charitable gaming

segmentation

presentation

may 13, 2014

background and objectives

- OLG long term strategy to increase base of bingo customers and engage new generation of bingo customers.
- Strategy includes development of new products, and improving customer experience.
- Research designed to evaluate OLG internal vision strategy among current and potential players to understand impact on growing Bingo business.
- Crayon Works study provides understanding of needs and expectations of fringe, dabbler and new customer base.

today's agenda

- what is market potential for new Gaming Centre?
- what is impact of new Gaming Centre on core customer?
- what does segmentation of Bingo market look like?

market sizing

what is the market potential for the new Gaming Centre?

new gaming centre

- Respondents shown description of New Gaming centre and asked series of questions.

This new Gaming Centre will be a comfortable and social setting designed for those seeking a fun activity to enjoy on their own or with friends or family. This entertainment space will include the additional features described below:

- An array of games ranging from traditional Bingo, Bingo themed games played on gaming devices, skill style such as Trivial Pursuit and lottery games of chances to name a few, with the option to play socially with others in the centre or by yourself.
- A variety of food and beverage options served by wait staff in a restaurant/lounge environment. Entrees, sharing platters, and alcoholic/non-alcoholic beverages will all be made available.
- Entertainment options such as live music, VIP and seasonal events, and elaborate promotions.
- The buildings are welcoming and easily accessible, with friendly, knowledgeable, and attentive staff to create a highly enjoyable visit.

what is impact of new Gaming Centre on overall market?

market sizing

- We estimate potential 13% increase in revenue with introduction of new Bingo Gaming centres in Ontario.

	assumptions (source: survey data)	number of adults in Ontario
Ontario adult population		10,000,000
Ontario population who do not reject Bingo	70%	7,000,000
likelihood to play at Bingo Gaming centre in next 12 months (weighted)	25%	1,750,000
expected frequency of visiting Bingo Gaming centre in next 12 months (number of times/year)	12	
expected spend on games	$62	
total expected revenue for Bingo Gaming centre		$1,302,000,000
current revenue on games source: AGCO 2011/12 annual report includes revenue from registered bingo halls (61 halls), electronic bingo halls operated by OLG (16 halls), Break open tickets, raffles (AGCO licensed), raffles (municipally licensed)		$1,155,448,592
expected revenue vs. current revenue on games		+ 13%

method – survey data

data collection

- mix of online and onsite interviewing
  - online: independent online panel of Ontarians using geo-targeting to ensure respondents live in close proximity (i.e., 30-40 kms) to any one of existing, new or planned OLG gaming centres
  - onsite: interviewing conducted at 4 OLG sites: Rama-Mississauga, Cambridge Bingo Centre, Bingo World Newmarket, Bingo Country - St. Thomas. Residents of Quebec and US allowed to participate in the onsite interviews.

field dates

- January 10 to 22, 2014

survey length

- 32 minutes

Data weighted to correct proportions of current Bingo players and potential players in total sample.

method

cell	qualifications	sample size		
		total	online	onsite
current Bingo player	age 18+, played Bingo/other games at Bingo Hall past 6 months and usually play Bingo/other games at Bingo Hall about once every 3 to 6 months or more often.	201	87	114
potential player	age 25+, never played Bingo/other games at Bingo Hall OR not played past 6 months; or play Bingo/other games at Bingo Hall less often than every 6 months, AND likely to play Bingo/other games at Bingo Hall or Bingo Hall of future next 12 months.	405	405	--
total		606	492	114

Data weighted to correct proportions of current Bingo players and potential players in total sample.

total market: likelihood of playing at Bingo hall/new destination Bingo Centre in next 12 months

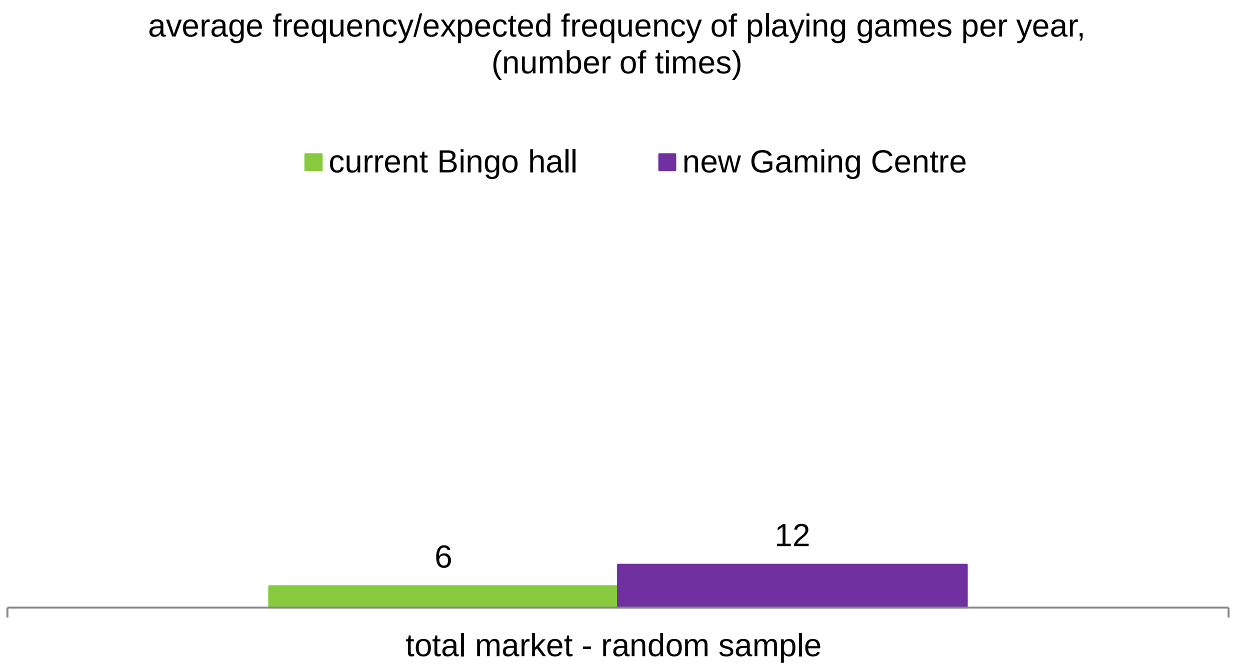
- Likelihood to play Bingo at new destination increases among total sample.

