



Richard Haddrill

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PGRI Introduction: The ICE London show happens the last week of January every year (though being moved to first week of February next year). It is not only the biggest international gaming show, it is also the most important for couple reasons. First, people from all over the world converge on London for an endless series of mini-conferences and meetings. Second, there is so much that is happening in Europe that presages things to come in other parts of the world, like the U.S. Video Lottery and distributed venues, for instance, are now even referred to as the “European model”. Bally Technologies is on the leading edge of this trend, and also the trend towards content and games that extend and enhance the entertainment experience.

Paul Jason, Public Gaming: *The European gambling market is more mature than the U.S. market. How does the European market differ from the U.S. market, and what can U.S. operators learn from the ways that consumer trends are evolving in Europe?*

Richard Haddrill: The average casino size is smaller in Europe than in the U.S. That’s why video products are more prevalent in Europe. With smaller venues, it is more important to streamline technical support and maintenance since many operators can’t have a lot of support staff at each casino. Video makes it easier to change the game content. Instead of changing out mechanical spinning wheels, you just switch out the software inside the cabinet. Switching out the chips makes the conversion process easy, greatly reducing the cost of updating the games. Too, the average wager tends to be smaller in Europe, and the average win-per-game lower. So the longer ROI timeline for the cabinets makes it harder to buy new cabinets as frequently as in high-turnover venues. Video products have lots of advantages, but these cost advantages, more than anything else, make video particularly attractive for the smaller casinos, and especially the bar and tavern market. This all plays to Bally’s strength in video, making us more competitive in the European market.

I can see that. You are getting lots of action at the ICE London show here today! What other advantages does Video Gaming deliver?

R. Haddrill: Keeping the maintenance and

update costs low opens up other opportunities to extend the life of the cabinet. If a particular gaming device is not performing well, you can extend the life by networking it with other games on the floor, using software to add features that get attention and adds appeal for the players. Since Europe is a dominant video market, our picture-in-picture systems technology is very applicable. This technology, called iVIEW DM™, is a player-user-interface and networking technology that allows operators to put bonusing and secondary games across the floor and even between venues. This has proven to create community excitement and increase play.

Your iVIEW and video technology would also support an expansion into new and different types of gaming content, wouldn’t it, by creating a gaming experience that could not really be done with mechanical spinning-reel technology?

R. Haddrill: Absolutely. Our new ALPHA 2 platform with two screens and a very strong engine enables for much more unique and complex bonusing and graphic features. And the iVIEW network creates a whole new gaming experience in itself because it can create floor-wide community gaming experiences. So you could create the kind of energy on a casino floor that is similar to the wave at a sporting event where everybody is experiencing something together, whether it’s a horse-race event or a secondary bonus event. And at the same time you are making it a floor-wide event, you

can personalize the playing experience for individual patrons by matching awards with our player marketing database.

This sounds huge, the ability to tap into the human impulse to want to share experiences with others, to be part of a happening thing.

R. Haddrill: Exactly. Another thing we can do with iVIEW is create floor-wide or configurable tournaments. This is huge. In fact, in the next couple of weeks we’re going to be doing the world’s largest tournament with the Pechanga Resort & Casino with over a thousand people participating in that tournament. {Editor’s note: After this interview, on February 11, 2012 Pechanga did indeed win a Guinness World Records® certificate for the ‘World’s Largest Slot Tournament,’ and Bally also earned a Guinness World Records achievement for ‘most slot machines running the same game simultaneously at the same venue.’ It was Bally’s iVIEW DM and Elite Bonusing Suite technology that enabled this landmark event to happen.} And as the tournament progresses, you’ll see leader boards with the leader names being updated in real-time right on the board. And your individual machine will tell you where you stand. You’re number 310 out of 1,000. And you see how your play is resulting in you moving up and down the leader board. So the iVIEW creates this floor-wide experience and at the same time, makes it personal so that you can share with your friends on Facebook how you did with that event.

People go to casinos because they enjoy the

social experience of being with other people, playing with other people. Bally's iVIEW takes that to a new level of allowing patrons to participate with hundreds of other participants in the casino.

Bally's interactive and mobile division promises to integrate a cross-platform solution for its core casino patron - taking the video experience and putting it online as well and give the operator the single view of the player. So let's first talk about it from the operator point of view, then from the player experience point of view.

R. Haddrill: We look at mobile as being every bit as big as the internet for the gaming industry; possibly even bigger. Today we can deliver the most advanced mobile applications to enable the casino to communicate directly with its patrons through their cell phones. Our custom, cloud-based mobile apps offer everything from special offers and promotions to events happening on the casino floor, to entertainment and dining options and social-media communications. Players can access maps that show where all the different games are located and events are happening, schedules of events, shows and tournaments, general info so the guest knows who to contact and where to go for all guest services, all on our mobile platform. We now have more than three million players on our casino mobile apps. Our play-for-free games are very popular. The transition to wagering games will be easily done as enabling legislation makes that legal.

