



**SB 269 Interested Party Testimony**  
**Amy Bergette, VP Digital Content Studio, Scientific Games**  
**Ohio Senate Government Oversight & Reform Committee**  
**May 18, 2022**

Good morning, Chair Roegner, Vice Chair McColley, Ranking Member Craig and members of the Senate Government Oversight & Reform Committee, my name is Amy Bergette. I am the Vice President of the Digital Content Studio for Scientific Games. I have been with Scientific Games for 20 years and for the last 11 years I have managed the development of digital programs for our global lottery customers. This includes providing digital promotions tied to retail games, online loyalty programs and iLottery services and games.

Scientific Games provides Lottery products, solutions and services to more than 140 customers spanning 50+ countries. Today, we provide products and services to the Ohio Lottery through our Scientific Games Enhanced Partnership (SGEP) program where we are involved in scratch/instant ticket product management and strategy from the initial design all the way to end of life for each game. Our successful partnership in Ohio has provided instant products, logistics, retail solutions and services that have grown transfers to education in the most recent full year, by 21% from 2020 to 2021. Our investment in the partnership is reflected in our dedicated in-state team of 32 employees to support the Lottery and its retailers as well as millions of dollars invested in automation and infrastructure to ensure continuous operations through all of the challenges many businesses are presented with today. As a result of this investment and focus on growth, we are uniquely and keenly positioned to facilitate responsible growth across all channels. In particular, we understand that the success and continued growth of lottery games at retail combined with any new digital channels is a reality across the country and now being considered in Ohio. Our focus is on looking at a lottery's business holistically so that as we support the introduction of other products, we facilitate growth for all channels, including retailers. This includes the addition of iLottery to a Lottery game portfolio and how it will provide incremental revenue, while continuing to drive growth at retail. We have experienced this growth first-hand and believe a thorough review of the facts is instructive.

**iLottery – A Case in Point**

Scientific Games provides iLottery products and services to over 30 lotteries around the world. Combined with our global SGEP, printing, systems and retail solutions business, we have hands-on experience and tremendous expertise in facilitating sustainable revenue growth for our customers. For example, Scientific Games has partnered with the Pennsylvania Lottery for years, providing their first draw game in 1972 and the first instant game in 1975. We have been a part of their growing SGEP business since 1997. As the Commonwealth took the next step to

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enable selling their games through the internet, Scientific Games was able to facilitate a rapid program launch combined with incremental growth for the lottery's overall business and returns for beneficiaries—Older Pennsylvanians. Scientific Games launched the Pennsylvania Lottery's iLottery program, in record time from the enabling legislation of the iLottery program in October of 2017 to launch in May of 2018, just seven months later. Most importantly, this program increased sales growth across all channels, including retail.

iLottery is an important step for lotteries to continue providing their products and programs to players across all channels. Players expect to be able to purchase games at retail or online, just as they do with most other consumer products. iLottery is key for player convenience and will ensure lotteries keep their business relevant in an always aggressive and challenging consumer market. In particular, as consumers have new choices on how they spend their entertainment dollars, with the introduction of new gaming products, including sports betting or iGaming, the lottery is not only protecting its brand, but also meeting new consumer demands. A well-managed iLottery program, with a full-product line strategy, can and will ensure growth across all channels and continue to facilitate growing returns for lottery beneficiaries.

*Some key considerations:*

- Rising Tides Lift All Ships; growth in lottery play benefits all key stakeholders
  - Despite concerns that retail lottery sales may be cannibalized once a lottery begins selling their games online, it is actually the opposite. Of the 12 lotteries selling online today, none have experienced cannibalization at retail. In the fourth quarter of 2021, total US Lottery sales increased 9% year over year and total gross iLottery sales increased 8% year over year according to Eilers & Krejciek's US Lottery and iLottery Tracker – 4Q21.
  - In Pennsylvania, retail sales grew by more than \$1.1 billion, or 26%, from \$4.2 billion to \$5.3 billion annually since the launch of iLottery. During their first full fiscal year of iLottery, retail sales grew by 7.2% with iLottery sales providing incremental growth to the business.
  - Casinos in Pennsylvania have also seen tremendous growth since launching their products online (iGaming). According to a Pennsylvania Gaming Control Board Revenue Report, online sales from casinos achieved \$34.4 billion in wagers for the first 9 months of the most recent fiscal year, whereas the Pennsylvania Lottery achieved \$597 million during that same time period. Essentially, casinos have achieved 58 times more in sales so far this fiscal year. An indication that not only is there no cannibalization to their business, they have experienced significant growth.

