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State Lotteries Looking For Winning iLottery Argument

Retailers continue to pose biggest opposition to iLottery legalization

Maryland preparing formal study on iLottery, iGaming possibilities

Lottery directors, execs debate merits of lottery courier operations

The reluctance of most U.S. states to permit digital lottery programs has left state lotteries searching for the right narrative to change hearts and minds of policymakers and allow them to modernize.

Despite successful results in states such as Michigan, Pennsylvania, and New Hampshire, which all boast significant iLottery programs but have seen a concurrent increase of retail sales, retailer organizations continue to pose the biggest **opposition** to attempts to launch online lottery operations.

“We want to convince them that this is the right thing,” said Jim Carey, director of the New Jersey Lottery. “What we want them to realize is there’s a whole slew of people out there and lottery is not relevant to them, and there are people that are under 35.”

“People, young people, do everything on their phones, they can go to their phones, and they can play video games, they can go to their phones and buy anything they want,” he continued. “It’s only natural, if you’re a consumer facing business, you have to have a real online presence, and lotteries need to do that.”

To date, 12 states plus the District of Columbia have either launched some type of iLottery program, ranging from the sale of draw games to a larger suite of products, or have received legislative authorization to do so.

The New Jersey Lottery Commission proposed new regulations last September to permit the state lottery to sell tickets for draw games online, although those rules have not yet been incorporated into the state's administrative code.

Maryland Lottery director John Martin said that in the aftermath of the U.S. Department of Justice's initial advisory opinion regarding the federal Wire Act in 2010, many state lotteries were quick to look for an opportunity to launch online, but ultimately were unsuccessful.

"Many of them failed horribly and never got out of the blocks because of the power of the retailer associations to put up this false front that we just all quickly retreated from," Martin said. "The comeback typically from retailers is not fact-based; it's anecdotal, it's hearsay, it's the fear.

"I hate to put it on lobbyists and legislators, but people are conveying a story that may not be the reality, and it's incumbent on us to get that share-of-mind and audience and be our own lobbyists if we need to, to make sure that the people in our state governments are well aware of what the impact truly is," Martin added.

Martin said that the Maryland Lottery will soon begin the process of selecting a vendor to study the potential of adding online casino and/or online lottery games in Maryland, which is expected to be considered by lawmakers during the 2024 legislative session for a potential voter referendum.

"As millennials are getting a little older too, right, as we get towards our 30s and 40s, you still have to reach us digitally," said Merv Huber, vice president of digital growth for Scientific Games. "You're gonna have to meet us at our screen to introduce [millennials and younger players to lottery games]; it's not just a natural progression to fall into lottery.

"This is intuitively obvious, and so what I think retailers should be scared of is that their state won't modernize, and they're going to be missing out on that generation to introduce them to traditional lottery products that this generation otherwise hasn't engaged with."

Lottery Couriers An Online Alternative

One alternative to launching iLottery programs for states has been permitting lottery couriers, such as Jackpocket or Lotto.com, to sell tickets online by receiving orders from players through mobile apps and then purchasing tickets which are then uploaded to player accounts.

New Jersey is one of two states to officially license and regulate lottery couriers, along with New York, but leading courier services are active in more than a dozen states.

"In New Jersey, the legislature chose to allow couriers to operate, and that's a good thing,

because what we've done in New Jersey, like New York is we've set up a vigorous, real regulatory system to make sure that the couriers operate responsibly, they operate understanding how important the New Jersey brand is, and that we're working with them and keeping an eye on them," Carey said.

"So they're our partners, just like any other retailer," he added. "They're a little bit different than our other retailers, because they're operating at a scale that's completely different than most of our retailers, but they're operating professionally, securely and soundly, and I have a lot of confidence in them."

UK-based gaming consultant William Scott, however, questions the reliance of states on lottery couriers rather than implementing their own programs.

"I can understand why they exist because legislators are nervous about any problems happening out there," Scott said. "But I still say if one of the courier companies does something wrong in New Jersey, the regulator is going to be blamed. I don't think they get away from not being blamed, they might as well do it themselves.

"To me coming into a country which is allegedly the most advanced or is one of the most advanced from a technological perspective, for not every lottery to be doing this is bizarre," Scott said.

Scott and Huber also pointed out that by states running their own online programs, they gain greater information about their players which can then be used for both marketing and responsible gaming purposes.

"If you get information on a player, you know that a player's overspending," Scott said. "If he goes to a retailer, he can do whatever the hell he wants, because the retailer goes, I'm getting 5 percent commission, I'm happy with someone doing it."

"When you learn more about those players, and you have an in-depth CRM program, you can actually drive that player to retail when they otherwise would not have actually gone to retail to make those purchases," added Huber.

"That's why you see in the data, right, every state that has launched iLottery sales has accelerated the pace of growth of their retail sales," Huber continued. "It's not magic; there's marketing behind it, learning about those players."

Each of the lottery directors and experts was speaking during a panel discussion at last month's SBC Summit North America in New Jersey on the future of lotteries in the U.S.

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