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PGRI Introduction: The gambling industry has come around to being fully player-centric and market-driven. Gaming operators all around the world are looking to their commercial partners to enable them to deliver the gaming experience that will delight the next generation of consumers. The challenges are many, but the industry is rich with potential to innovate, add value, and enhance the player experience. Regulations are evolving more quickly than ever, but technological capabilities continue to increase at an even faster rate in a race to keep up with consumer expectations.

SPIELO International has been at the forefront of all of these trends. Their server-based platform is an industry leader and positions them to meet the needs for a wider variety of operators than ever. Their focus on the player, and developing the game content that consumers want to play, is winning new contracts and driving double-digit growth in all sectors. Next up: integrating internet and electronic gaming technological platforms to deliver the ultimate in a multi-channel gaming experience. The consumer is ready for it, and now the industry is ready to deliver it.

Paul Jason, Public Gaming: *ATRONIC and SPIELO have integrated to become SPIELO International, and now GTECH G2 is under the SPIELO International umbrella. To what extent does this serve an internal management structure objective (perhaps because they want a great executive to lead all three); or is it serving a strategic purpose to bring these different game categories together?*

Walter Bugno: It's not about me or about internal management structures at all. It's all about serving the customer. The first step in this process was to unite the SPIELO and ATRONIC brands. The purchase of ATRONIC was completed in 2008. At the time, ATRONIC was perceived as a supplier to commercial gaming markets and SPIELO the supplier to the government gaming operators. The acquisition made sense because it enabled us to leverage the strengths of each to create a superior product. Operationally, there were many logistical synergies that derived from integrating ATRONIC with SPIELO. Merging the functional business divisions of manufacturing, sales, marketing, administration, etc., created significant cost savings that were re-routed to market research and customer support. In the end, it's about allocating resources to deliver maximum value to the customer, and that is what all our efforts are geared towards.

We kept both brands, ATRONIC and SPIELO, for a while because they each had value in their respective market segments. But then we immediately set about the business of integrating the technological and product development assets so that all the customers, both the commercial casino operator and the government-gaming operator, would enjoy the benefit of the very best we had to offer. Once that was completed, there were no longer any material distinctions between the two brands with regards to technology and product development. Coincident with that, the markets are evolving such that the distinction between commercial casino gaming and electronic games for government-sponsored gaming are less relevant than they may have been at one time. In many ways, the markets are much more varied than they used to be, so to think of it as separated into just the two markets no longer served a purpose, or helped us to serve our customers. The markets are more varied from a brand management point of view, but the requirements of the different gaming sectors were converging, especially in the sense that the commercial sector wanted the increased functionality that comes from a server-based platform. The higher standards that government applied to reporting and auditing are being required by everyone now, and the technologies behind this kind of server-based system now are being used to support increasingly sophisticated Customer Relationship Management and marketing programs. For one thing, more and more governments are expanding into the casino sector themselves, as well as the distributed venue model for electronic games. It made sense to make SPIELO's advanced central monitoring and player account management systems available to all our customers everywhere.

Is SPIELO International able to assimilate and move into the commercial casino gambling space that was previously owned by ATRONIC?

W. Bugno: We've already done that in a big way. Our growth in Europe last year, in a tough economic environment, was 35%. This year we're growing at an even faster rate. In South America, we doubled our business last year. This year we're not quite doubling again, but very close. Our North American presence in the casino sector is growing and we've entered aggressively into what we call the recurring revenue business in the casino sector. Recurring revenue refers to gaming machines, systems or content placed in market for compensation over time. We retain ownership and receive a fixed fee or a percentage based on performance of the machines or game content. In this model, opera-

tors appreciate not having to outlay a lot of capital upfront while reaping the benefits of the product's or game's performance.

So we are starting to see the fruits of our focus on developing great content, because that's what drives the business. It is all about giving the players the games they want to play.

There is a convergence of product between the two sectors as well. About 78% of our product is common to both the casino gaming market and the VLT market. A lot of the games that we developed either for the casino sector or for the VLT sector can now be ported across each sector with some minor changes. Play styles and motivations are converging. All of this has led us to change our focus from traditional distinctions between casino and VLTs, with a greater emphasis on building an intimate understanding of what players want, and delivering content and products based on that.

Why put G2, the internet gaming division, under the SPIELO International umbrella?