base: total sample *(606)*

Q8. How likely are you to play Bingo or other games at a Bingo Hall in the next 12 months?
Q9. In thinking about what you know or how you perceive Bingo Halls today, imagine the experience being transformed to a destination Gaming Centre with Bingo being only one of the many gaming products offered (as described below), how likely would you be to visit in the next 12 months?

total market: average frequency/expected frequency of playing games per year

- Expected frequency of play also increases.

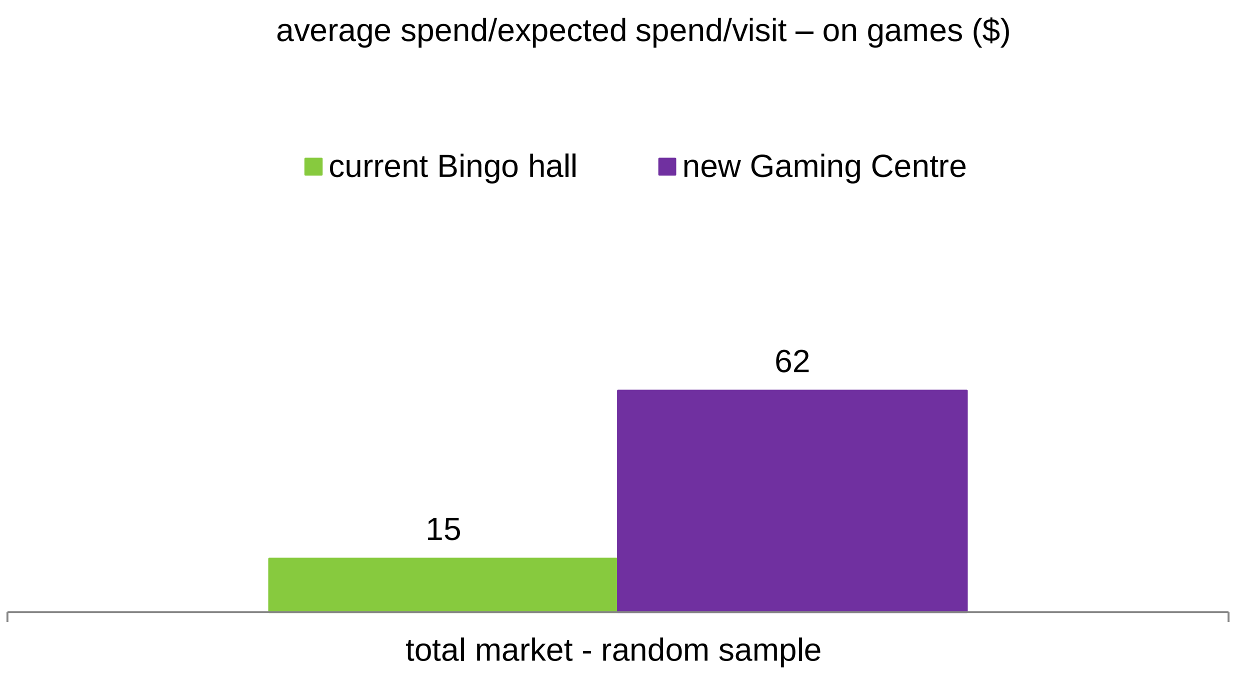


base: total sample *(606)*

Q6. And how often do you generally play Bingo or other games at a Bingo Hall?
G2. When you think about the new Gaming Centre as it is described above, how often do you think you would play Bingo or other games here?

total market: average spend/expected spend per visit – on games

- Average expected spend on games increases.

