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Paul Jason, Public Gaming: *Server-based gaming delivers advantages that benefit all operators regardless of venue and regulatory model. But it is especially important to the government gaming operators because of the higher regulatory standards and reporting requirements. How does server-based address those issues?*

Sam Nickless: Server-based gaming centralizes control of all the gaming machines. That yields at least three benefits, the first being security. It enables the operator and the regulator to implement effective controls and reporting to support monitoring, tax collection, and other aspects like responsible gaming standards. It gives both the operator and the regulator more security and control over the financial transactions, which is especially important in a distributed venue where you don't have the same level of on-site monitoring as in a big casino. In a server-based model, the gaming machines must be hooked to the network to operate. This means the proprietor of the establishment can't alter any of the functionality that is so critical to the integrity of the operation. The second benefit is better game management and optimization. The games are all controlled and deployed from the central server enabling better content to be brought to market more quickly and with lower costs. That enables the operator to quickly evolve the portfolio of games to replace the weaker performers with new games, bringing the most popular games to the players. And since storage capacity on a central server far exceeds what could be built into individual game cabinets, you have a huge portfolio of game content to choose from. Operators can also remotely update displays, adding features to the player interface. You can even deliver customized messaging and promotional campaigns from the central server. The third benefit is enhanced player management and analytical capabilities. Which games are played, length of play, which games they return to, all kinds of valuable data that are a direct reflection of player behavior and preferences captured by the

recording of the transactions themselves can be used to improve game content, customer service functions, promotional messaging, RG tools, and all manner of operations.

Norway, for instance, has a very highly regulated market, requiring player registration to play any of the games and even the lottery. Yet the operator, Norsk Tipping, has turned this into an advantage by developing a highly dynamic and connected relationship with the consumer. Their customer base is spread out from locations well north of the Arctic Circle down to Oslo and the southern tip of Norway. Yet they have this special relationship with the public and players that's driven by the attention it gives to ongoing communication. That is largely enabled by the advanced server-based technology installed for Norsk Tipping. Of course, great game content that is refreshed on a timely basis also helps. But along with that, Norsk Tipping is held to the highest standards of RG and transparency. What's particularly interesting is the way that compliance with these rigorous demands has not hurt the development of a strong business.

Aristocrat Lotteries supplies the most advanced IVT's (Interactive Video Terminals) to Norsk Tipping, where they use player cards and a cashless system. Does server-based also work in a cash-based transaction situation?

S. Nickless: Yes, either way. Cashless is more popular with the highly regulated markets, but server-based systems are flexible enough to handle cash or carded systems. Carded or account-based systems have the added advantage of giving the operator the player info it needs to evolve the games to keep up with changes in play styles and preferences; as well as implementing more effective RG tools and facilitating a better dialogue with the player. The player learns to appreciate that and see it as a benefit. That's the way it has evolved in Norway and the markets where the account-based system has been implemented. Cash-based markets have the benefit of convenience and any-

PGRI Introduction: Integration of game content within a multi-channel model is key to optimizing the consumer experience. Operators are re-imagining their connection to the consumer to take full advantage of their strengths in both land-based venues and new media like internet and mobile. How will game design be different for VLT's and internet? How can we isolate similarities and create a player experience that migrates across all the different channels? How can we create synergy between land-based and i-gaming/i-lottery/i-distribution channels so that everything is mutually reinforcing? How can content be updated in rapid response to player interest, and also to comply with the shortened life-cycles of "internet-time."

It is all being done to great effect in the most progressive markets. It is more complicated, more challenging for the supplier to deliver the solutions that meet all of these heightened operator expectations. But there are pioneering operators and suppliers who are in fact showing us the way.

mous, instant play for the casual visitor. Each market may require adjustments to meet the needs unique to it, but operators everywhere should be confident the player is receptive to well-conceived strategies that create a more interactive communication between operator and consumer. We need to empower the customer with options and choices, but it's not hard to incentivize those options so that the customer becomes the one who drives the trend towards more interaction.

What is the difference between downloadable and server-based?

S. Nickless: Downloadable would be where the gaming decision is still made on the client device but the software is downloaded from a central server. That's how many casinos are set up, especially in the U.S. Downloadable removes the need for a technician to upgrade the game content, and works well in large venues with lots of machines. But server-based works better for the distributed environment because the process of uploading data to the client machine is more efficient and confers control to the operator instead of the client machine. It requires a reliable, consistent connection to the central server, although generally only small amounts of data, relating to game outcomes, pass between the server and the client.

Examples of distributed environments include Italy, Norway, and now Illinois, right?

