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TESTIMONY BEFORE NEW JERSEY ASSEMBLY TOURISM, GAMING  
AND THE ARTS COMMITTEE

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Thank you, Mr. Chairman, members of the committee and staff. My name is Michael Pollock. I am managing director of Spectrum Gaming Group, a research and analysis firm that has performed work throughout the United States and around the world in all aspects of gaming, including casinos and lotteries. We have worked for state lotteries in markets ranging from Georgia and West Virginia to Ohio, Maryland and Rhode Island, and our work includes a pioneering study in Massachusetts on the potential impacts of online lottery sales.

We also serve as Executive Director for the National Council of Legislators from Gaming States (NCLGS), a non-partisan organization of elected state representatives from throughout the United States who are committed to pursuing best practices in gaming.

We are proud to note that we are based in New Jersey, and New Jersey has a global reputation for effective regulation.

I am here today to testify on behalf of Assembly Bill 4018 with respect to addressing one specific issue that has been raised: If the services authorized by this legislation – which does not in any way authorize an online lottery – ultimately lead to consideration of online lottery sales in New Jersey, will that have a detrimental impact on the state's lottery retailers?

Four years ago this very month, we released our Massachusetts report, which suggested that an online lottery could – and must – be developed with the interests of retailers in mind. We had no track record to review in the United States at that time, and simply projected that such a goal could be achieved, with careful planning.

Four years later, we can review data, and we find that the reality supports our projections. A handful of states, including New Jersey, offer some modest form of online sales, usually focusing on the draw games that offer jackpot prizes.

Michigan, however, offers the most telling example, as it provides an arguably ambitious, full-blown online lottery experience, and has a two-year track record to analyze. For purposes of this testimony, we focus on the instant-ticket

sales at brick-and-mortar retailers, which would clearly be the most vulnerable to any potential online cannibalization.

- In fiscal year 2016, which ended September 30<sup>th</sup>, Michigan reported record instant game sales of \$1.1 billion, the second consecutive year in which sales topped \$1 billion.
- In percentage terms, instant game sales at retailers rose 11 percent in 2015, the first full year in which online games were available. That percentage increased to more than 12 percent in 2016.
- More important, from the standpoint of lottery retailers, commissions in 2016 reached a record \$231.7 million, breaking the 2015 record of \$203.6 million.

These numbers are counter-intuitive, and beg the critical question: Why? How can sales and commissions at brick-and-mortar retailers grow, when a more convenient alternative is available?

The core answer to that question is that the people who are spending money online, taking advantage of the technology and the convenience offered by online sales, are largely not the same people who have traditionally bought lottery tickets at retailers.

The research to date indicates that the people who purchase lottery tickets at stores, and who buy coffee, doughnuts, cigarettes and other items from retailers are still doing so, while new technologies allow lotteries to tap new, largely younger demographics and grow overall lottery sales, and with the added bonus of cross-marketing, can actually grow retailer sales and commissions as well.

We fully understand and respect the concerns of lottery retailers, who are a critical component of any state lottery, but the record to date in the United States – and indeed around the world – shows that retail and online sales can co-exist peacefully and profitably.

I thank you for this opportunity.