

Technology and markets continue to evolve faster than governments and regulators can keep pace. The good news is that governments are less conflicted about whether to regulate gaming. It has become clear to everyone everywhere that the public is going to gamble whether it's properly regulated or not, so you may as well regulate and tax it. As governments take a more progressive approach towards the business of gaming, operators need to be ready to move quickly. Witness the action in Italy and Illinois. Fortunately, their commercial partners are ready with a wealth of new technology that will both comply with the highest regulatory standards and appeal to the next gen' gamer.

Gavin Isaacs

Chief Operating Officer
Bally Technologies



Paul Jason, Public Gaming: *What kinds of innovative products or ideas will you be presenting at G2E?*

Gavin Isaacs: From the game side of the business, our Velocity product was designed specifically with Illinois in mind and is also ready for our other video-gaming markets. The feedback on this product has been so good that we are going to release it as a Class 3 product. It's a multi-game platform available in the very successful V32 cabinet as well as in our new Pro V22/22 platform. The younger player wants quick and easy access to a bigger variety of games. The industry has been able to deliver that variety of games in one terminal, but not in a way that is easy for the player to interact with and use. That's what makes Velocity special. It employs a player-user-interface (PUI) that makes it easy for the player to understand, see the different games, and switch games. Creating a player-friendly, easy-to-use interface that stimulates and appeals to the multi-tasking next gen' gamer is one of the industry's challenge.

Another challenge is delivering content to remote, small-venue locations. Instead of hundreds or even thousands of terminals residing under one roof, you have hundreds of different facilities spread over a large geographic area, each having a small number of units, sometimes less than five terminals. The communications networks in this kind of distributed model must provide central server control of all management and reporting functions as well as, in some instances, the game content. Bally's MultiConnect™ system solution has proven to meet the special needs of this kind of distributed network. It runs across most of the routes in the UK, and is now part of our Italy offering. Additionally, Bally Command Center™ has been optimized to handle game-content management over a wide area/distributed network environment. Bally has done a

lot of development work on building reliable communications technology for this distributed gaming environment. We hope to bring it to more markets, including the VLT markets in Canada.

Also at the top of our agenda is interactive design and technology. The players enjoy a much higher level of interaction with the gaming machines. It can be something simple, like U-Spin, which involves touching the screen on a touch-screen to replicate spinning of the wheel. The future will see even more creative design concepts enabling the player to enjoy a high level of interaction and engagement with the games and with others who are playing multi-player games

And then there's the iDeck™. The conventional way for the player to play games has been by pressing buttons mounted on the front of the machine. These button panels have limited the development of successful games, especially when it comes to central-determination games in the multi-game cabinet. The iDeck eliminates those button panels and has moved those game-related functions to a touch-screen display device, similar in design to the Apple iPad™. This is not only a technologically superior way to deliver downloading ability and flexibility to access different game options, it also is in sync with the user interfaces that the next gen' gamer is most familiar with. Bigger and better graphics, faster and easier downloads, game-changing capability, and a user-friendly touch-screen interface are the benefits we're trying to deliver, and the iDeck is a key component to accomplishing that.

Did you say that Velocity was developed as a video-gaming solution for the government market in Illinois, but that it appealed to your Class 3 customers as well? That's a switch, isn't it – I've always thought of government market terminals as being a little less stimulating for the player than Class 3 gaming machines.

G. Isaacs: Velocity is special in that sense. Our Class 3 customers saw the way it displays the multi-game options and wanted it for their own casino venues. So instead of adding on constraints to max wins, speed of play, and other attributes that sometimes need to be changed to turn a Class 3 machine into a VLT, we need to modify the Velocity in the other direction to make it Class 3 ready. You're right, that is a bit of a switch and is a reflection of the appeal of the Velocity PUI and multi-game capabilities.