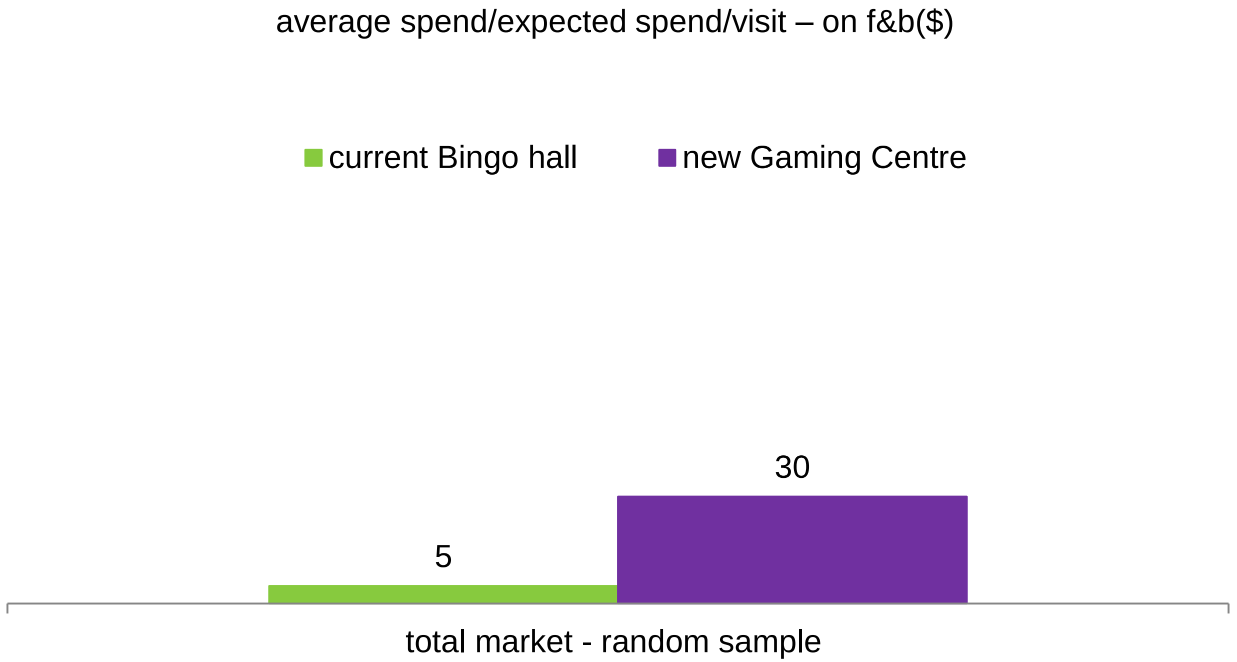


base: total sample *(606)*

A10. On this most recent visit to the Bingo Hall, how much money did you spend on ….?
G3. When you think about the new Gaming Centre as it is described above, how much money would you be likely to spend at the new Gaming Centre on games, food and beverages per visit?

total market: average spend/expected spend per visit – on f&b

- Average expected spend on f&b increases.



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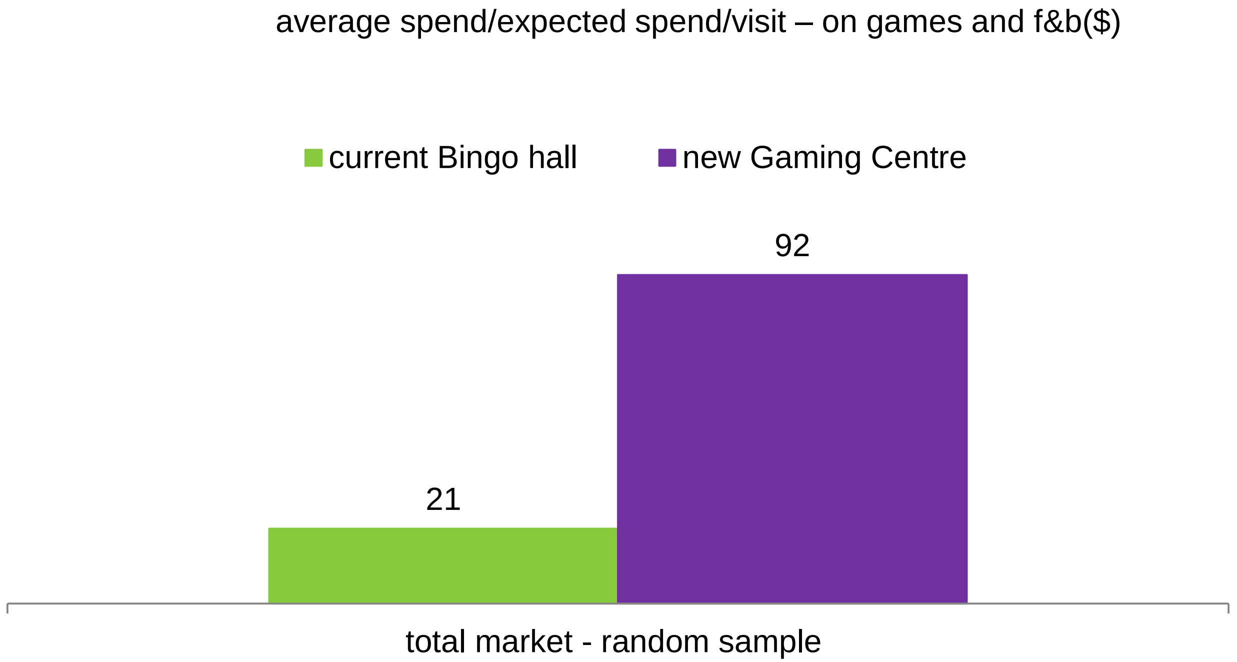
total market: average spend/expected spend per visit – on games and f&b

- Average expected spend on games and f&b increases.