W. Bugno: The decision to bring GTECH G2 into the SPIELO International division was driven by how we interpret the opportunities and the needs in the marketplace, and how we think we can leverage some of the great assets that we have across our three different business units to better serve our customer. Keep in mind that ours is a B2B business. Our customer is the operator, not the consumer. Our ability to serve the operator is greatly enhanced by being able to integrate electronic games and internet gaming. And the need to do that is being driven by the consumer.

The consumer is now interacting with gaming operators on many different levels, in many different venues and media. Operators need to be where the consumer is, and so are moving into all varieties of venues and media. Operators depend on their commercial partners to support their efforts to deliver value to the consumer, and that means having their games available wherever the players want to play. That includes the internet, casinos, and distributed gaming venues. That's why integrating our GTECH G2 internet gaming assets with the electronic gaming assets of SPIELO International is the logical way to support our customers' needs.

We are finding that it is not just about efficiency and cost savings that yield more funds for market research, customer support, and product development. It is also about integrating the products and services together to deliver a better player experi-

ence. As we channeled more investment into market research to better understand the players, we began to discover more and more ways to innovate with our products and improve the player experience. That resulted in more funding for R & D so that we could build the next generation products and keep our customers ahead of the curve.

You're winning new contracts every month, so the strategy appears to be working.

W. Bugno: Absolutely. Combining GTECH G2 interactive with the land-based electronic games business is yielding tremendous synergies for our customers and resulting in quite interesting improvements to the consumer experience and the ability of the operator to turn an anonymous segment of electronic games players into a loyal and connected customer base. We are finding that this convergence of channels is yielding huge benefits to both consumer and operator. The consumer wants access to the games through all different media. Meeting that demand is opening up whole new vistas for the operator. Operators are accessing new consumer segments that may have preferred one or the other channel. And the multiple channel approach is creating a more connected base of loyal, repeat customers.

Bringing the different asset groups under the SPIELO International umbrella is about much more than providing the operator with a one-stop turn-key solution. I would think the convergence of channels needs to be integrated, both logistically from the operator side, and also from the player-experience side.

W. Bugno: It is much more cost-effective for the operator to depend on their current commercial partner to provide the technologies and solutions that integrate the various channels operationally. The new frontier for gaming operators is to build platforms that fully integrate i-gaming with electronic games. By designing the user interface and protocols for ease of use and easy migration from one channel to another, it greatly enhances the entire player experience. And it enables us to deliver greater value to the operator, because the content that we develop for one channel can be implemented across all channels. It is all about delivering great games to the consumer and making them as accessible as possible. We are simply pooling our capabilities and resources to create and deliver great content to the player. And yes, the benefits of this are being recognized by the operators in the marketplace all around the world.

The government gaming sector has higher standards of performance than the commercial casino sector. How has SPIELO International's focus on serving the government gaming sector influenced its product development and capabilities?

W. Bugno: I would clarify that statement to say that while the government requires higher standards of reporting and responsible gaming and other aspects of operational control, the industry has very high quality standards across all sectors. The distributed gaming markets are an example of how our experience in government gaming has prepared SPIELO International for the most progressive new installations. The casino industry has been talking for years about server-based gaming, with a central server to support an entire casino floor. We have a server-based system that supports an entire country: Italy. SPIELO International is the industry leader when it comes to sever-based platforms to support a system where a small number of units are installed in a large number of facilities over a big geographical region. And that is because we have been fine-tuning that technology for many years in the course of serving the government gaming markets.

Just as importantly, though, is that our game content and casino products are now also top tier. We have casino installations throughout the U.S. and Canada, such as Nevada, New Jersey, California, Pennsylvania, Maryland, Rhode Island, New York, Delaware, Ontario and Alberta, as well as in all major international casino markets throughout Europe, Latin America and Africa, and we continue to grow.

An example of where the transference of higher standards has flowed in the other direction is Player Loyalty and Rewards programs. The commercial casino sector was, and is, far ahead of the government gaming sector in their approach to Customer Relationship Management (CRM). CRM is now becoming an important theme in the public gaming sector. Responsible gaming and more rigorous reporting and auditing are being adopted in the casinos sector, and a more player-focused approach to building a loyal customer base is being adopted by the government-gaming sector. This transference of themes across the sectors will not result in one big homogenous marketplace, but actually an even wider variety of smaller differentiators that represent the priorities of each jurisdiction and market. Everyone everywhere will have access to

the highest quality in all things – product, central server, game content, etc. Now the challenge will be to customize for the individual needs of the public policy, operational, and specific marketing objectives.

