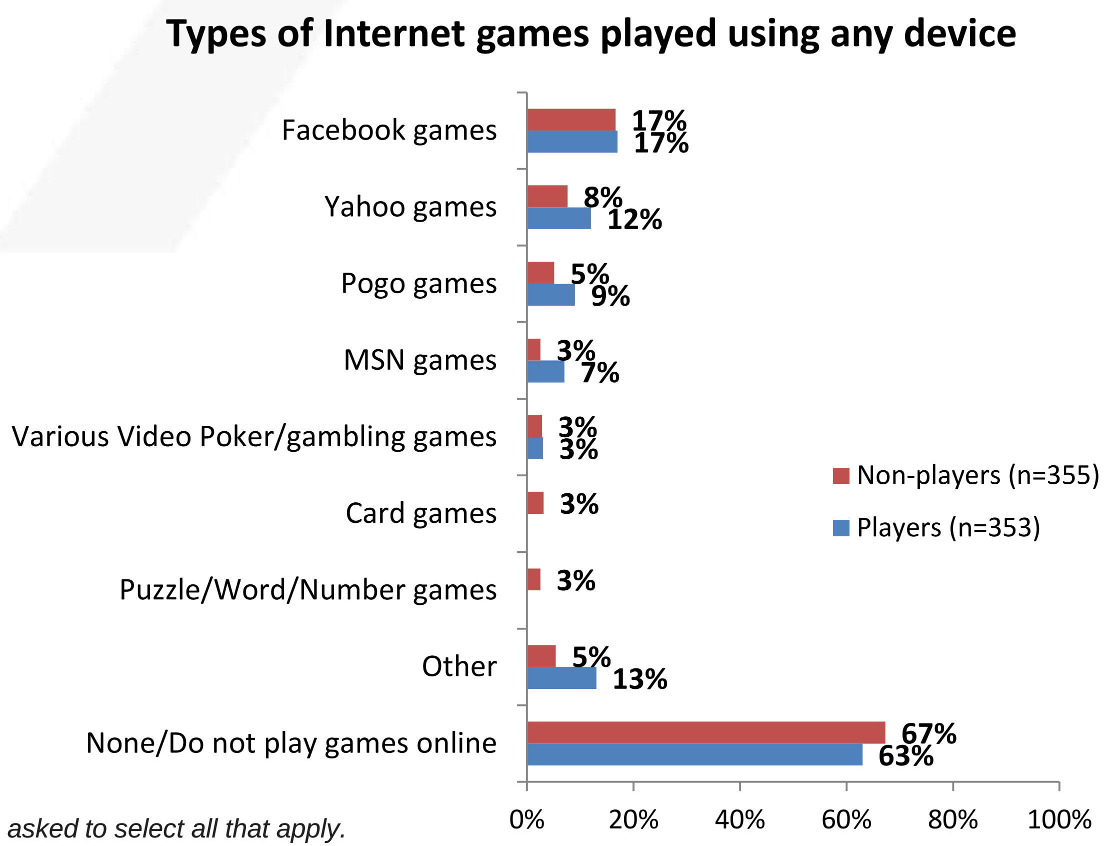
- Similar to findings from previous waves, Coupons for Free Play was selected by over 70% of non-players as the reason they might try a game/machine.
- A third of non-players agreed that recommendations from a friend/current Video Lottery[SM] player or play instructions would encourage them to try a game – four in ten among receptive non-players.
- Signage directing them to the machine was only selected by 10% of non-players.

	Top 2 Box %				2011 Top 2 Box %	
	2011 (n=356)	2009 (n=87)	2008 n=NA	2006 n=NA	Receptive (n=169)	Unreceptive (n=187)
Coupons for free play	73%	83%	77%	72%	77%	72%
Recommendations from a friend/current Video Lottery player	30%				40%	21%
Instructions that show me how to play games	29%				41%	18%
Signage directing me toward the machine	10%	29%	32%	16%	32%	16%

