ABX Advertising Benchmark Index

Marketing Mix Analytics for State Lottery

How MMA Findings Led to Doubling of Revenues in 3 Years

BLA Bottom-Line *Analytics*

2023
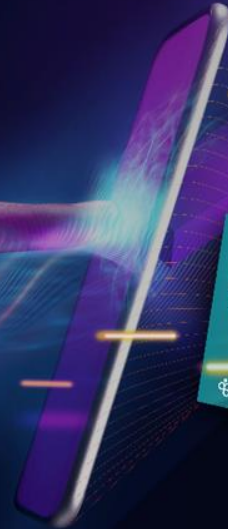
This Case Study shows how one organization doubled its rate of growth, and increased its share of market, by measurably improving its returns on marketing spend without increasing its total marketing budget.

- In 2018, Bottom-Line Analytics (BLA) engaged with the Florida Lottery (FLOT) to help it improve its marketing and ad- spending effectiveness.

- For the next three-and-a-half years, BLA developed media mix models which quantified the sales impact & ROAS (return on ad spend) of this $6.5 billion enterprise.

- BLA also did spending optimization and directed the Lottery to spend more on highly productive ads and less on unproductive ads, while leaving their total ad budget constant. Ads were also measured for creative effectiveness by ABX Advertising Benchmark Index.

- This presentation reviews the impact and results BLA's analytic models had on the returns and effectiveness covering $35 million in spending and more than 500 individual ad placements.

Results also included Florida Lottery's moving from 3rd to 1st Place in Sales among other top lotteries from 2018 – 2021.

Lottery	2018 Sales		Lottery	2021 Sales
NY	$9,970,000,000		Florida	$9,076,220,000
California	$6,900,000,000		NY	$8,594,000,000
Florida	$6,720,000,000		California	$8,417,000,000
Mass.	$5,292,000,000		Texas	$8,107,300,000
Georgia	$4,598,000,000		Georgia	$5,877,220,000
Texas	$4,420,000,000		Mass.	$5,820,650,000

Model, Architecture and Sources

Sources of Modeling and Data

Two important sources were used for this modeling exercise:

include:

- **Bottom-Line Analytics** designed and executed the Marketing Mix Model for this study. BLA is an advanced analytics firm that provides its clients with objective, fact-based assessments and validations of their copy testing metrics.

- **Florida Lottery** provided all Sales Data.

- **Advertising Benchmark Index (ABX)™** data was used for ad creative effectiveness evaluation in this study. This Index is comprised of the five most important of 14 KPIs measured across all media types and variables globally. To date, 400,000+ ads have been measured.

BLA Bottom-Line *Analytics*

Model & Architecture

Lots of data comes together to link marketing activities to sales outcomes.

Short & Long-Term Ad Effects

Coded by:
TV
Radio
Digital
Outdoor

ABX Index Copy Scores

POS Events. Instant Games
POS.Events.Draw Games
POS.Events.Multi-State Games
POS.Events.Educ.& Brand
POS Events. Fast Play Games
Media Instant Games
Media Draw Games
Media Multi-State Games
Media Educ. & Brand
Media Fast Play Games
Copy Quality Effectiveness
Game Product Mix
Retailer Commissions
Available Jackpots
Active Retailers
Economy (Unemployment)
Recurring Seasonality

State Lottery (SLOT)

Weekly Games Sales

By Lottery District
City #1
City #2
City #3
City #4
City #5
City #6
City #7
City #8
City #9

