



**Public Hearing Testimony**  
**Support for Bill No. 540: An Act Authorizing Sports Wagering and Online Lottery**  
**Draw Games in the State**  
**Finance, Revenue and Bonding Committee**  
**April 2, 2018**

Good morning Chairmen Fonfara, Rojas and Frantz, Ranking Member Davis, and other distinguished members of the Finance, Revenue and Bonding Committee. I am Doug Pollard, the Co-Chief Executive Officer of Pollard Banknote and NeoPollard Interactive—a company jointly owned by Pollard Banknote and NeoGames. Pollard Banknote is a global supplier of instant ticket products and related services to over 60 lotteries worldwide, including the Connecticut Lottery Corporation (“Connecticut Lottery” or “Lottery”). We formed NeoPollard Interactive with NeoGames in 2014, and provide regulated North American lotteries with the technology and operational services to sell interactive lottery (“iLottery”) products. I am happy to submit my testimony in support of the internet lottery portions of Bill No. 540: An Act Authorizing Sports Wagering and Online Lottery Draw Games in the State.

Currently in the United States, there are five lotteries selling tickets online: the Michigan, Illinois, Georgia, Kentucky and Virginia\*<sup>1</sup> Lotteries. In addition to the Virginia Lottery, our company provides the platform for the Michigan Lottery, the lottery which has been by far the most successful introducing online sales. The Michigan Lottery will generate over \$100 million of incremental net revenue this fiscal year from the sale of iLottery. Emulating this success, the Pennsylvania Lottery will begin selling online this year and our company has been engaged to launch iLottery sales with the New Hampshire Lottery later this year as well. Clearly there is a trend for lotteries to begin selling online: Massachusetts is debating iLottery legislation and we expect lotteries in North Carolina, Missouri, Oregon and elsewhere to begin selling online in the near future.

Just as lotteries need to consider the impact of iLottery on their traditional retail sales, so does Pollard Banknote. We are the second largest supplier of instant lottery tickets in the world. That’s been our focus for over 30 years, and each month we produce over 1 billion printed tickets for lotteries in the United States and around the world. Suffice to say that we believe strongly in the traditional lottery products that are sold at retail. In fact, I’m often quoted as saying, “Never fall out of love with your core business,” and printed instant tickets are our core business. As a testament to our commitment to retail-based instant tickets, Pollard Banknote recently invested over \$20 million dollars to install a new instant ticket printing press at our plant in Ypsilanti, Michigan and we will add another new press line later this year. These are significant capital investments, and I can assure you we would not make these investment if we were not confident in the future of printed instant lottery tickets.

As a company, we truly believe that the retail-based instant ticket is a great product. There’s value for players as a tangible, convenient, and entertaining lottery experience that includes an easy cash transaction at retail. The value of this product is backed up by the fact that printed instant lottery tickets represented over 60% of U.S. lottery sales in 2017.

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<sup>1</sup> Note: the Virginia Lottery sells lotto games via an online subscription platform.



Notwithstanding our commitment to, and belief in, printed instant lottery tickets sold at retail, we are equally committed to the importance of iLottery to the future of U.S. lotteries. iLottery is a critical channel for expanding the lottery player base, which is essential to the long-term viability of lotteries. Since 2006, U.S. instant lottery ticket sales have grown by nearly 60%, accounting for more than three-quarters of the total growth that lotteries have experienced in that time. During the same time period, the lottery player base has remained essentially flat. Obviously, this trend is unsustainable, and if we can't address this issue, sales growth will stop.

To expand their player bases, lotteries have to become relevant to segments of our population that aren't interested in a cash purchase of lottery tickets at retail. The Lottery needs to reach those players where they are—and that is online or on their mobile device. Our iLottery operation in Michigan is now making 61% of its sales via mobile devices and these are the younger players that the Lottery has, until recently, had difficulties reaching. Whereas the average Michigan lottery player at retail is 55 years old, our mobile players in Michigan are less than 38 years old. Put simply, iLottery is helping lotteries to reach a younger demographic and broaden their player base in order to be relevant in the future and sustain sales.

Throughout the retail industry, most major brick-and-mortar retailers now have an online presence or mobile app. This is because retail and digital sales channels support one another, and this is the case for lotteries as well. Our research has shown that players who first play online are more likely to purchase retail products in the future. By being able to play lottery games at their leisure online, they get to try the game and learn how to play the game, and that experience carries over to retail.

Another aspect of the modern consumer is the fact that they don't often carry cash. To appeal to these players, lotteries need to give them more payment options. In Michigan, the number one funding source online by far are credit/debit cards, which account for over 80% of all deposits. Other payment options, like PayPal, are also supported by our system in Michigan. Payment options, like credit cards and PayPal, are synonymous with online shopping. Consumers are already accustomed to using these methods for their other online purchases, so it's natural to extend this to iLottery. We also offer payment solutions that bring players back to the store. For example, the Online Game Card is an instant ticket product that we offer in Michigan. You purchase it at retail for \$20 and then go online to credit your account to play. The product also offers a \$5 bonus. This is great for customers who may not want to put their credit card information online. It's also great for retailers, as it drive players back to the store and they get their regular commission on the sale. We have since expanded the Online Game Card so that it can be bought at a lottery counter terminal, like a Powerball ticket, and can be purchased in multiple denominations.

When it comes iLottery, it's really about serving the Lottery's customers and giving them the choice to play when they want and where they want, whether that's at the corner store down the street or on their phone. Our company vision is to provide innovative products—both paper and paperless—to help our customers, like the Connecticut Lottery, grow their sales to support good causes. We believe that incorporating iLottery, along with great retail products, best positions the Lottery for future incremental growth and will help the Connecticut Lottery remain relevant to the next generation of players—and ultimately benefit the state of Connecticut.

Thank you for your time.