Technology

Technology Usage – Types of games played on any device

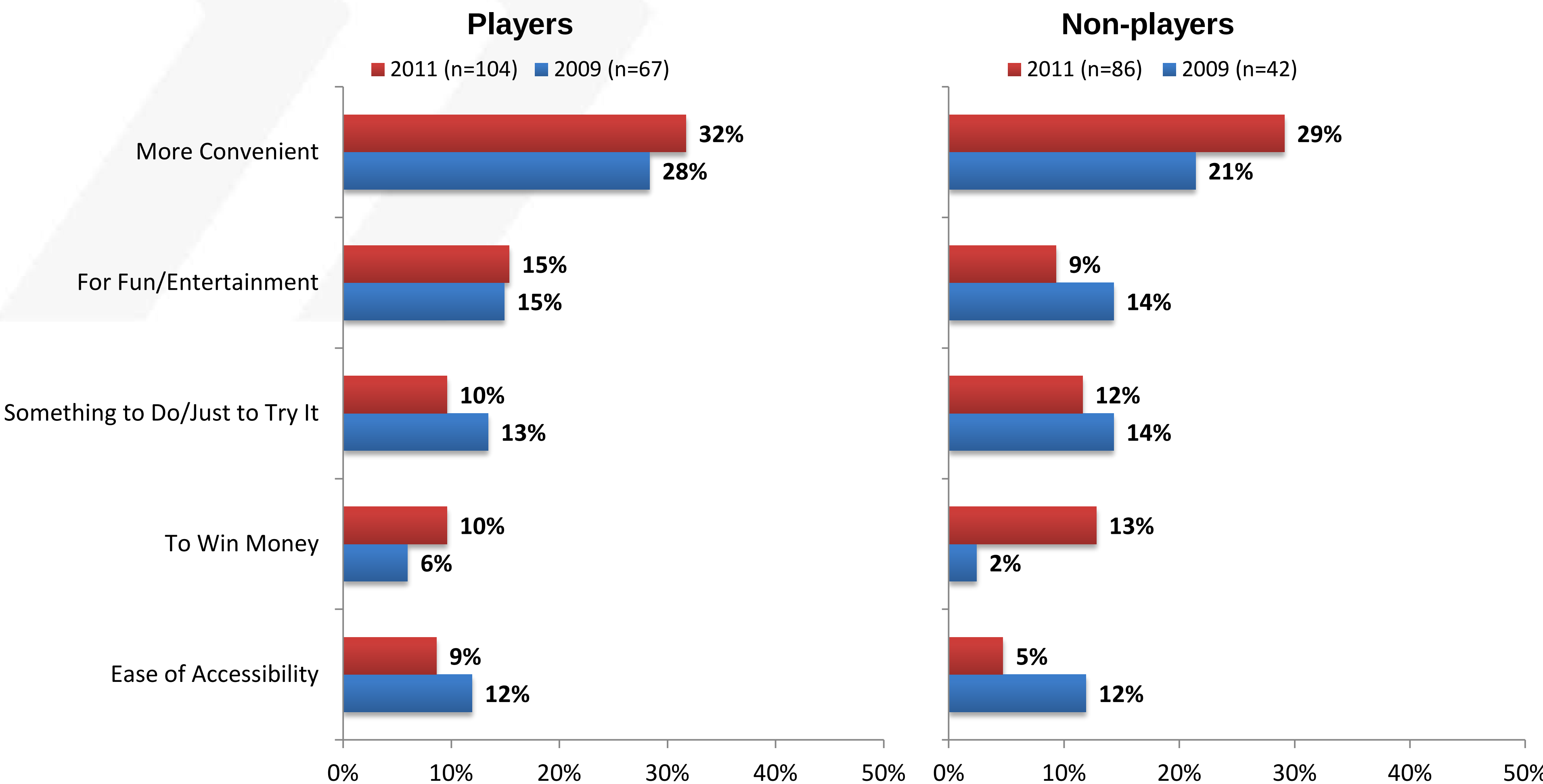
- Roughly a third of players and non-players play Internet games on their PC or laptop.
- Facebook games were the most frequently mentioned games played on any device for both players and non-players.
- Non-players were more likely to indicate they play Yahoo, Pogo and MSN games.
- A quarter (24%) of players currently use a smartphone compared to a third (34%) of non-players.



NOTE: Respondents were asked to select all that apply.

Interest in online gaming increasing slightly.