Core Deliverables

- Baseline and Incremental Revenue Contribution & Annual Variance
- Marketing Return on Investment
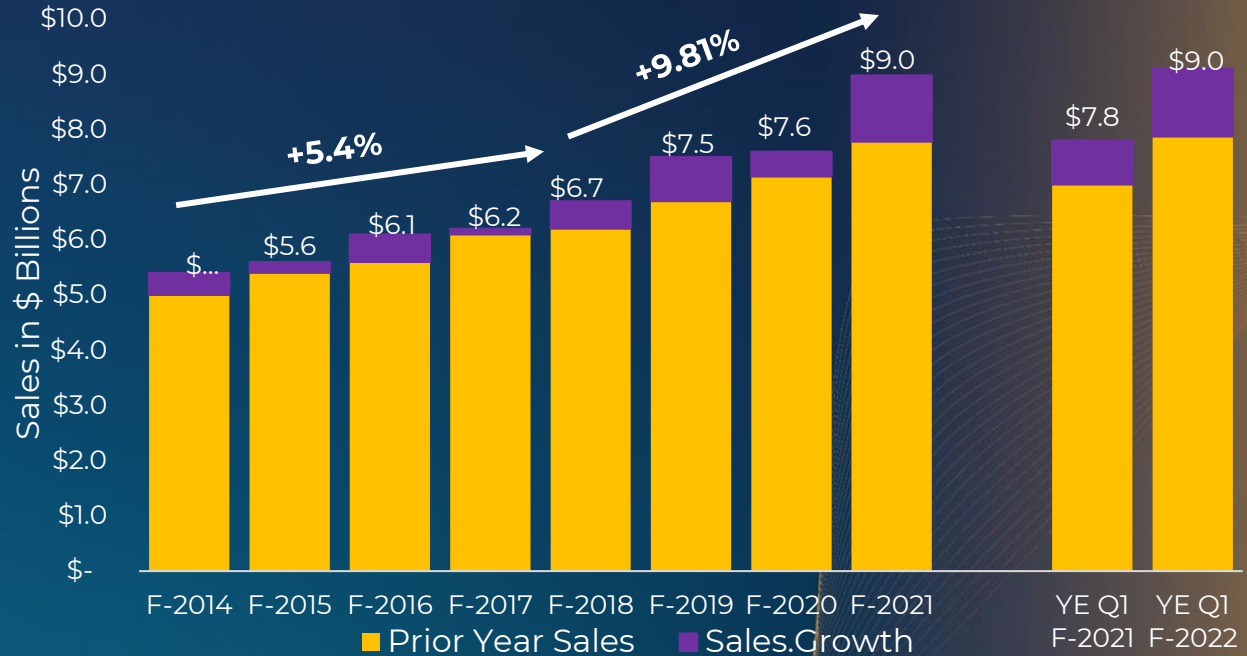- Marketing Sensitivity Analyses
- Spending & Schedule Optimization

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Increase in Marketing Effectiveness

Florida Lottery Historical Sales Performance & Growth

- From 2018 – 2021, the Lottery's sales increased more 3.3 times at $2.5 billion.

- In 2020, 35% ($3.6 million) of the Lottery's ad spend had no effect.

- F-2021 growth of +18% was the strongest in last decade. The acceleration in growth over prior years generated a $1.2 billion in incremental revenue.

- By 2021, only 12% of spend was wasted.

- Bottom-Line Analytics first engaged this client in Oct. 2018, and believes their marketing effectiveness models helped Florida Lottery accelerate this growth.

Florida Lottery Fiscal Year Sales & Growth

Sales in $ Billions

+5.4%

+9.81%

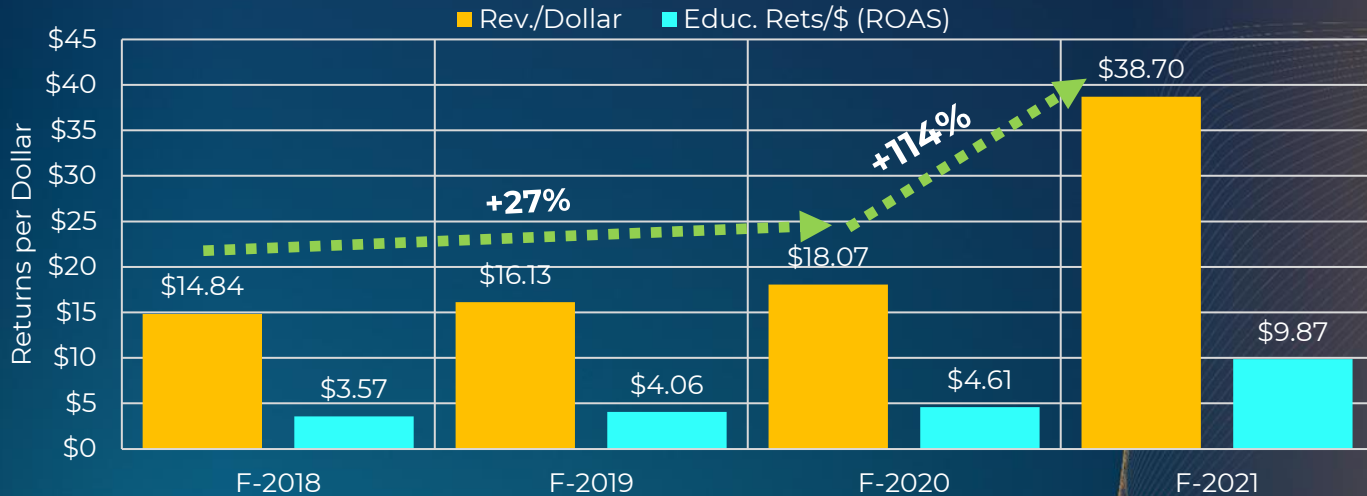| F-2014	F-2015	F-2016	F-2017	F-2018	F-2019	F-2020	F-2021	YE Q1 F-2021	YE Q1 F-2022
$...	$5.6	$6.1	$6.2	$6.7	$7.5	$7.6	$9.0	$7.8	$9.0