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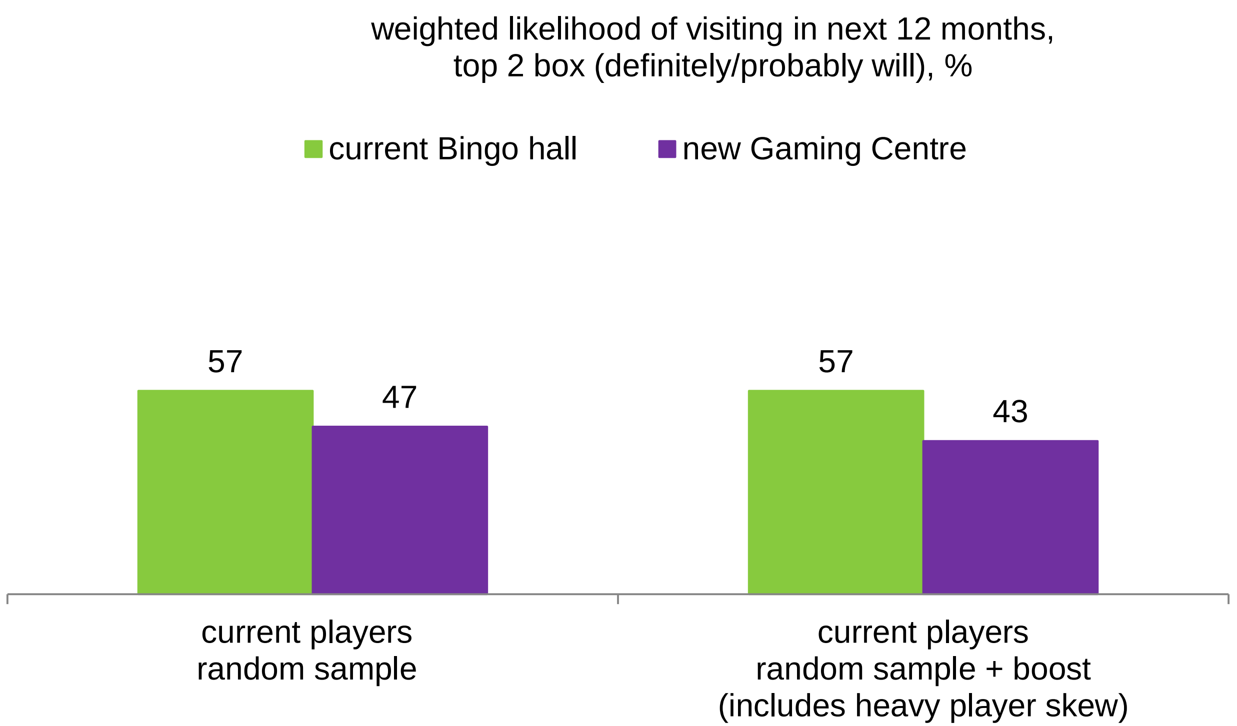
but …

what is impact of new Gaming Centre on current Bingo customer?

focus on Bingo players: likelihood of playing at Bingo hall/new destination Bingo Centre in next 12 months

- Likelihood to play Bingo at new destination decreases among current players.



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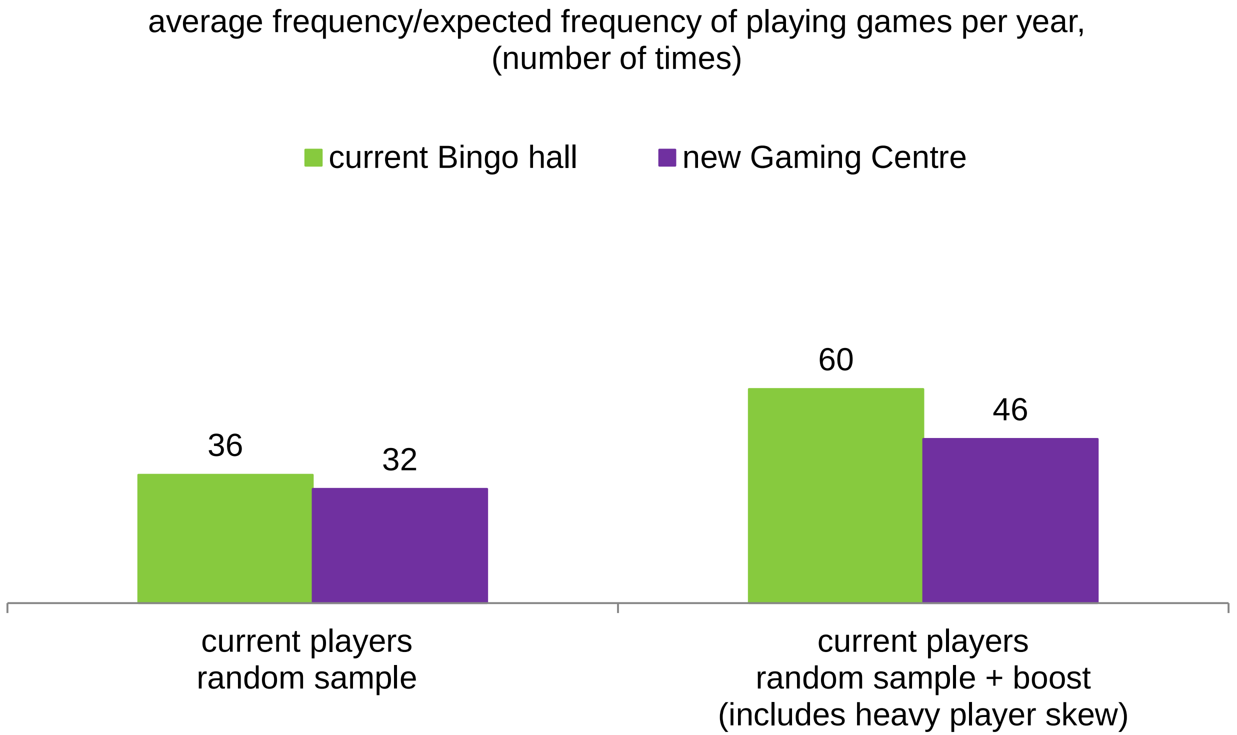
focus on Bingo players: average frequency/ expected frequency of playing games per year

- Expected frequency of play also decreases, especially when heavy players included.