My personal frustration with multi-games has always been that 95% of the play is in one denomination, and 85% of that's on one game. What's the point of putting 20 games on a multi-game cabinet when all that's actually played is two or three of those games? Designing a game for the distributed environment required us to reduce the volume of content to stay within bandwidth capabilities. Of course, we wanted to still deliver the same level of enjoyment to the player. So we clarified what really mattered in the multi-game format. We found that the vast majority of the content was not really being used by the player. It's really about quality over quantity, delivering just the right content instead of delivering a big portfolio of stuff that doesn't excite the players. The casino facilities have the central server resident in the same building and so are not constrained by bandwidth limitations. Even so, they see the appeal of a game that focuses in on only the most popular game content. It's funny how the solution to one set of obstacles, in this case overcoming bandwidth limitations, produces a result that delivers ancillary benefits that may actually be even more compelling than the original product concept.

All the games for Velocity, including poker, are 'central-determinant,' correct? The outcome is predetermined and the play itself technically has no bearing on the outcome.

G. Isaacs: In the Illinois market, it is actually an outcome that is determined within the game itself. The beauty of the Velocity platform for central-determinant markets is that you have the flexibility to deliver a game outcome from a server. Ultimately, you want to make the poker-playing experience look and feel like poker regardless of the outcome determination. But the reality is that the outcome is predetermined. Often due to regulatory requirements, we're required to modify the games

to make them a little less stimulating to the player, which is fine. These are public policy and regulatory issues, and our job is to implement according to their rules and agendas, and we're pleased to do that.

What exactly is meant by "systems?" There are the games, and there are the communications networks that connect the games to the central server, etc. So what exactly is meant by "systems business"?

G. Isaacs: Good question, because we believe systems and games are converging and the distinction is becoming blurred. The phrase 'systems business' has traditionally referred to the accounting, marketing, reporting, auditing, and player-tracking functions. Recent innovations in player displays and bonus functions have been integrated into the systems side of the business. And now, as you'll see at G2E, Bally is moving all kinds of different downloading capabilities utilizing our Bally Command Center™. As we move forward, we're continuing to look for ways to add more and more functionality to business systems. The term 'player-centric' is a bit of a cliché, but in this context it means that the integration of additional functionality into the systems side of the business is driven by the goals of enhancing the overall player experience and optimizing the ROI of the machine footprint and casino floor, as opposed to satisfying the need for internal reports and accounting and marketing data.

This integration is being further driven by the need to create great game content for the central-determinant model. The technologies to centrally determine the result and send it to the terminal is essentially a business systems function. And yet it's also an intrinsic part of the game itself. I feel that what makes Bally a leader in the systems business is we truly believe in this process of integration. We're not just adding on functionality as required by the market or the regulator. We see the need to solve systems challenges as an opportunity to enhance performance across all areas of the business. Essentially, we spend a huge amount on R&D to magnify the benefits of all change and innovation, large and small. Central to everything is our conviction that bandwidth will increase and more and more operators will adopt high-speed Ethernet technology. This will accelerate the move to a systems-driven business that enables far more content to be delivered in the more secure confines of a

central command center. The implications of this migration off of the cabinet and to a systems-driven business are enormous. This is a very important part of Bally's philosophy and why we invest so heavily in it.

So, the solution to a particular problem can yield benefits that go far beyond the original objective. And you try to institutionalize that insight to systemically magnify the impact of all your efforts. You would analyze every R & D project to see if there couldn't be a broader application for whatever you develop. For instance, the directive to deliver responsible gaming messages or even develop a more interactive responsible gaming tool to the player might be the impetus to build a robust and interactive customer relations management system that can be leveraged for all kinds of purposes. R & D that might otherwise be thought of as a cost center that delivers no revenue enhancing value can be turned into a profit center.

G. Isaacs: That's it exactly. For instance, we developed Bally Business Intelligence™ years ago as a tool to leverage the data that was being collected to serve the needs of auditors and our own internal-reporting requirements. We started to look at how that data could be used to provide insight into player behavior and operational dynamics that could, in turn, help the operator improve their business. Nobody asked us to do that. We just saw the opportunity to turn that cost center, as you put it, into a profit center for the operator. Bally Business Intelligence™ then became used for marketing and optimizing casino-floor performance. Now it has expanded beyond that to apply to what is becoming a new field of "knowledge management." The business of collecting the data, and then organizing it so that it can be used and applied to the solving of real-world problems, is a massive challenge. Business Intelligence Bally Business Intelligence™ now has an over arching goal of doing just that, using data-mining to inform every aspect of the business.