■ Prior Year Sales   ■ Sales.Growth

Florida Lottery Returns to Advertising Spend (ROAS)

- In F-2021, Florida Lottery sales returns to advertising spend have more than doubled!
- Each media dollar drives $38.70 in revenue and $9.87 in profit to support state education.
- The growth in revenue per dollar of media shows the dominant role that it played in driving higher annual sales growth. This growth has significantly increased from +27% to +114% in F-2021.

Florida Lottery Return on Ad Spending (ROAS)

Legend: ■ Rev./Dollar   ■ Educ. Rets/$ (ROAS)

Y-axis: Returns per Dollar ($0 – $45)

Year	Rev./Dollar	Educ. Rets/$ (ROAS)
F-2018	$14.84	$3.57
F-2019	$16.13	$4.06
F-2020	$18.07	$4.61
F-2021	$38.70	$9.87

+27% (F-2018 → F-2020)
+114% (F-2020 → F-2021)

BLA Bottom-Line Analytics

Productive & Unproductive Ads

Finding the Productive and Unproductive Ads & Campaigns

- In F-2020, 474 ad placements were examined for spend.
- That year, ads representing just 16% of total spend drove 59% of total ad-driven revenue.
- In 2021, 88% of total spend drove ad-driven revenue.
- By reducing & eliminating unproductive spend, there remains a strong opportunity to increase sales without requiring any more marketing dollars.
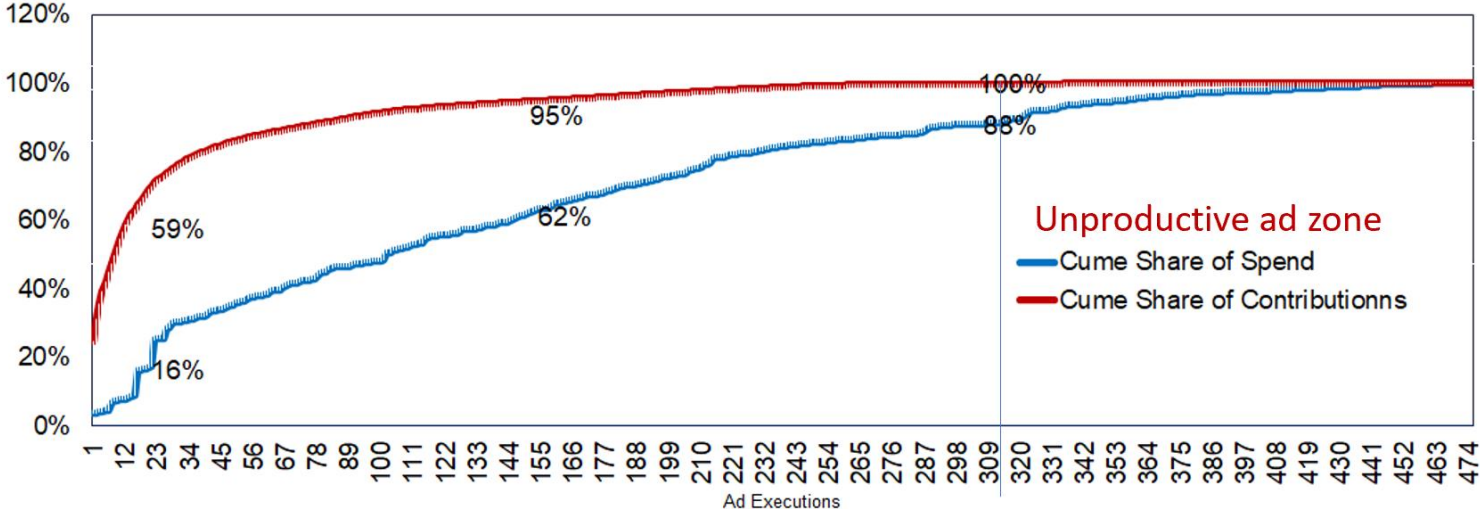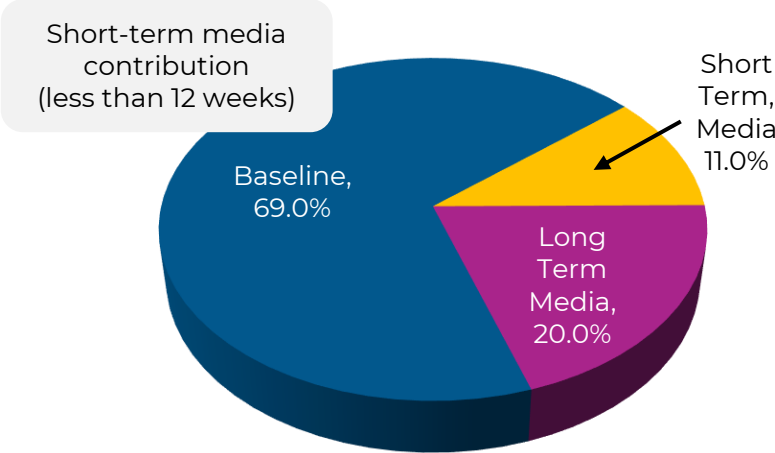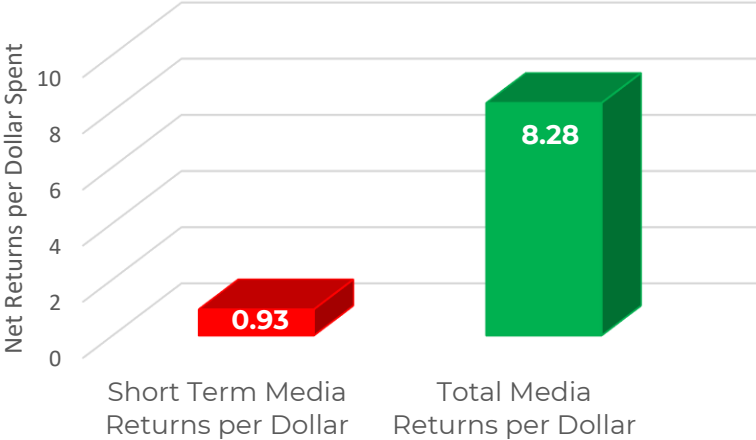
Short- and Long-Term Effects