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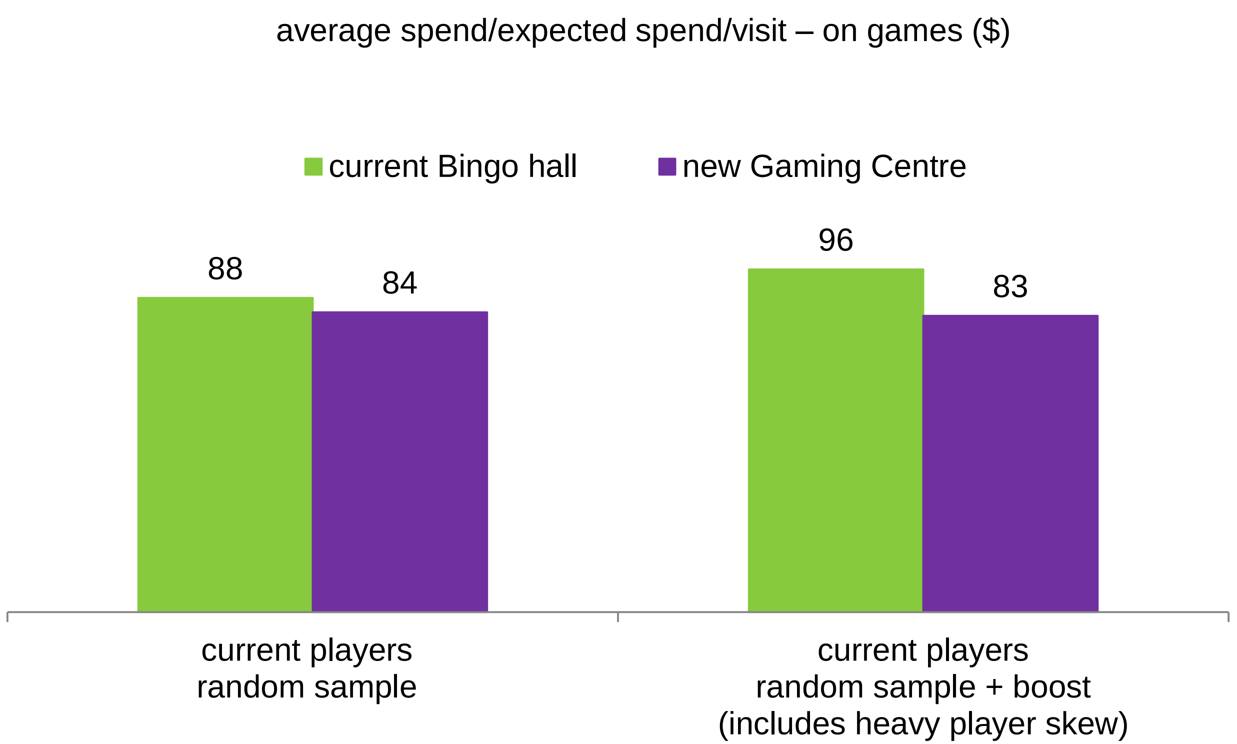
G2. When you think about the new Gaming Centre as it is described above, how often do you think you would play Bingo or other games here?

focus on Bingo players: average spend/expected spend per visit – on games

- And, average expected spend on games decreases among current players, more so when heavy players included.



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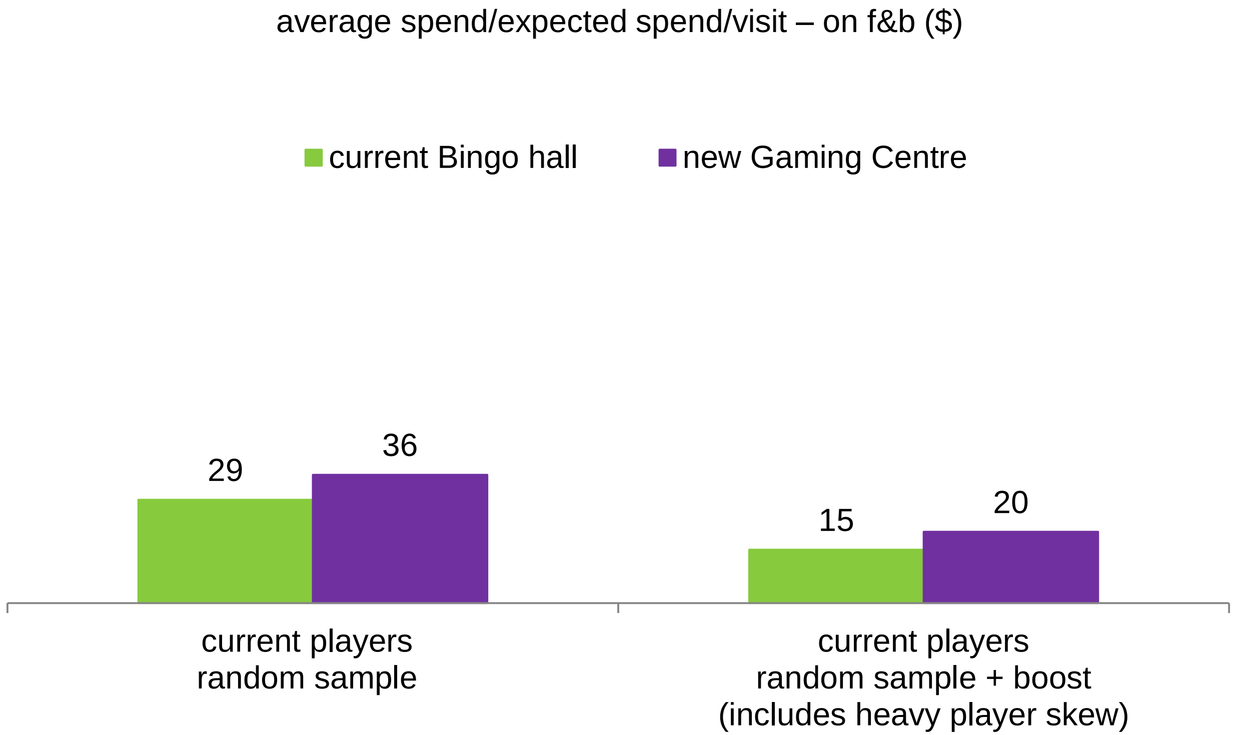
focus on Bingo players: average spend/expected spend per visit – on f&b