S. Nickless: Yes. The value of server-based for distributed venues is derived from many elements. Think of it this way: The other major distributed environment is internet gaming, which is really the ultimate example of server-based gaming. The games are played on the customer's own device, whether it's a phone or a laptop. All the gaming decisions have to be made back on the server because transaction processing and all kinds of vital functionality can't be transferred to the client, which in the case of the internet is the players' computer or gaming device, for security reasons. . And for all the reasons that it works well in the internet environment, it also works well in the land-based distributed environment. The other big advantage that server-based has for the operator is that it greatly reduces the cost of the end point, the cost of the terminal access device. You do not need to upgrade the cabinets themselves as often, since all of the expensive parts of the system, the smarts that drive the whole process, reside back in the central server. If you are implementing a distributed network across a small number of machines,

the savings are not as attractive. But if you are implementing it over a large number of machines, then you are cutting out the cost of having to replace the client machines every time there is a technological upgrade. All that can be done at the server.

Do land-based operators feel threatened by internet gaming? How does the operator create harmony between the different channels?

S. Nickless: All operators, lotteries and casinos alike, are exploring the ways and means of deploying content across multiple channels. The players want to be able to access their favorite games through different media and channels and so the operators need to give it to them. A server-based model is a major advantage to managing a multi-channel platform. This new gaming environment will be more of an account-based system, instead of cash. That creates a foundation for the implementation of far superior player management tools and data mining initiatives that drive game development and better player retention strategies. Server-based also facilitates the implementation of a single player user interface across multiple channels, and the coordination of promotions and social games between land-based operations and the internet. All these things contribute to a much better player experience.

I don't think land-based operators are threatened by internet gaming, but they are certainly thinking hard about what it means for them. There are both opportunities for growth as well as threats to the core business. There is always going to be a role for the distinct experience that land-based operations provide. I often think of the movie industry. In a world where most movies can be downloaded at a very low cost, gold class cinemas with tickets costing as much as \$35 still exist and are actually growing land-based channels have to be distinctive and the quality casino experience can't ever be replicated on a computer at home. It is a social environment that delivers much more than the act of playing the games. Players are surrounded by restaurants, entertainment options and other players, making it all a completely different experience than playing at home. Casinos are leveraging those proprietary attributes to create tournaments and progressives that engage the participation of lots of players on the floor, turning it all into an exciting social gaming experience.

The land-based operator that creates the right linkages between the physical and the digital product will create the most value. That requires a smart channel management strategy, but the end result is a more con-

nected consumer who will derive benefits from all the different channels. Of course, some will migrate more to the internet than to casinos and some will prefer casinos. But the internet is just as likely to bring in new consumer groups that will end up checking out the casino experience than it is to pull players away from the casinos.

It's all about expanding the player base and enhancing the play experience for all consumers. . The European i-gaming space is dominated by online companies that have no land-based operations and that means intense competition between the two. The U.S. operators are showing that they are learning from that and many are positioning early so they become the consumers' choice for online gaming. The same goes for lottery operators, of course, because lotteries need to integrate i-gaming into their channel mix before the remote online operators have a chance to get the foothold they need to leverage into dominance like they did in Europe.

Is the difference between Aristocrat and Aristocrat Lotteries that Aristocrat Lotteries focuses on Government Gaming and therefore more on the distributed venue technologies and model?

S. Nickless: Aristocrat Lotteries is more about distributed gaming. It's true that the technologies that support distributed gaming are being taken up by government gaming clients, but server-based is also applicable to route and street markets like in Italy. It's also very applicable in casino environments where the games, or a portion of the casino floor, could be driven in a server-based way providing additional flexibility to the operator, player choice, more flexibility with messaging and therefore promotional targeting, and an overall superior player experience. As we have been discussing, server-based technology delivers many benefits to both operator and consumer and those benefits accrue in large casinos as well as distributed venues. It's just that the alternatives to server-based in a distributed venue model do not work well at all, so that's where server-based really excels. One core connection between Aristocrat and our Aristocrat Lotteries division is that overarching belief in the need for quality content, no matter what the system can do.

It seems, though, that the result is ironic. Server-based is superior in many ways to the alternatives (technicians switching out software, operators buying new cabinets, etc.) and it is being implemented in the distrib-

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uted venues instead of casinos. Which would seem to mean that the players in a distributed venue are enjoying a superior gaming experience to the players in a large casino.

S. Nickless: I probably wouldn't go that far. The gaming experience is more than just the background technology. It is also determined by the overall venue experience and the particular game software and hardware the player can engage with. There is still a lot that can be done uniquely in a casino environment, because of regulation and economics, that is still not available in the government or distributed gaming environment. But what you say is true, there are some additional experiences from account-based and server-based gaming that can enhance that casino experience even further.