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- iLottery Benefits Retailers
  - Retailers are well positioned to benefit from iLottery, through well-managed and successfully implemented marketing strategies and retailer programs. In Pennsylvania, Scientific Games and the Lottery created, with input from retailers, an effective way for retailers to participate in online sales success:
    - A retail affiliate program was established providing additional financial incentives for retailers who refer players to the iLottery program. The “Customer Referral” program provides retailers with three ways to earn more: Through a Profit Share approach – Retailers can earn a 20% revenue share from each player they refer; With Cash Awards - Retailers can earn \$100 cash instantly for each player they refer; and a Hybrid of both – Retailers can earn \$50 cash instantly for each player they refer as well as a 10% revenue share.
    - Webcash – Players may purchase a voucher at retail to fund their online iLottery wallet. Retailers earn their commission on the Webcash sale since it is generated in-store, from the terminal. Since the launch of iLottery, over \$20 million in WebCash has been sold, and retailers have earned over \$1 million of commissions on these sales.
    - Big Win Commission – Players who win a big prize and were referred by a retailer to the iLottery program, enable the retailer to win too. From \$100 to \$20,000, retailers may receive an extra commission when their referred player wins in the iLottery program.
    - Cross-promotions – The Lottery runs promotions where an online version as well as a retail version of a game of the same brand, are sold simultaneously. The Lottery motivates players who purchase the online game to purchase at retail by awarding them with a coupon they redeem at retail establishments.
- Increased Returns to Beneficiaries with Responsible Limits
  - Effective Game Experiences – Lotteries should have the ability to sell their games online using best practices to deliver the most effective consumer experience for a lottery game. It is critical to ensuring lottery products are relevant and accessible to consumers and it is vital to providing revenue growth and subsequently, increasing returns to beneficiaries. Any limitations on price point, payout, game mechanics or other core functionality will only serve to lessen lottery sales potential, and therefore returns to important state programs. Casinos have launched effective online businesses in Pennsylvania, even while the Lottery sold their products online without burdensome restrictions.
  - Responsible Gaming –iLottery games that deliver consumer entertainment is important,

but it is equally important to ensure there are Responsible Gaming tools in place. The Pennsylvania Lottery together with Scientific Games' launched their iLottery solution with key features enabling the Lottery to achieve iCAP certification for a second time. iCAP, the Internet Compliance Assessment Program developed by the National Council on Problem Gambling, is a key acknowledgement of the Lottery's effective Responsible Gaming initiatives. The Pennsylvania Lottery's program provides players the option to self-exclude from the program, offers cool-off periods, and ultimately, permanent lifetime exclusion. Additionally, the platform allows players to set limits on deposit and play amounts. Scientific Games has also created a program called Healthy Play™ that includes a responsible gaming strategy and best practices. Our slogan—Have Fun. Do Good. Play Healthy™—is evidence of Scientific Games' deep understanding of a lottery's core purpose. The Healthy Play™ program is built on the WLA (World Lottery Association) Responsible Gaming Framework and Principles.

- PA Lottery – Lottery full-line product management: A Well Managed and Thriving Retail and Online Business
  - The Pennsylvania Lottery recorded its best sales and profit year as reported in their last profit report, the PA Lottery Profit Report 2020-2021. Notably:
    - For the 10<sup>th</sup> consecutive year, the Lottery recorded profits exceeding \$1 billion.
    - Retail Scratch-Off games set a new sales record in fiscal year 2020-21 of \$3.76 billion, up 17.3 percent, from the previous year.
    - In fiscal year 2020-21, iLottery generated \$887.0 million in eInstant play which was **\$158.2 million, or 21.7 percent, more** than the previous year.
    - Online eDraw game sales added \$21.4 million, which was **\$17.2 million, or 414.8 percent, more than the previous year.**
    - **In total, iLottery added \$84.7 million in profit, which was \$21.3 million, or 33.6 percent, more than the prior fiscal year.**

The Ohio Lottery is like all other businesses selling products to consumers; they must meet changing consumer demand. Providing convenient and relevant experiences to consumers online **and** at retail will be critical to enable returns to their beneficiaries. As evidenced with other states, like Pennsylvania, retailers can, through a collaborative effort with the Lottery, benefit and thrive when an iLottery program is launched with a full line growth strategy. Casinos too have proven they can achieve incredible growth with their iGaming programs even in a state that offers an effective iLottery program. Modern consumer technology is a reality. The opportunity for growth is available to the Lottery, retailers and casinos. Keep them playing in Ohio.



Chair Roegner and members of the Committee, thank you for the opportunity to provide testimony on Senate Bill 269. At this time, I would be happy to answer any questions you or the Committee may have.