- Expected spend on food and beverage, though, expected to increase at new Bingo gaming centres.



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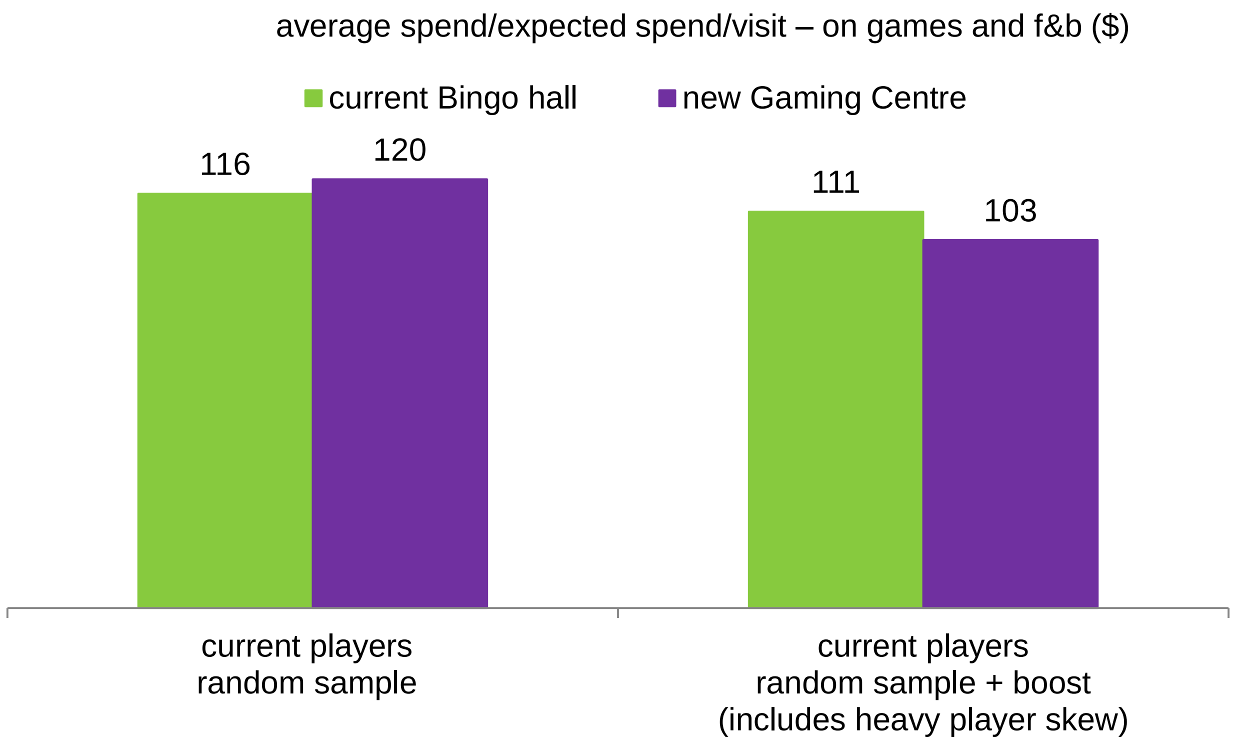
focus on Bingo players: average spend/expected spend per visit – on games and f&b

- When games, food and beverage looked at in total, expected spend among current players in random sample increases. But when heavy players included, total spend decreases.



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what this means is …

- that gaming centre will need to be marketed appropriately
- that way to stem tide of bingo decline is to broaden base of customers
- that lost bingo customer represents relatively large loss, which of course, means they have to be replaced
- that evolutionary approach necessary to ease current bingo customer into new gaming centre
- that thinking about segments and “build it and they will come” approach will assist in growth of market