The regulatory requirement to provide reliable accounting information was the seed that turned into the industry-changing trend towards integration of games and systems. The example of needing to fulfill a regulatory requirement to deliver better responsible gaming tools and using that as a catalyst to upgrade the entire portfolio of CRM capabilities is also a good example of viewing the business holistically.

Why couldn't or shouldn't the government look at the gaming business in the same way? The fact that they are not saddled with legacy product and systems is a huge benefit. Instead of adding on incrementally, or figuring out how and when to invest in replacing an aging gaming system, they're in the great position of envisioning an entirely new business, fully integrated and replete with the most advanced games and functionality.

G. Isaacs: I think they're doing that. They realize they are in a great position to leapfrog multiple generations of technological change. We're working with lotteries all around the world on just this issue and helping them to assess the best options. More than ever, they are seeing the importance of the systems side of the business. They realize that as important as the games and terminal solutions are, the central command center is what ultimately integrates everything for optimal overall performance. That means tremendous opportunity for the jurisdiction that is moving into electronic gaming for the first time. In that situation, the ROI for having the most advanced technology available is compelling indeed.

Sort of a request for economic prognosis: The gaming industry is, even in the best of times, slow to adapt new technology. Bally CEO Dick Hadrill has said that the lag can even be as much as five to seven years. Over the past couple of years, investment has slowed even more because of the economy. Wouldn't those two things combine to create a big pent-up demand that is likely to result in a big spike in investment once the economy picks up?

G. Isaacs: Yes, but you don't actually get rid of that five-to-seven year adaptation lag. The reasons for that lag are different and apart from the economic slowdown. The extra time it takes for public-policy decisions and the development of regulatory frameworks to catch up with technological and market changes is still with us. That's not changed. In fact, technology is moving more quickly than ever, making it as hard as ever for it to get approved and regulated in a timely fashion. I do feel, though, that governments and regulatory bodies are more aware than ever of the need to have a well-conceived plan to manage the growth of the gaming industry. They're realizing that outright prohibition is really just a lack of regulations and just forces the activ-

ity underground or to a neighboring jurisdiction. This awareness should result in a reduction of that lag time as policy makers spend less time debating the pros and cons of gaming and jump right into the business of how to regulate it.

There has been a wealth of technological progress that has resulted in fantastic new products and systems improvements that are in the pipeline and ready to be implemented. And the markets have changed, with the player expecting the new and improved playing experience that these new products deliver. So we would very much like to think that all these factors will combine for an increased investment in our industry as soon as the economy picks up.

How does bandwidth and other limitations impinge on your ability to deliver the same high level of graphics and excitement as when you have 8,000 machines under one roof?

G. Isaacs: Let's review the three basic configurations. The "thick" client is the traditional kind of cabinet you have had in the casinos. It's a stand-alone machine with the random-number generator and all game content inside the machine. It may be connected to a central server for reporting, but the machine and the games would still work if it's unplugged from the server. The "thin" client is the opposite. Everything is determined at the central server and sent down the pipe to the terminal. The random-number generator and other functions required to operate a game come from the server. So if you cut the connection to the server, the terminal won't work. Lastly, there is the "smart" client, which is a little of both. Like the thin client, the smart terminal relies on the central command center to deliver the main determination and other major functions, and it won't operate if disconnected from the central server. Like the thick client, it has some of the game code and capabilities residing in the terminal itself. We believe the future is more towards the smart client concept because it gives the operator the best of both worlds. Most importantly, it gives the operator complete control over the integrity of the game. The outcomes and all transaction-processing data are all handled at the central command center, making it impossible to commit fraud at the site of the terminal. On the other hand, there's no reason why the terminal itself shouldn't have the technological ca-

pability to enable more robust game content, richer graphics, and the like.

What's being implemented in Italy, thin clients or smart terminals?