Aristocrat Lotteries was the first commercial partner to Norsk Tipping for its IVT's (Interactive Video Lottery Terminals). Norsk Tipping has a most progressive approach towards nurturing a relationship-driven connection to the consumer. They really turned the higher regulatory standards and requirements into a marketing advantage. Is lottery keeping up with Big Casino in the customer relationship management space?

S. Nickless: The big casinos have been building their customer relationship management tools for many years. They're positioned well to integrate an online agenda with their customers, as regulations permit. They are also in a great position to launch new game concepts and consumer promotions. Being able to do this over multiple channels will be a key part of everyone's strategy and business model in the future. In fact, I will go so far as to say that operators which fail to integrate multiple channels including internet into their model will have a very hard time keeping the attention and interest of the players from migrating over to those operators who do have a comprehensive, multi-channel, customer relationship management approach. Norsk Tipping is one of a small number of lotteries that have taken this broader view towards customer relationship management. So of course, we are proud to be a partner and to help them accomplish their objectives.

The account-based model has much to recommend it as regards these customer relationship management goals. Norsk Tipping and others like Veikkaus in Finland are turning customer data into better products and player engagement. Effective integration so that the

channels are mutually supportive is key. But that is being done very effectively in lotteries all around the world. The end result is a better player experience and a business model that retains the support of all channel partners.

Aristocrat Lotteries is among a very short list of suppliers that have met the demanding standards and conditions of operating in the Italian market. What makes Italy a unique regulatory model to understand?

Italy has sought to strike a balance between public interests and oversight and private enterprise and autonomy, and on a massive distributed venue scale, which makes it unique. I frankly do not know that it should be emulated in other jurisdictions because it is a complex and challenging system for operators and suppliers to comply with. All markets have their unique set of public policy objectives and legacy gaming environments that must be considered when designing a regulatory framework but Italy has succeeded at integrating the strengths of private operators into a highly regulated framework and so it is important for all government gaming models to understand how it all works.

Italy is probably around the third or fourth largest market in the world, and has a long history of slot-style street gambling. There's the AWP market, which has something like 350,000 machines. The government then introduced the Comma 6b, otherwise known as the VLT market, which was a new way of delivering slot-style gaming to the Italian consumer – allowing slightly different game forms that are more casino-like games with some limits around minimum and maximum bets and max payouts. But they have done everything in a very controlled manner that ensures absolute integrity for the government in terms of who the operators are and in terms of tax collection. The Italian government has created a very sophisticated model that requires all suppliers to have server-based systems. So all of the operational decision making is made at one single point, with very strict protocols about the data and messaging that need to be sent to the central regulator. This provides total transparency, enabling the regulator to view every transaction, the outcomes of those transactions, ensure that everything is in compliance, and ensure that the right tax is being collected. This is a lot to ask of a system and the challenge to suppliers such as us is that we have had to create a very bespoke set of changes for the Italian market, that are not applicable to other markets.

Norway and Italy represent two of the most progressive and demanding regulatory environments in the world. The skill-sets and competencies acquired by Aristocrat Lotteries in the process of meeting these uniquely high standards will ultimately benefit all of our customers.

Aristocrat Lotteries has always focused on great game content as well as integrating the different channels to make that content accessible to the consumer. To what extent do different media dictate different game design and content?

S. Nickless: Aristocrat at its heart is a content company. We believe we make the leading gaming content in the world. We want to make that content available to players wherever they can legally and responsibly access it. Providing the consumer with multiple channels to access all the games is the first step. Your question points at the next step, which is to integrate the channels so that content is fine-tuned and optimized for each particular medium. Obviously, a strength of the internet is its ability to connect players in a social gaming context. So that strength can be leveraged with game content or surrounding features that is social, that drives player-to-player communication and interaction. Of course, many of those features and game design attributes can translate to an IVT. But the internet is ideal for creating the scale and traction that really drives social gaming. Likewise, electronic games, IVT's, VLT's and the like are ideal for quickly launching great new games into a ready and responsive player base. Electronic gamers are a huge market in themselves, but just as importantly, they provide the feedback that drives the creation of games that really excite the consumer. Different media do have different consumer interfaces and different attributes that drive game designs and content but integrating all games with all the different channels and media is vital because the goal of a multi-channel system is to serve all your customers, to engage the entire consumer base in a total gaming experience and not to fragment the market so consumers have to categorize themselves as i-gamers or casino players or anything other than people who love to play great games wherever and whenever and through whatever device they want. That is the mission of the Aristocrat Group and Aristocrat Lotteries and we are delivering on that promise with more and better solutions every day. ♦