Lotteries have a huge customer base and they are deploying the kinds of outreach programs that successful consumer-services companies have developed. Alerts about jackpot size, closest retailers, and store promotions, and access to second-chance draw applications, can all be pushed to the cell phone. The goal for all the operators is to engage the player in a continual state of communication. It's what the consumer wants. They enjoy that feeling of being connected and being special. We constantly check our cell phone for incoming messages. Players love to see that our trusted lottery operator knows who we are and is staying in touch.

The current emphasis is on these kinds of concierge services. However, we will deliver wager-based games to consumers' cell phones in the near future.

But how about on the internet?

R. Haddrill: Our free-play games are currently very popular in iGaming. Bally's wagering content has been very successful on the casino floor and we are making it available on the internet. Very soon you will see Bally games on social networks as well as approved

wager-based networks. But social free-play will also continue to grow. Bally will announce an i-Gaming and i-poker option within 90 days. But we are ready to ramp up soon, and will be announcing more at our Systems User Conference 9 in early March.

We talked a few months ago about your concept of a universal player user interface. The protocols that the player uses to navigate the website and the appearance of the content itself would be at least somewhat similar to what they see on the casino floor, or on the VLT's, enabling the player to focus more on the experience of playing than trying to figure out how something works.

R. Haddrill: One of our core strengths is the great player-marketing technology that we've enhanced over many years for our casino customers. This enables our customers to know a lot about the preferences and play styles of each individual player, and create a personalized player experience. And like you said, you don't want to lose them over complex player interfaces. You want to make the player experience very easy and as repeatable as possible. This contributes to a customer-retention strategy since it is uncomfortable to switch to a new system and learn it all over again. The key is to make it easy for the player to switch to you and be more likely to stay with you as well. The more consistency you can have across those user interfaces, the more you'll keep them in your family.

Statistics show that internet gamers will switch sites pretty quickly from one to another based on the latest customer acquisition promotions. So you don't want them to come to your site and find it to be complicated to use.

Internet-based gaming would seem to require the player to register. The consumer is happy to do that, aren't they, if they get something for free or receive some benefit or incentive. As consumers, we are anxious to make sure the merchant knows who we are when we book an airline flight because we want our frequent flyer miles.

R. Haddrill: That's a great point. The price the consumer pays to play on the internet is to give up some privacy. That's a reality the consumer has accepted not just in the gaming industry but in all industries. So the consumer is quite used to that and is willing to do that if given an incentive, like free bonus play, a special offer, or a personalized experience in general. The consumer is learning that giving the merchant the ability to customize promotions and specials geared towards their individual preferences is not a bad thing. Players don't want to give up their medical records, but they'll give up their birth date, e-mail address, and some

other basic info and that is all that is needed to track their behavior, customize promotions, and ultimately deliver far more value and entertainment to the consumer.

Working towards the proverbial market of one.

R. Haddrill: That is the whole concept behind our iVIEW network. We couple this player communication and secondary wagering network that goes across the casino floor with the marketing database. We learn about the individual likes and dislikes of each player. So, for example, we know to send a promotion for the Italian restaurant instead of the steak restaurant, if that is your preference. From an responsible gaming point of view, we can give the player a bonus play that can be redeemed the following day, or some other tool to encourage them to take a break. The iVIEW network has self-exclusion and stop-loss tools, but also the ability to instruct a host to visit the player to make sure they are doing okay. We even have the technology to take a facial image and have a player implement personal limits and then enforce based on facial recognition. That level of data enables operators to know more about their patrons and effectively use the data, to make their experience even better.

We have all been under the assumption that there are two different play styles. The lottery player is buying the 'hope and dream', convenience, and impulse. The casino player is focused on the outcome. And the overlap is pretty small. Am I wrong in thinking that social and entertainment games and the technology that is now delivering all varieties of play styles through all different channels is resulting in an increase in that overlap? I'm thinking that the 'hope and dream' player still wants a positive outcome, and the outcome-focused player still wants to indulge in the fun of the hope and dream.

R. Haddrill: Absolutely. Everyone enjoys the thrill of winning money, or even the thrill factor of playing for money whether you win a little or a lot. That would be true for lottery players as well as casino players. And in the casino, we have clearly seen an increase in the popularity of the wide-area progressives that have big jackpots which have more of a life-altering opportunity, similar to the 'hope and dream' that appeals to lottery players, and, lotteries have seen good growth in scratch tickets. So, I do think that as gaming platforms bring about a convergence of the different types of games, and as we get to know the players more, we will continue to evolve the games to appeal to both

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types of play styles, and that we'll see more overlap between lottery and casino gamers.

Perhaps a more interesting area of convergence is between age groups. We think of casino gamers as being older than online gamers. Now, casinos are working hard to appeal to the younger consumer, and older people are gravitating to online gaming. To be successful in the future, both content providers and operators will need to evolve their products to appeal to all different player profiles, through all different media.