This model includes both short & long-term effects

For this retail client, the total media contribution to sales was 31%. More than half of this due to Long-Term Effects. Without the Long-Term Effects, advertising financial returns were negative.

Sales Contribution from MMM 2020

Short-term media contribution (less than 12 weeks)

Baseline, 69.0%

Short Term, Media 11.0%

Long Term Media, 20.0%

Marketing Financial ROI with & Without the Long-Term Effects of Advertising

Net Returns per Dollar Spent

10
8
6
4
2
0

0.93 — Short Term Media Returns per Dollar

8.28 — Total Media Returns per Dollar

Evaluating how media channels work together synergistically.

When two or more media run together, the sales lift is often greater than the sum of the independent parts. For this lottery about ¼ of the media revenue is synergistic

Revenue Per Media Dollar Spend

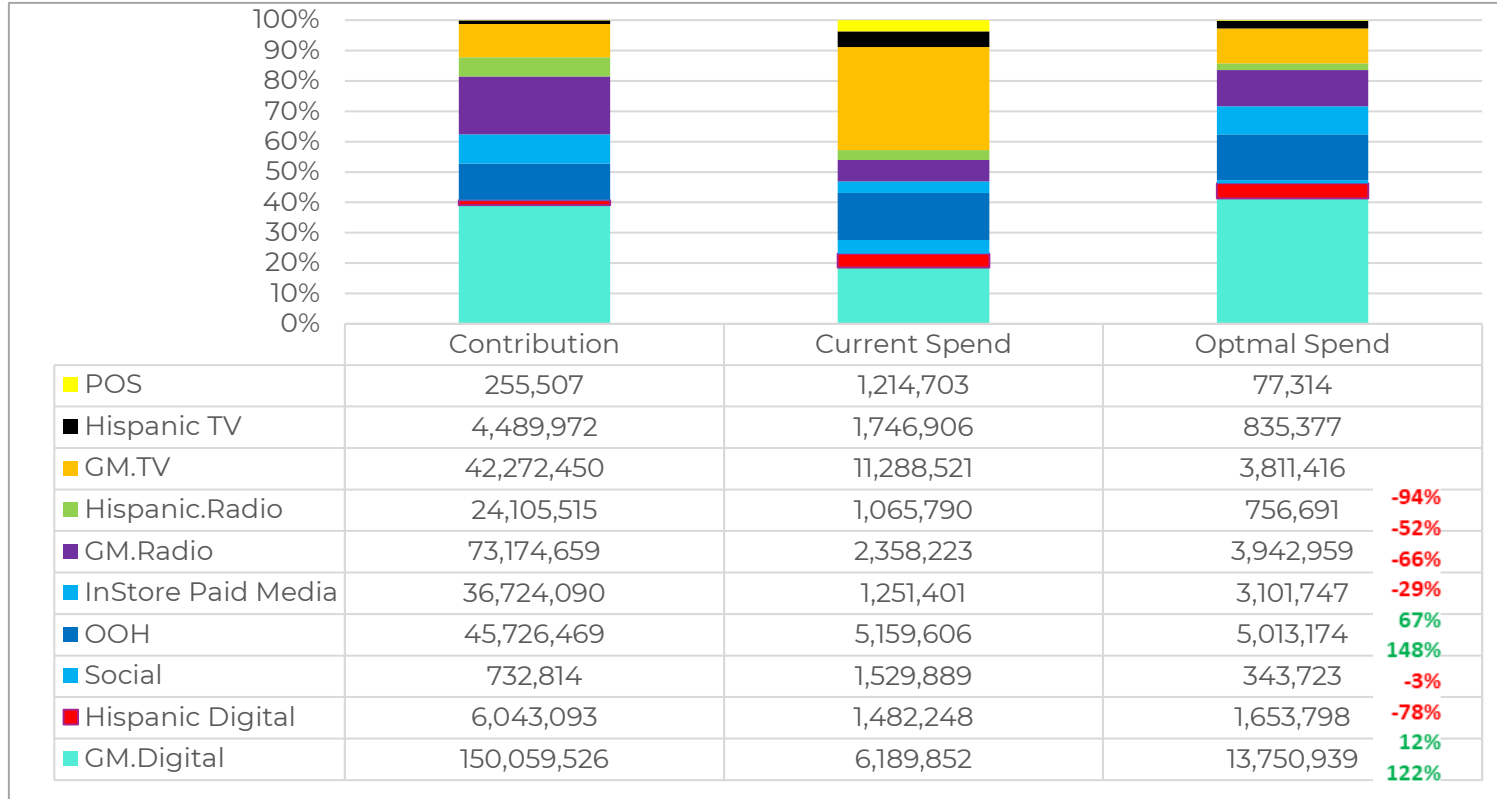| Channel	Dollar Return per $ Spend	Synergy
Retail Paid Media	$37.78	11.33
Digital+Social	$24.39	7.32
Radio	$20.07	6.02
OOH	$19.81	5.94
POS	$7.37	2.21
TV	$5.45	1.64
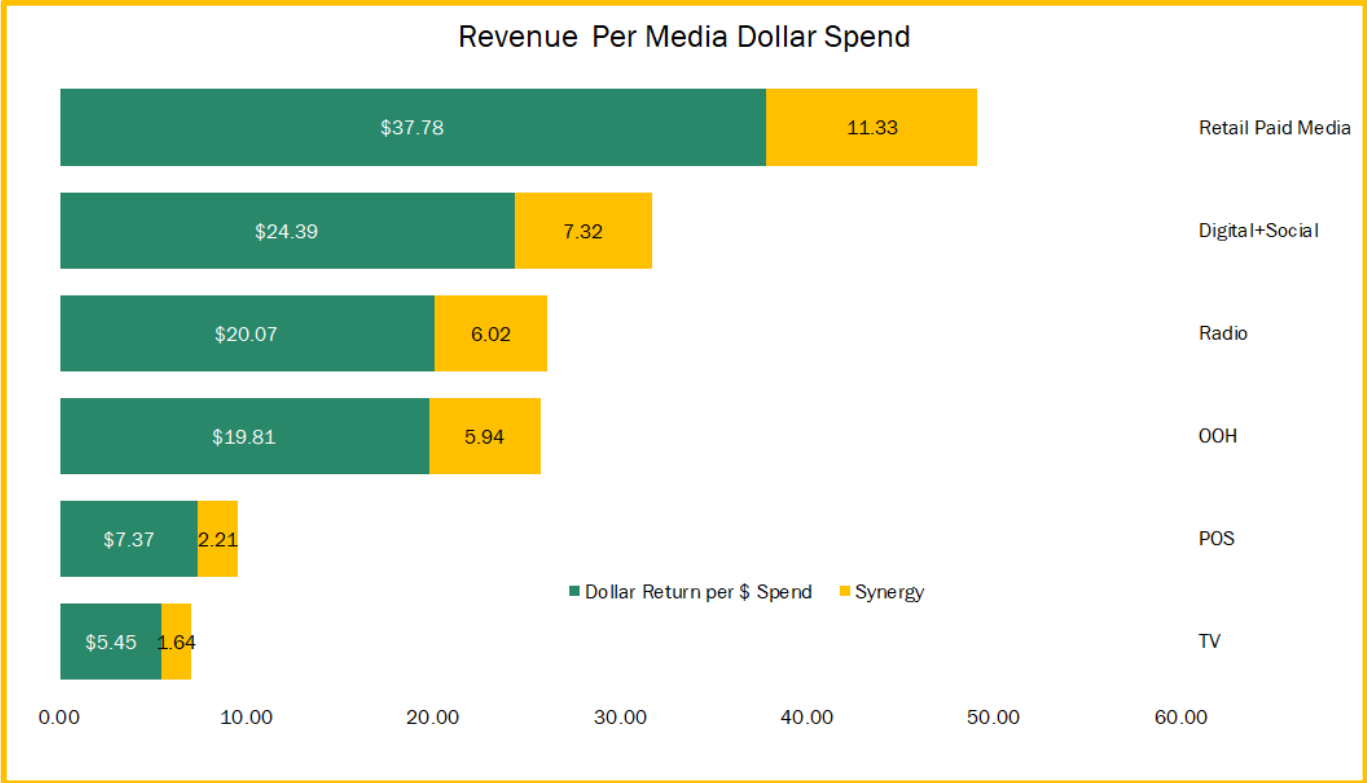
Optimizing Marketing Spend & Best Practices