- Nearly a quarter (23%) of players are interested in legal Internet gambling – up three points from 2009.
- Convenience was the primary reason selected by both players and non-players for being interested in Internet gambling.
  - Results for convenience increased particularly among non-players (8 point increase from 2009).



Conclusions & Recommendations

Conclusions and Recommendations

Video Poker players are moving to line games.

- While the overall percentage of Line Game players remains unchanged, the percentage of people who only play line games nearly doubled since the last wave. Indicators for frequency of play and the number of new players within the last year continue to be positive.
- Three-quarters (75%) of line game players play 3 or more games per month, versus 43% of poker players who play only 1-2 games.
- The percentage of players who play Video Poker decreased significantly (by 10 points) and individuals who identify themselves as primarily Video Poker players continues to decrease.

Recommendation: The Oregon Lottery® should evaluate its current game mix to determine if it might be necessary to decrease the number of video poker games per terminal to create space for the more popular line games (or potential other game categories).

The Oregon Lottery® has an opportunity to convert many non-players into players.

- The percentage of non-players (35%) who indicated they might someday play Video Lottery℠ is at its highest level.
- Many non-players are unaware of key characteristics of Video Lottery℠ games, such as the availability of slot machine style games and penny denomination games, and indicate that these features might make them more likely to play.

Recommendation: In addition to advertising game themes and new games, the Oregon Lottery® needs to develop an informational campaign to make non-players aware of the types of games available, how they work and the different features. Look for opportunities to advertise outside of on-premise locations.

Conclusions and Recommendations

Offering more social interaction as part of Video Lottery℠ play is becoming increasingly important.

- Seeing other people play is a key motivator for people who start playing Video Lottery℠ and is also one of the main reasons players will start playing while at a retailer establishment.
- More than half of non-players believe playing Video Lottery℠ is a non-social activity and multi-player games was one of the most popular ideas for a new game feature.

Recommendation: The Oregon Lottery® should develop marketing communications which focus on the social nature of Video Lottery℠ as this might increase overall play levels. New games and game types which allow for greater interaction with other players might also stimulate trial / play.

The concept of placing VLTs in a more visible location is appealing to both players and non-players.

- Both players and non-players would like to have the terminals placed in a location more visible to where patrons are gathered within the current retailer establishment. A dedicated gaming room was a second choice across most player and non-player segments.
- A standalone gaming center operated by Oregon Lottery® staff was consistently the least popular option.

Recommendation: The Oregon Lottery® should explore opportunities to position terminals in more visible locations within the establishments.

Conclusions and Recommendations

Larger jackpots continue to be very appealing.

- While awareness is still very low, the Platinum Spin Series games are very popular with players who are aware of it and almost one third of non-players expressed an interest in playing these games once they understood the jackpot amounts.
- Non-Progressive games with jackpots above $10,000 was the most popular proposed game feature among non-players and players. Players also liked games with progressive jackpots.

Recommendation: The Oregon Lottery® should continue to introduce new games with larger progressive and non-progressive jackpots and support it with a marketing communications effort to help create awareness.

New Line Game products have been very successful since the last wave.

- Higher line count games and penny denomination games have both grown in popularity since the last wave
- The perception that "Video Lottery℠ games are boring" is at an all time low
- While still one of the top proposed features, the desire for more new line games is significantly lower compared to previous waves

Recommendation: The Oregon Lottery® appears to be meeting market demand in terms of frequency and variety of new product launches and should continue with its current product launch strategy.

Refinements for Next Wave

Refinements for Next Wave

Respondents self-define their playership of Video Lottery.

- Respondents define themselves as a player/non-player regardless of the last time they have played Video Lottery[SM]. While this has been the method used for understanding playership in the Player Trends Study, it is not consistent with other studies currently being conducted by the OSL. Other studies (including the Tracking Study) define a player as someone who has played within the past 12 months, a lapsed player as someone who hasn't played within the past 12 months, and a non-player as someone who has never played.
- Using the existing method, 39% of those that defined themselves as non-players, have played within the past 12 months.

Recommendation: Align the playership definitions of the Player Trends Study with other studies being conducted by the OSL. This would involve modifying the quant card to allow for consistent questions about respondents playership status and behavior (similar to the Tracking Study).