Bally is celebrating its 80th anniversary – congratulations. That lengthy tenure would seem to me to reflect a disciplined approach to business fundamentals like making a profit in the short-term, but also evolving with the early adopters and reinventing yourself for long-term success. How do you weigh the trade-off between short-term and long-term objectives?

R. Haddrill: When I look back on the history of Bally over 80 years, there's been one commonality in our culture that we continue to emphasize, and that's innovation. Our history began with arcade innovation and the first electromechanical slot machine, continued with being the first gaming company to go public on the New York Stock Exchange, and now includes true server-based floor-wide gaming with our iVIEW network. The times we've lost our way is when we diversified into areas that did not directly benefit our gaming operator customers, like themes parks, hospitality services, fitness centers, and owning or managing casinos ourselves. What we are best at is technology-driven innovation, creating the best gaming experience for the benefit of the players and our gaming operator customers. Today, that is our total focus. My goal as CEO of Bally Technologies over the last seven years has been to make sure that our innovation DNA gets reinforced for future decades.

Fortunately, these are exciting times of change for the gaming industry – Fertile ground for an innovator to make a real difference. Integrating internet and mobile into the portfolio of gaming operations would seem to be top-of-mind.

R. Haddrill: Internet and mobile are not just channels of distribution. They are new forms of media and we need to create new game concepts to take full advantage of the capabilities of that media, to appeal to the players in new and exciting ways, and hopefully to even bring in completely new consumer groups. It is important that we work as partners with our

customers and focus all our resources on supporting their goals. That means not competing with them by attempting to become an operator ourselves and go direct to the consumer.

The business of delivering an integrated solution would seem to be better served by a smaller team of commercial partners to effectively bring it all together.

R. Haddrill: Absolutely. We are finding that operators and governments want technology providers that are strategic and that they can trust with a larger set of mission-critical functions. Technology has exploded and needs to be rationalized, with interoperability that converts all this technological fire-power into effective results. Operators need trusted commercial partners to make that happen. That is our mission: to be the trusted partner that turns the tremendous power of technological innovation into a better player experience and optimal operating effectiveness.

You seem to be succeeding in some major markets. Like Illinois and Italy. What are some of the attributes of these markets that make them different than others, and how do Bally's products and competencies meet these high standards and expectations?

R. Haddrill: They are both VLT markets with many and relatively few machines in each venue. Bally's technology, our support structure, and products, can really makes a difference. Video technology enables the most efficient updating of game content. The ability to update by switching out software enables the operator to deliver a superlative gaming experience in the more challenging distributed venue model. Italy has a regulatory and technological environment that is more complex than we see in most jurisdictions. The challenge of meeting those high standards has made us a better company and a better commercial partner to all government-gaming operators. There hasn't been a single new vendor approved in Italy in 15 months. And that's because it is so hard to meet the high technological and regulatory standards. So we are pleased and proud to be one of the few that's going to be approved. This VLT trend is especially significant throughout the world in markets such as Canada, Delaware, New York, West Virginia, Rhode Island, Oregon, and South Dakota.

Bally has some really exciting new games, like the Michael Jackson King of Pop, Grease, SKEE-BALL, and Playboy brands. Don't these new games deliver an extended-play type gaming experience such that operators protest that

the velocity diminishes, or the turnover per hour, and therefore the profit, for each console is not as high as it is for the traditional slot style games?

R. Haddrill: These games have entertaining bonus features combined with iconic videos and songs. Features that create a really great entertainment experience. People enjoy the games more; they enjoy learning about the different bonuses and getting to see the different videos. That translates into high occupancy, high entertainment value, and excellent profitability. Everybody wins. The player has a terrific experience and the operator ends up making good money.

It seems like the concept would also appeal from an RG point of view. We want people to think of gaming and gambling as being more recreational and entertainment focused as opposed to trying to spend more and more money with the goal of winning money.

R. Haddrill: These games provide players with a terrific entertainment experience that can be managed within their entertainment budget. We're appealing to people who have a budget for entertainment – not just gaming. These consumers get to place entertainment value on going to dinner, going to a movie, or playing our games. Our industry needs to refine our focus to be more about delivering entertainment and not so much on competing for the gambling dollar.

If World of Warcraft and Zynga type games can attract such attention without delivering the exciting outcome that lottery and VLT's deliver, I would think we should be able to combine what they're doing with a more interesting outcome possibility to create a far more compelling consumer experience.

R. Haddrill: That is exactly what we are trying to do with these new game concepts – combine the thrill of a wagering experience with a great entertainment experience. So that's what games like Michael Jackson and Grease are all about, and that's what our mobile applications are about - trying to make sure that players are feeling energized, having fun, being a part of a community, and interacting with other people if they choose to do that. Bally organized dedicated product-development teams to focus on integrating the concepts that we have been talking about, i.e. entertainment-enhanced games of chance, with new media channels like internet and mobile, and VLT's. Pulling it all together requires sophisticated technology-driven solutions, and that is what we are all about. ♦