rsg

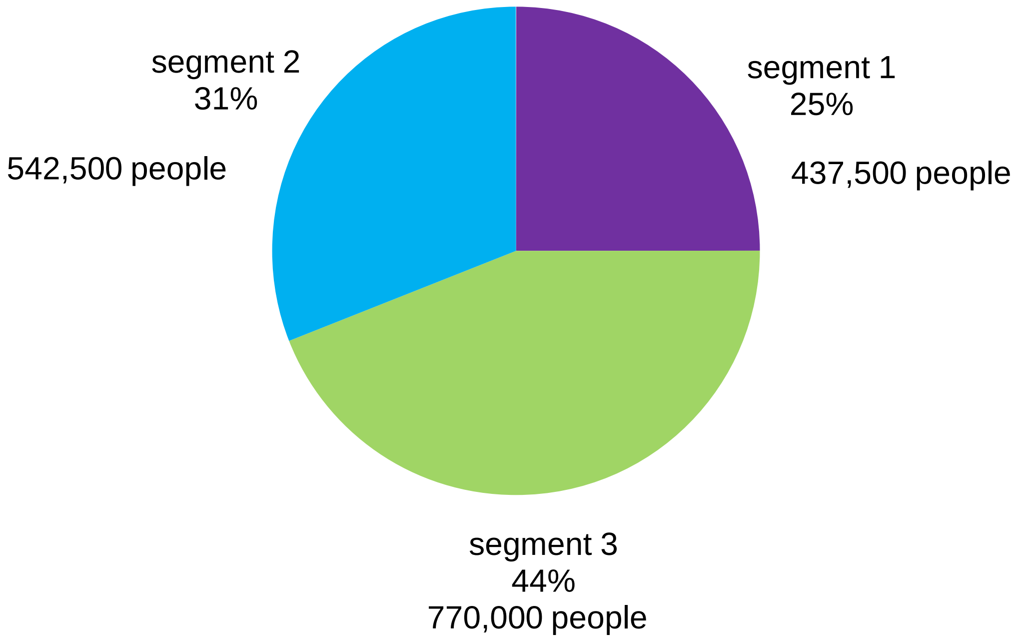
segmentation

what does segmentation of Gaming Centre market look like?

bingo segments

- Research identified 3 segments.

segments
among estimated number of people likely to play
Bingo in next 12 months:
1,750,000 Ontario adults



base size: total sample (606)

segment 1

segment size
25%

- demographics
  - skewed female (82%)
  - average age 53
  - lower level of education (41% high school or less, 31% some college/completed college)
  - 56% employed, 22% retired, 11% not employed
  - average income $65,000

- attitudes/needs (key themes)
  - Bingo is fun, exciting, relaxing, social.
  - gaming centre would be place to play Bingo and to win money.
  - would play more often if won more; would go to gaming centre mainly to win money.
  - gaming centre should be average place for average people; should offer low cost, basic food options.
  - interest in playing games with prizes of at least $1,000; a chance to win really big prize would make them more interested in going to centre.

- Bingo Hall versus new Gaming Centre

	Bingo Hall	new Gaming Centre	lift
weighted likelihood of visiting (definitely/probably will), %	33	30	- 10%
average frequency/expected frequency of playing games per month (number of times), #	2.2	2.1	-
average spend/expected spend per visit, $	57	86	51%

rsg

segment 2

segment size
31%

- demographics
  - majority females (65%)
  - average age 43
  - high level of education (49% university or higher)
  - 74% employed, 7% retired, 9% not employed
  - high average income $80,000

- attitudes/needs (key themes)
  - Bingo is competitive experience and way to make money.
  - gaming centre should have special events, tournaments/organized events, themed nights, music, dress code, exciting audio/video effects.
  - gaming centre should offer modern devices for playing games, online messaging features on gaming device to socialize with others, leaderboards.

- Bingo Hall versus new Gaming Centre

	Bingo Hall	new Gaming Centre	lift
weighted likelihood of visiting (definitely/probably will), %	28	33	19%
average frequency/expected frequency of playing games per month (number of times), #	1.0	1.6	60%
average spend/expected spend per visit, $	41	130	317%

segment 3

segment size
44%

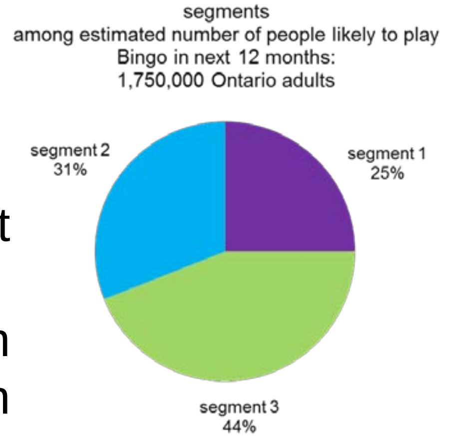
- demographics
  - skewed female (71%)
  - average age 48
  - higher level of education (44% university or higher)
  - 72% employed, 14% retired, 5% not employed
  - high average income $80,000

- attitudes/needs (key themes)
  - rarely see advertising for Bingo.
  - have not been to a Bingo Hall lately and do not know where it is
  - Bingo perceived old-fashioned, and Bingo Halls shabby, out of date.
  - too many 'regulars' at Bingo Halls.
  - stigma associated with playing Bingo.
  - gaming centre should serve casual pub-style food, have full bar, intimate spaces for quiet conversation and drinks - should have comfortable room where they can take a break and relax.
  - gaming Centre should feel upscale, offer variety of non-Bingo games, devices to play on.