G. Isaacs: Both. Some solutions are fully downloadable; the thin-client model where nothing is on the terminal – everything comes from the central command center. And then you have others like ours where you actually have a server on the site which controls the download ability to the games. That enables the operator to bring a more casino-style experience to those players. Those games are too data-intensive to transmit from an off-site server. But the outcomes are still determined at the command center so the operator retains control and integrity. You can probably tell that we think the smart client is the more sensible model, delivering the benefits of control and the best game content.

Do you offer a thin-client solution?

G. Isaacs: Not for games at this time.

To what extent does it appear to you that the Italian model will be emulated in other jurisdictions?

G. Isaacs: I would not be surprised to see similar distributed models implemented in neighboring countries. The Italian model was designed to meet the very specific needs of the market and the public-policy objectives unique to Italy. It turns out, though, that most of those objectives really are not much different from those of other governments which are deciding on what model best serves their purposes. I don't know if the model will be emulated, but I do think you'll see many of the features showing up in other places. For instance, Illinois did not model itself after Italy, but there are in fact many similarities between the two.

Everyone is theoretically customizing the solutions to their own markets and public policy objectives. But come to find out, markets and the issues that drive public policy objectives are actually pretty similar wherever you go.

G. Isaacs: I would basically agree.

I would think the distributed model has two main benefits. One, it converts an underground economy into a taxed and regulated economy. Two, it is the model most consistent with a classical evolution of a product, making it more accessible to the consumer.

G. Isaacs: Absolutely to both. The gray market is such a bane for two reasons. One, the player is being literally short-changed. By definition, nobody is monitoring the grey machines to determine if they're paying out what they say they're paying out. And two, the public is being short-changed to the tune of millions of taxable dollars. The markets ultimately determine how a product is distributed. And if the government doesn't control and regulate it, then the gray market and underground economy will flourish. These are two compelling reasons for the government to regulate the distributed gaming market. I think those are the two reasons that drove Italy and Illinois to move forward with it, and the evidence appears to show it is having the intended results.

What's the future of skill games?

G. Isaacs: We have some games in which the outcome is predetermined, but with some skill, the player might be able to win a little bonus. We're going to show some pretty cool things at G2E – the iDeck enabling the operator to move into some skill-based games. We're working on different concepts in this space, but they are still a little early to commercialize.

In a casino with hundreds of machines on the floor, I would suppose it's not hard to test a new product in real time. Just put some cabinets on the floor and if they don't get any action you can pull them. In the distributed markets where you might have five machines, it would be a disaster if you replaced familiar games and cabinets with ones that did not appeal to the players. How do you test a new concept like iDeck for the distributed market?

G. Isaacs: It's true that testing for the distributed markets is vital. And so you test. Our touch-screen PUI – iVIEW Display Manager™ (DM) – is testing out to be a genuine big-league home run. We've tested it like crazy with customers and no one seems to be objecting to it.

Why would anyone object to it? Because it's different from what they're used to playing?

G. Isaacs: Initially, yes. That is a big challenge in our industry. People tend to like to keep playing the games they are familiar with. That creates a lot of inertia. That phenomenon is very prevalent on the VLT and the electronic gaming routes. When you introduce something new, you've got to make sure your players accept it and will adopt it. The iDeck is definitely something new and required lots of testing

for us to be sure that it would be accepted. It's exciting to have something this innovative be a hit with the customers.

I would think that enabling the player to customize their experience would rate as the Next Big Thing.

G. Isaacs: We've talked about the iDeck. Another innovation that is in the casinos and will be adapted for the distributed markets is iVIEW DM. The iVIEW has a PUI that enables active player interaction and customization of the entire playing experience across the entire gaming floor, plus lots of self-service features for players, like beverage ordering. There's picture-in-picture technology that enables the multi-tasking that young adults enjoy. And when we combine the iVIEW DM with our Elite Bonusing Suite™, you can create lots of excitement across the property with floor-wide bonusing, tournaments, virtual-racing events, and much more. And all this is done without interrupting play on the base game, which is pretty exciting. And the iVIEW DM has a number of applications for responsible-gaming messaging and the like, which appeals to our customers in the public markets where this is a very important issue.◆