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**Wendy Knight, Commissioner**

### **Digital Lottery Modernization**

#### **What is digital lottery modernization?**

Digital lottery enables access to lottery products via mobile devices or web browsers. These lottery products include draw-based games such as Powerball and Megabucks, as well as e-instant games that resemble traditional instant scratch tickets. Enabling access to lottery products through digital channels ensures that Vermont Lottery is keeping pace with changing consumer demands and trends, ensuring continued contributions to the Vermont Education Fund.

No less than 15 jurisdictions currently offer digital access to lottery products, though the specific array of available products varies across jurisdictions. Participating jurisdictions include New Hampshire, North Dakota, Massachusetts, Illinois, Michigan, Kentucky, Georgia, West Virginia, North Carolina, Virginia, and Washington, D.C.

#### **How does it work?**

Players will access digital product offerings via the Vermont Lottery website or mobile application. Once they have created an account, they can browse available products, make a selection, and play their selected game. Winnings are credited to the player's account via a digital wallet and can be used to purchase additional products or be withdrawn ("cashed out.")

#### **Why modernize?**

##### **Access**

Digital lottery offerings will increase access for both current and future Vermont Lottery players. Vermont Lottery players currently access lottery products through retail agents and through a limited subscription service. Digital offerings will supplement the current physical retail ecosystem.

##### **Innovation**

As with the introduction and wide adoption of e-commerce, online banking, and digital wallets, lotteries have begun to create and operate digital lottery platforms. Similar to other digital innovations, digital lottery keeps pace with changing consumer demands and trends. This innovation decreases separation between lotteries and their players, as the digital platforms enable a direct business-to-consumer (B2C) channel. This B2C channel allows better customer service and player security and creates more direct marketing and segmentation channels.

##### **New Players**

Digital lottery platforms attract new players by meeting customers where they already are – online and on mobile devices. This reduces barriers to participation and modernizes the





player experience. Interactive platforms appeal especially to younger, digital-native adults who are less likely to engage with traditional lottery retail, but are comfortable with secure online transactions, account-based play, and personalized experiences. By offering convenient access and targeted promotions, digital lottery platforms expand the overall player base over time rather than shifting existing players, helping lotteries reach new demographics while strengthening long-term engagement and sustainability. Data from states that have implemented digital lottery platforms have shown that this is true, with users on digital platforms trending younger than traditional retail players.

### Safeguards

Digital lottery platforms enable additional player safety mechanisms, like those used for online sports wagering. Players could implement timeout periods, access Vermont's voluntary self-exclusion list, and access responsible gaming resources. Know Your Customer (KYC) data from player accounts would give the Department of Liquor and Lottery and the Department of Mental Health clearer means to identify and combat problem gambling.

### Revenue Generation

Cost Assumptions: Revenue Share: 70% Lottery / 30% Vendor.

Lottery Staffing Needs: Lottery to hire 1 personnel as Program Manager.

Post-launch, NH saw a 2% increase in retail sales compared to pre-launch.

	<b>Conservative Revenue</b>	<b>Vendor share (30/70)</b>	<b>Additional Staff cost to DLL*</b>	<b>Net revenue to lottery</b>
<b>Year One</b>	\$3,500,000	\$1,050,000	\$123,489	\$2,326,511
<b>Year Two</b>	\$7,000,000	\$2,100,000	\$127,811	\$4,772,189
<b>Year Three</b>	\$14,200,000	\$4,260,000	\$132,284	\$9,807,716

\* - based on current Lottery Games Manager position (1 FTE)

Note: "NGR" represents Net Gaming Revenue and "DBG" represents Draw-Based Games

In states that have implemented digital lottery platforms, such as Michigan and Pennsylvania, sales for traditional retail lottery increased steadily. Rather than cannibalizing traditional retail sales, digital access to lottery products has a positive impact on foot traffic to retail locations and can boost retail sales. States that have implemented digital lottery platforms consistently observe that online platforms attract new and lapsed players, many of whom later engage with in-store lottery products. Account-based play, digital promotions, and coordinated marketing campaigns can direct players to retail locations for ticket purchases, prize claims, and complementary products to increase foot traffic and total basket size. Some states have also implemented additional revenue-sharing agreements, wherein lottery agents receive a flat percentage share of all digital lottery sales.

