

**TESTIMONY TO THE OHIO STATE SENATE SELECT COMMITTEE ON GAMING
BY LIZ SIVER, GENERAL MANAGER OF NEOPOLLARD INTERACTIVE
IN SUPPORT OF ADVANCING THE OHIO LOTTERY CONTRACT FOR INTERNET LOTTERY**

Good Afternoon Chairman Schuring, Vice-Chair Manning, and honorable members of the Committee.

My name is Liz Siver and I'm a Dayton Flyer and current General Manager for NeoPollard Interactive, or NPi for short, the award-winning supplier of the most profitable iLottery programs in North America. I want to start by thanking you for this opportunity to submit testimony about the benefits of an iLottery partnership with NPi and to use this forum to ask for the Controlling Board's approval of our iLottery contract with the Ohio Lottery Commission which was awarded to us after a competitive bidding process 17 months ago.

NPi is a recognized leader in the lottery industry, and is uniquely positioned as the only partner to U.S. lotteries that is focused solely on iLottery. Our strength lies in our fully turnkey iLottery solution that delivers all of the requisite technology, operational services, and game content needed to design and deploy industry-best iLottery programs that generate strong incremental revenue through the online channel. We are proud to serve the leaders in the online lottery space today, including the Michigan, Virginia, New Hampshire, and North Carolina lotteries, that together generate nearly 70% of all iLottery sales in the U.S.

The Ohio Lottery recognizes our proven record of success. Under Ohio administrative law, the Ohio Lottery Commission has the authority to make rules relating to sales via internet and mobile channels, and over 17 months ago, NPi was chosen as the successful bidder to the Ohio Lottery Commission's 2019 Request for Proposals (RFP Number: RFP01128) for An Integrated iLottery System. Following a thorough competitive procurement that included both a Request for Information and Request for Proposals, NPi was selected as the Ohio Lottery Commission's partner of choice in September 2019 and deemed to be the best equipped supplier to generate \$100 million in net profit in the first year of operations.

Since that time, however, NPi's contract remains unapproved by the State's Controlling Board, having been pulled from the agenda in October of 2019. By appearing before you today, it is our goal to see this contract approved so that we can deliver on the Lottery's mission to generate \$100 million in net profit through this program to support education in Ohio, and, at the same time, offer entertaining gaming experiences to Ohioans.

With four U.S. iLottery programs operational within NPi’s network, and one Canadian deployment, NPi is not only the most experienced iLottery partner, but also the most capable of driving success through the online channel—in fact, we built the formula for success. In 2014, NPi launched what would become the most successful iLottery program in North America with your neighbors at the Michigan Lottery, which remains our longest standing partnership. By 2019, the Michigan Lottery had quickly ascended to become the first iLottery operator in the U.S. to generate \$1 billion in cumulative sales through the online channel. In fiscal year 2020 alone, Michigan’s iLottery program generated a record-breaking \$220 million in net profit. Since the program’s inception, the Michigan Lottery has earned more than half a billion dollars in incremental net profit for the state’s School Aid Fund that would not have been realized without iLottery. Due to this incredible success, the model we built in Michigan has become the industry benchmark for how to successfully deploy and operate an iLottery program, while adhering to the highest standards for security and social responsibility. This is the model we would help deploy in Ohio.

It is important to emphasize that the Michigan Lottery has also experienced significant year-over-year growth in retail lottery sales since introducing iLottery six years ago. In terms of instant tickets, retail sales in Michigan have grown by over 150% since iLottery launched, proving that the introduction of an iLottery program does not



Figure 1. Retail Instant Sales Growth in iLottery States (above)

cannibalize retail sales, but rather complements the established retail lottery business (Figure 1).

As seen in the broader retail industry, most major brick-and-mortar retailers have an online presence and/or mobile app available. This is because retail and digital sales channels support one another. 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, players have an opportunity to try a game and learn how to play, and that experience carries over to retail.

To this point, we understand the concerns retailers often voice regarding the impact of iLottery on their sales. However, based on a decade of historical data since the launch of the first iLottery offering in the

U.S., there is simply no evidence that iLottery cannibalizes retail sales. Rather, the data shows a proven record of increased performance in retail sales following the introduction of iLottery.

We also firmly believe that, like most major retail businesses, lotteries must evolve to meet consumer demand. It’s no secret that, while consumer behavior has been shifting online for quite some time, the current global health crisis has accelerated the need for companies to get their products directly to their customers, not only to offer better service and convenience, but to also ensure the health and safety of their patrons. The iLottery channel presents lotteries with new opportunities for sales and revenue generation because it attracts a technologically proficient market that is already comfortable making online purchases.

As we’ve shown, iLottery is a proven strategy to generate significant, sustainable revenues, and we are confident that we can help the Ohio Lottery generate \$100 million in net profit in the first year of operations. This is exactly the reason we were chosen by the Ohio Lottery in 2019 to be the iLottery partner for the state of Ohio. In fact, our research shows that introducing an online distribution channel for the Ohio Lottery will generate more revenue for the State of Ohio than sports betting, a subject being considered by this committee, since every dollar wagered on iLottery generates nearly three times more revenue than a dollar wagered on sports betting. Unlike sports betting, which operates on slim margins and even smaller tax

rates (Figure 2), iLottery is a revenue generation opportunity that does not require any legislative change in Ohio and will return 100% of revenues after operating expenses to the State’s education programs. It should be noted, however, that the gaming landscape is more than capable of accommodating both iLottery and sports betting channels—we’ve seen first-hand through our partnerships in New Hampshire and, most recently, in Michigan, that the revenue potential of pursuing both options is complementary.

Comparison in Millions	Sports Betting ²	iLottery
Handle (Bets)	\$931.6	\$182.1
Hold (Net Revenue)	\$50.6	\$21.8
Hold % (Profitability)	5.4%	12%
Return to State	\$6.2	\$17.4

Figure 2. Profitability of Sports Betting in New Jersey v. iLottery in Michigan. November 2020 comparison. November sports betting figures in New Jersey were an “all-time high for handle in any state for the fourth straight month.”



Approval from the Controlling Board is the last step required to deploy iLottery in Ohio. NPi stands ready to deploy our proven solution and begin the important work of generating \$100 million to support the Governor's mission to build strong schools and invest in Ohio's students and communities through gaming innovation.

I want to thank the Committee for its time today. I will be happy to address any questions the Committee may have.

Sincerely,

Liz Siver
General Manager
NeoPollard Interactive

