



Optimizing the overall sales of Powerball, Mega Millions, & Multi-State Games

With four multi-state lottery game jackpots of more than \$1 billion since 2021, and three of those in just the past

year, the expectations of lottery players have permanently shifted. Gone are the days when media outlets set up remote broadcasts outside convenience stores for \$200 million jackpots. Sometimes even \$750 million jackpots don't get you much attention. With most U.S. lottery jurisdictions now selling both Powerball and Mega Millions, plotting the future of these flagship brands is a collective effort for the country's lottery directors.

The directors all acknowledged that Powerball and Mega Millions are at one of the most important inflection points since 2010, when "cross-sell" allowed the MUSL states to license Mega Millions and the Mega Millions states to license Powerball, effectively enabling all jurisdictions to sell both Powerball and Mega Millions. More than ten years after MUSL raised the Powerball price point to \$2, the Mega Millions consortium, made up of New Jersey, Massachusetts, Virginia, Maryland, Georgia, Michigan,

Several of the directors who are on the frontlines of wrestling with these issues participated in a spirited panel discussion at the PGRI Lottery Expo in Miami in early spring. Moderated by **David Barden**, President & CEO, New Mexico Lottery, and President of MUSL (Multi-State Lottery Association), the panel included:

Mark William Bracken, Executive Director, Massachusetts Lottery

Norm Lingle, Executive Director, South Dakota Lottery

John Martin, Director, Maryland Lottery

Drew Svitko, Executive Director, Pennsylvania Lottery, Chair of Powerball Group

Bret Toyne, Executive Director, MUSL

California, Ohio, Washington's Lottery, and Illinois, is about to increase the price of its ticket to \$5. This change, which will start later in 2023, has added to the

conversation on the future of these two games which, despite the meteoric rise in the sale of scratch tickets, remain critical components of most lottery's game portfolios.

David Barden kicked things off with a topic of great debate in the U.S. lottery industry – are we better off with two groups managing the two different national games? Does it make sense to have a MUSL group consisting of 38 states voting on Powerball issues and a Mega Millions group consisting of 10 states voting on Mega Millions issues? "In the end, all directors are beholden to the rules of their locales and must look out for what is best for their jurisdictions," David said. "But given all the changes we have faced over the past few years, from the localization of casinos to the proliferation of sports betting, are there efficiencies to be had with two management groups or might it make more sense to combine the management of the multi-state games into one group? The two groups have collaborated more recently than ever before, but is that enough to truly optimize synergies and the performance of the games?"

Drew Svitko, who oversees a lottery which is a MUSL member, is a believer in the economies of scale. "We have worked more together recently than at any point

in the history of the two games, and that is a good thing,” he said. “But I am a believer that managing both games from one point of contact would gain efficiencies, particularly for the administrative parts of the games. We can manage the products and the processes, and I absolutely think there is an opportunity to, in the end, save money and enhance the effectiveness of the overall brand management. And very importantly, we can make decisions quicker and implement changes and updates in a more efficient manner. Speaking on behalf of the Commonwealth of Pennsylvania, I want these games to be as strong as possible and selling as many tickets as we can.”

With just over one year in his position as Director in Massachusetts (a Mega Millions consortium jurisdiction), Mark William Bracken brought a fresh perspective to the discussions. “I can’t speak to the past, but it does seem like there has been a historic rivalry between the two groups which I hope is changing with the increase in communication and collaboration,” he said. “In many ways, the two games are similar, even with different price points, and on the game front we only truly differ when one jackpot is different than another. MUSL is able to execute more marketing integrations, such as with NASCAR and other national organizations, which the Mega Millions Consortium doesn’t have the bandwidth to undertake. While my lottery might not be ready for one overarching organization, I appreciate the increased communication and my expectation is for the two groups to continue to improve the information flow.”

David agreed with Mark about the need for continuing communication and pointed out that all jurisdictions have more in common than not. “At the end of the day, what I care most about is your jackpots rolling to amounts that move the sales needle and my jackpots rolling to similarly high levels,” he said. “We all benefit by the success of both games. That’s our common thread.”

Moving to a smaller jurisdiction which mirrors a large percentage of MUSL’s membership, David asked Norm about South Dakota’s perspective.

“For a smaller state, MUSL’s oversight

is critical as they do things we are just not capable of handling with our already-stretched staff budget and human resources,” Norm Lingle said. “As far as the two groups are concerned, the key words are ‘communication’ and ‘transparency.’ Working together, we have a far greater chance of success. In the past, some people have been hardline about a distinct separation of the two groups but to me, that doesn’t make much sense. Would one group managing all games be best? Well, we all have the same goal which is to create revenue for our beneficiaries. I think we can get there. There might be some bumps in the road but at the end of the day, we all need to do what is best for our organizations.”

Of course, change can be incremental, and David pointed out that any time the groups are coming together, the industry is better off. “Could we start by developing a new game together, something developed by a joint game committee?” he said. “Change is the hardest thing we do. Every director has been through some sort of change or has had to push for change within their lottery. And it is hard. Staff can be resistant. But you must do it because at the end of the day, change and innovation is the way to produce the big win.”

John Martin, who’s lottery is a Mega Millions consortium member, said the Maryland Lottery has carefully considered all roads ahead. “It is certainly a good idea to look back at history, but you also need to consider what’s ahead of us?” he said. “Post-pandemic, we have all had to think a bit differently about what our futures look like. With the Mega Millions group, our energy has been spent focusing on a product that is differentiated from the Powerball product. Our preliminary discussions were within the Mega Millions consortium which then moved into a larger group of states. This all leads to where we are now – we all must make the decision if this is the road to continue down or should there be a singular organization that can best manage everyone’s time and efforts.”

As the longest-tenured industry representative on the panel, Bret Toyne was able to provide perspective on the rise of multi-state games, particularly Powerball.

MUSL supports its member lotteries with important financial structures as well as overseeing drawings and providing security standards. Along with critical back office support, those are the pillars of the value MUSL delivers to its members. But as an industry, Bret believes it’s time to move forward.

“If in five years we’re in the same spot we’re in now, we have failed our constituencies,” he said. “We have two really great games, we have two models that have worked successfully. By taking the best practices from Mega Millions and joining them with the best practices from Powerball, can we create a better overall organization? On the Powerball side, we’ve been working diligently to leverage the brand with third parties, such as NASCAR and the NFL. But when you’re sitting across the table from someone and you tell them you represent 38 lotteries and there are another 10 you hope will join on, it’s a bit of a disconnect. It’s much different if you have a 48-member consortium of lotteries which includes states with some significant DMAs (Designated Market Areas). You’re in a much different negotiating position. Lotteries have spent hundreds of millions of dollars over the past 30 years developing and marketing these two brands. We can better leverage them as one block of 48 lotteries. Moving forward, we need to recognize the opportunities and take advantage of them.”

As president of MUSL, David Barden said his focus has been on improving the inclusion of all lotteries and listening to all constituencies. In the end, the important factor is determining what is best for all lotteries and acting in a deliberative manner. “The lottery industry has attributes that make us different from other businesses,” he said. “But together, we can chart paths that work for all of us. I think that on the part of MUSL, we have opened our meetings and created clear paths of communication to engage the active participation of all 48 state lotteries. Moving forward, I hope for and do anticipate even more collaboration between MUSL and the Mega Millions consortium. After all, for all of us it is all about doing what is best for our lotteries and, ultimately, our beneficiaries.” ■