Optimizing marketing spend to more productive activities

A more substantial shift in resources towards the GM Digital, GM Radio and Paid In-Store Media projects an 8.5% annual gain at current spend levels, or $720 million.

	Contribution	Current Spend	Optmal Spend	
■ POS	255,507	1,214,703	77,314	
■ Hispanic TV	4,489,972	1,746,906	835,377	
■ GM.TV	42,272,450	11,288,521	3,811,416	
■ Hispanic.Radio	24,105,515	1,065,790	756,691	**-94%**
■ GM.Radio	73,174,659	2,358,223	3,942,959	**-52%**
■ InStore Paid Media	36,724,090	1,251,401	3,101,747	**-66%**
■ OOH	45,726,469	5,159,606	5,013,174	**-29%**
■ Social	732,814	1,529,889	343,723	**67%**
■ Hispanic Digital	6,043,093	1,482,248	1,653,798	**148%**
■ GM.Digital	150,059,526	6,189,852	13,750,939	**-3%**
				-78%
				12%
				122%
	$33,287,139	$33,287,139		

Details on how the Lottery can shift resources for the greatest success

Optimizing Spend: Best Practices

○ **Shift More $ to:**

- Three cities listed

- GM Digital, Hispanic Media, InStore Paid Media & GM Radio

- Ads for $20-$30 Scratch Games

- High Impact, Video & Spotify Digital Ads

- Early AM, MidDay & PM Drive 15 Sec. TV ads

- Weekend GM Radio ads

- Hispanic TV Scratch Game Ads

- Modest increase for all 15 Second TV ads

- Variable Digital Platform OOH ads

- GM Radio Scratch Game Ads

Shift Less $ to:

- All cities but the three cities listed

- GM TV, POS, Social Media & Bulletin OOH

- MultiState Games OOH

- Modest reduction in 30 Second TV ads

- GM TV Under $20 Scratch Game ads

- Prime Dayparts

Florida Lottery Comments

We have worked with Bottom-Line Analytics almost four years, now. During this time, they have been able to measure the return we get from our advertising spend. By working closely with our agency, PPK, we have been able to execute more effective marketing investments and our lottery has benefitted by seeing higher growth, more revenue per dollar of media and a higher ranking across the US Lottery landscape.

Amber Seale, EVP & Deputy of Marketing for Florida Lottery

ABX Advertising Benchmark Index

Bottom-Line Analytics (BLA)

Let us give you the creative insights no one else can deliver.

Contact us today

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