Are there some universal player-centric themes that will be a part of all operators strategies?

W. Bugno: We think that enabling multi-channel consumer access will be central to everyone's strategies. That is why our mission is to enable more people to play our games than ever before, anytime, anywhere, and on any device. And when you dissect that mission statement of ours, there are a couple of themes that resonate. The first one is that we firmly believe that gaming in the future will be a multi-channel experience for most people. We do not believe that consumers will remain fixed on only one channel of distribution. It will be interesting to see how much the player migrates the same gaming experience across multiple channels. There is the online poker player who may be sitting at home, playing on her PC. Her friends come over but she wants to finish her game while she visits with them, so she continues to play by transferring the game over to her iPad. Then they go out for dinner and she continues to play on her iPhone. That's one thing. It will be easy for the online player to transit across from one device to another. The thing to watch, because it will be more challenging, is the land-based casino player who wants to migrate to his home device. He's playing in a casino, and wants to win the progressive jackpot but has to go home. So he goes home and logs into the same game on his PC or iPad or iPhone or Android device. That is not happening at the moment, but will be soon. You can now play the same title on a different device at a different time, but not the same game.

Our goal is to make the experience truly seamless. But again, the driver for this convergence is the consumer who will want to play multiple channels on multiple devices. And operators want to be able to understand what the player is doing, and communicate directly with the player, as the player moves across those devices. The industry buzzword is "single view of the player." This enables operators to manage a relationship with the player that is coordinated across all different media and channels. The CRM programs that deliver rewards and messaging to the players is implemented across all different channels, from the iPhone to the electronic game on the casino floor. The operator wants this single view of the player, but the player also wants a seamless playing experience that makes it super-easy to migrate from one channel to another, giving her access to the same games, as well as access to her personal account that manages the rewards system. And she wants all of this with a player user interface that is user-friendly, and that has a familiar look and feel with its menus and navigational protocols.

Do you see the growth rate continuing at the same double digit + rates?

W. Bugno: Our interactive division, GTECH G2, is entering a very exciting phase. All around the world, online gaming is growing and changing with new game concepts and new ways to integrate the interactive experience with other channels and media. And when you look at the global market, you recognize that there are still many large markets that have yet to even legalize and regulate online gaming, the United States being the most prominent case in point. And even in the markets where online gaming is more developed, like Western Europe, it is still a relatively small share of the market in terms of revenue, and small in terms of exploiting the full potential, because interactive gaming will evolve over time. Even there, the market is still in its infancy, and yet we can see that interactive gaming will have a dramatic impact on the entire industry. Everyone can see the potential for it to completely change the player experience. And as regulatory frameworks evolve and the player adoption of the new technologies evolves, completely new opportunities for adding value will become apparent. That represents a huge opportunity for us to enhance the player experience by creating this new world of interactive gaming. Social gaming is huge in the popular non-money game world. It's only a matter of time before casino-style games merge with social gaming, and that will have a huge impact. I would say there is no lack of opportunity for a creative, market-driven company to add value, be a part of these tremendous industry trends, and to grow and expand its own footprint on this exciting industry.

How might social games like Zynga-style games be adapted to casino-style games?

W. Bugno: First, there are numerous regulatory issues to be resolved. But as regards to social gaming, I am not sure that we will see a seamless adoption of Zynga-style games to slot machines. We have games that are social. Bingo is a very social game. Poker would appear to be social because it involves multiple players. But the player experience is pretty much an individual experience in poker. You don't see the chat room lighting up with lots of interaction during a poker game.

However, if we break down social gaming into its constituent parts, there may be ways to integrate the most interesting aspects of social gaming with casino-style gaming. For instance, there is a new game concept called episodic gaming in which the player progresses through stages, and can interrupt the play and continue the next day. The player logs on, enters a code, and then picks up where the game left off the previous day or week. That replicates the episodic experience that is a part of most social games.

I would submit that we want to be careful about thinking that we need to become something we are not. People love casino-style games and poker and lottery for what they are. Certainly we need to continue to evolve them and keep them fresh and interesting. But we don't need to become the Farmville of slot machine games. We want to watch carefully and analyze consumer trends to see what is popular, and try to understand what makes it popular. But we need to look even more carefully at gaming industry players and make sure that we keep a laser focus on their game styles and preferences, and not assume they all want to play Farmville or Angry Birds. ◆