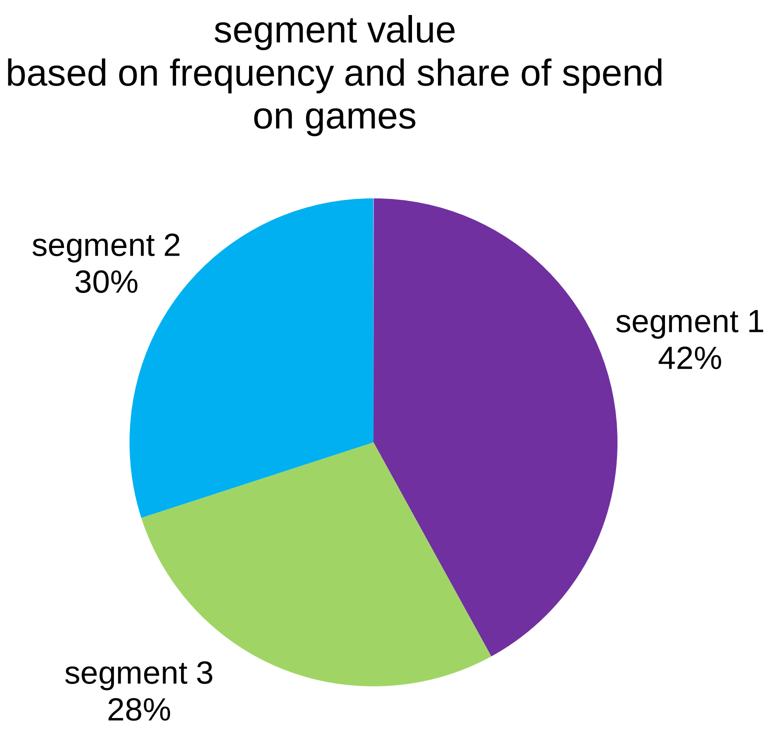
- Bingo Hall versus new Gaming Centre

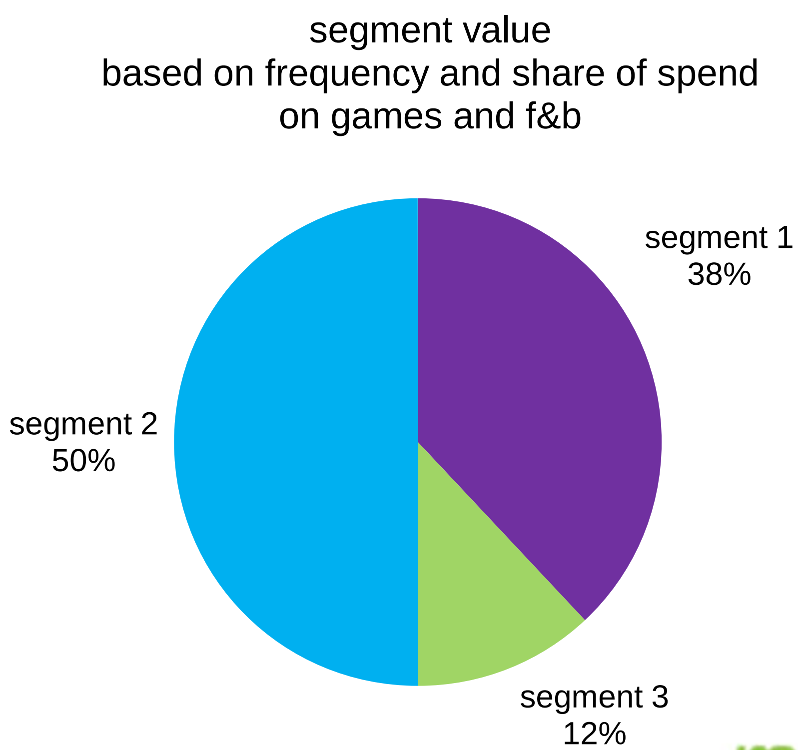
	Bingo Hall	new Gaming Centre	lift
weighted likelihood of visiting (definitely/probably will), %	5	15	286%
average frequency/expected frequency of playing games per month (number of times), #	0.1	0.4	300%
average spend/expected spend per visit, $	15	85	467%

segment value



- Graphs below show relative importance of each segment in terms of spend and frequency of visits.
- Of note: although Segment 3 makes up largest segment in terms of number of people, much less significant when spend and frequency of visits taken into consideration.





overall interpretation and conclusions

interpretation and conclusions

- New Gaming Centre will increase revenue for Bingo.
  - Estimate potential 13% increase in revenue with introduction of new Bingo Gaming centres.
  - Identified three needs-based segments.
  - All segments defined based on psychoanalytic needs as opposed to behaviour. So Segment 1 includes current and potential Bingo players, and defined largely by positive predisposition to Bingo.
  - Segment 1 proportions going to new Gaming Centre will remain stable. Proportion of Segment 3 will be more than double number who went to Bingo Hall, and percentage of Segment 2 will increase by over 10%.
  - Equally important, average number of visits will increase among Segments 2 and 3, and spend per visit among Segment 3 will increase substantially, while Segment 2 will more than double.

interpretation and conclusions

At first glance, appears new Gaming Centre is a winner.

However number of things have to fall into place:

- Core Bingo players need to be managed through transition, and transition needs to be evolutionary.
    - every core Bingo player represents relatively large loss, which of course, means they have to be replaced
- New entrants need to be introduced to new Gaming Centre in right way so imprinting is positive.
- Advertising, marketing and promotions a must with emphasis on customer experience.

next steps – evolutionary approach

current

currently we have strategic document that includes:

- market sizing
  - provides estimates for potential increase in revenue with introduction of new Bingo Gaming centres in Ontario
- segmentation
  - explains three needs-based segments that will allow OLG to target strategies more effectively:

next steps

immediate first step

the future of Charitable Gaming must include improvements to:

- overall environment
- food and beverage
- games – match to needs of key segments (establish game development process)

year 1

focus on Segment 1:

- begin improvements to overall environment, food and beverage
- develop games with attributes that appeal to Segment 1
- leverage & enhance current business

year 2

focus on Segment 2:

- continue improvements to overall environment, food and beverage
- develop games with attributes that appeal to Segment 2
- grow/expand business

year 3

focus on Segment 3

- continue improvements to overall environment, food and beverage
- develop games with attributes that appeal to Segment 3