



## **Internet Gaming**

A summary of Internet Gaming start up if implemented in the state of New Hampshire.

November 3, 2009

## Internet Gaming (instant lottery tickets)

Traditional instant ticket lottery games are purchased through licensed retailers and then played immediately or at a later time wherever the player desires. All winning tickets are later redeemed at any of the 1,200 licensed retailers. This distribution method has remain virtually unchanged since instant lottery tickets were first sold in the United States in 1974. Today's lottery players are comfortable with computers, the internet, cell phones and a host of interactive gaming experiences, and naturally demand a more up to date lottery gaming experience.

The NHLC and other lotteries have successfully developed their web sites to engage players with lottery products, but none of the lotteries have yet to offer a true internet gaming experience. A few years ago the NHLC became the first lottery to allow players to enter any non-winning NHLC ticket for points, and allowed players to selectively enter those points into weekly, monthly and quarterly drawings.

A few lotteries have "entertainment only" games available for internet play. All are free of charge, do not offer cash prizes, and are for entertainment purposes only:

1. *The Minnesota Lottery's Poker game found at [www.luckymn.com](http://www.luckymn.com).*
2. *GTECH (a leading lottery gaming system and instant ticket vendor) offers a new "Game Lounge" tied to instant game products. Trial games can be found at [www.futurelotteries.com/GtecPortal/us/index.jsp](http://www.futurelotteries.com/GtecPortal/us/index.jsp).*
3. *Intralot (another leading lottery gaming system vendor) offers internet games based on instant game products and casino or numbers game products. A brief summary can be found at [www.intralot.com](http://www.intralot.com). On the left side of the page under the heading "Integrated Systems" click on "Games", then click on "Download the games brochure". A PDF file will then open.*

It is now time to allow players to interact with instant ticket games to experience a broader gaming experience. Research is now being conducted that would allow players to use their home computers or cell phones to play "instant" games offered by the NHLC. Players would still purchase from a retailer a ticket for a value of plays. At some later point in time players would go to the NHLC's website and play the value of games choosing from a variety of instant game themes. Players would then return to any licensed NHLC retailer to collect their prizes won.

### Timeline:

If New Hampshire were to introduce internet gaming the following will be required to provide minimum time needed to successfully launch the product. A very aggressive timeline could take four months from the date the lottery starts to develop specifications. All estimated timelines are based on historical product launches and assume no delays.

1. Up to 4 weeks to develop software specifications with the lottery's existing gaming and website vendors. Specs would cover:
  - a. games' design,

- b. game play,
  - c. prize structures,
  - d. player interaction,
  - e. security,
  - f. internet interface with lottery gaming system,
  - g. account play
  - h. retailer sales terminal specifications,
  - i. financial reporting.
    - i. During the development of specifications, advertising and marketing will be separately developed to support the new product line.
- 2. Following final specs, up to one week for final legal review of internet gaming specifications.
- 3. Following final legal review, up to eight weeks for gaming system software development.
  - a. During the software development period, software to integrate the lottery's website to the gaming system will also be developed.
- 4. Following software development, up to two weeks for software testing.
- 5. Following software testing, up to one week for final issue resolution.
- 6. Advertising for the new product line will begin two weeks prior to launch date and will continue for two weeks after launch. Maintenance advertising will run periodically throughout the year.

**State Expenses to launch Internet gaming operations:**

- 1. It is assumed that hardware/software costs to support the development, launch and maintenance of the internet gaming product will be at the same rate as the lottery's contract with its online gaming vendor as of July 1, 2010 (1.435% of gross sales).
- 2. There will be some minor web site development costs.
- 3. Some additional lottery staff may be needed to manage day to day operations of the internet game depending on the scope of services provided by vendors, number of games offered, and the ultimate success of the program.
- 4. Estimated advertising costs are \$300,000 the first year to launch the product and some media maintenance.

**State Revenues from Internet gaming operations:**

- 1. No U.S. lottery has implemented an internet lottery game making it difficult to estimate sales.
- 2. While no lottery sells internet games, most lotteries have "VIP clubs" offered through their websites that engage their players through various internet activities. The New Hampshire Lottery's "Replay"® program is by far the most innovative and engaging VIP style club in the U.S. with well over 100,000 members representing almost 10% of New Hampshire's total population.

3. Replay members enter approximately 200,000 non-winning tickets weekly in to the Replay program for opportunities to win extra prizes at no additional cost.
4. The New Hampshire Lottery already sells Powerball and Megabucks subscriptions through its website.
5. Although there is no direct comparative sales numbers to estimate sales, there is no doubt that New Hampshire Lottery players are already familiar with and engaging in internet transactions with the lottery, therefore, it is assumed that an internet game should attract a good following.
6. The internet games will be based on the lottery's very successful instant scratch games which, in FY 09, sold \$170 million.
7. It is estimated that \$18.3 million in gross sales and \$5.3 million in net revenue for a full year could be generated from internet sales. Due to the different game play, it is further believed that there will be very little cannibalization of sales from other lottery products.