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Applying Best-Practices from Other Industries to Government-Gaming

PGRI Introduction: Prior to the appointment to his current position in January of 2015, Nikos Nikolakopoulos was INTRALOT Group President Latin America, Western Europe & Africa and Managing Director of INTRALOT Latin America.

In 2007, he joined INTRALOT as the Group Strategy Director and based on his extensive international experience, he has been instrumental in shaping INTRALOT's strategy in the contemporary gaming environment, pursuing new opportunities for the company worldwide. Before joining INTRALOT, he held a series of senior positions in multinational IT companies, including INTRACOM Group, Microsoft, Singular Logic and BULL S.A.

Paul Jason: *You spent the first part of your career in Telecoms, Software and Technology. What can leaders in the Lottery industry learn from the best practices as applied in those industries?*

Nikos Nikolakopoulos: These are all industries where technology is a mission-critical enabler. But the business is all about the consumer. Even technology-focused businesses must start with the consumer. When you think about, what is the difference between Microsoft and Apple that enabled Apple to zoom past Microsoft when it comes to innovation? Steve Jobs said "You have to start with the consumer experience and work back toward the technology, not the other way around." Microsoft was far better capitalized with far more resources going towards R & D and should have been the ones to invent

the future. But they prided themselves on being "fast-followers" and they focused on technology more than the consumer experience. The products Apple sells are all about high technology, but their focus was always on how technology can deliver a better consumer experience. As a result, Apple also zoomed past Microsoft in sales, net profits, and market capitalization.

Likewise, INTRALOT sells technology products and services focusing on enhancing the experience of the end user, the player. The goal of Lottery is to deliver the most fun and engaging player-experience. This industry, Lottery and even the broader games-of-chance industry, does not move nearly as fast as Telecoms and consumer electronics. So we are in a great position to learn from those industries, to copy the best practices as applied in those

industries. We even have the luxury of time to observe what works best and to avoid the mistakes they make because of the pressure they are under to be first to market with breakthrough innovation. Still, we do need to act with more urgency to assimilate the methods and ideas that are proven successful in other sectors.

What are Telecoms doing that we should be doing?

N. Nikolakopoulos: Telecoms are using data mining, business intelligence, and consumer segmentation to enhance the contribution of CRM and big data analytics in order to identify trends in their customer base. These activities not only guide their R & D and product development, they also guide pricing, promotions, and all the consumer-facing marketing strategies. Lottery and its commercial partners are applying these tools in our industry too. We just need to accelerate the rate at which we invest and execute.

Even more than most industries, Telecoms are driven by competition. They know they will fail if they do not innovate and improve at a faster rate than their competitors. That fear of failure is a powerful driver! Thankfully, Lottery does not operate under that level of pressure.

At least not in the short-term. In the long-term, though, we should recognize that all the different sectors of the games-of-chance industry are converging so that the consumer has instant access to all games.

Too, the Fast-Moving-Consumer-Goods (FMCG) industry is driving change and modernization in the retail sector.

N. Nikolakopoulos: And land-based retail is where our consumer lives. Digitization of the retail shopping experience is technology-enabled. But here too we must start with a focus on the consumer experience. The leaders in the FMCG space are learning much about shopper behavior, how technology can be used to enhance the consumer shopping experience, how to integrate Mobile into the retail shopping experience, how to build a relationship with our customers that reinforces the connection through all the many stages of the customer journey. The biggest FMCG brands may be leading the way, but we can adopt best practices as we observe them being applied.

The Telecom industry would have a built-in connection to the customer by way of the telephone number and billing address. How can Lottery apply data analytics without having a registered player base?

N. Nikolakopoulos: Of course, building the registered player data-base is a top priority for Lottery operators. In spite of that, vast majority of players are unregistered and therefore anonymous. But there is still much that can be accomplished by application of big-data analytical tools. We can capture and organize sales data by product and store and time of day and much more. This data could help Lottery understand consumer behavior, identify trends, perhaps correlate buying patterns to external events. Intelligence and insight gathered through this kind of big-data analytics could certainly inform and sharpen the focus of all our efforts in marketing, promotion and product design.

Increasing the registered player data-base is key to the kind of personalized CRM that is the end goal. But even a small reg-

istered data base can be integrated into the analytical process to great effect. We don't want to wait until everything is perfect, or even until it is better. We need to increase our investment in data analytics now. Everyone is operating with incomplete information. Tremendous insights can be gained with the information we have access to right now.

You have been COO for almost two years now. INTRALOT has progressed greatly over that time. What would you say are some of the key changes that you did to clarify and focus INTRALOT's operational strategy?

N. Nikolakopoulos: There are three basic elements. The first thing we did was consolidate our skill-sets and resources to establish a clear focus on the specific segments of Lottery and sports-betting. We chose to focus on developing the

customers, from best-practices outside our industry and our competitors, from insight gleaned from data analytics and market analyses. We now have a specific development roadmap that is guided by rapidly changing consumer tastes and market-place dynamics.

The third thing is to evolve an operational system that leverages strategic partnerships. We have for many years developed a flexible system of partnering with clients. We feel we have a decisive competitive advantage when it comes to creative collaborations with operators from all around the world. The specific needs vary enormously. Together we assess those needs and core competencies and create a partnership that meets those needs and leverages our respective competencies into the most productive partnership. The success of our equity partnerships in Turkey, in Ar-



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technologies and expertise in content, technology, the Interactive channel, and retail optimization. We are not dividing our attention between the government-gaming sector and the casino business. We do not sell slots or table games or operate casinos. We focus clearly on the needs of our customer which is Lottery and the sports-betting operator.

The second thing is to sharpen our focus on product innovation. Over the last three years we have dedicated ourselves to building a product development process that incorporates feedback from our

gentina, in Bulgaria, in Peru, in Italy and many others is based on the flexibility and experience at operating within a diverse set of circumstances. In Morocco, too, we have established truly fruitful, mutually beneficial and commercially successful collaborations with great partners who have great knowledge of their market and players. Our success as a partner is also based on our laser focus on the business of our customer, which is Lottery and sports-betting.

For instance, in Peru we collaborate with the Nexus Group which is one of the biggest private equity groups in Latin America. It

is a fabulous arrangement because the Nexus Group is highly investing in the retail channel partners of Lottery, like pharmacies and supermarkets. In Italy we partner with GameNet, one of the biggest gaming machines operators in Italy which tightens the synergies with the sports-betting market there. INTRALOT acquired a majority stake in EuroBet in Bulgaria, KINO and scratch operator, complementing our betting portfolio as 49% shareholder of Euro-football since 2002. Everyone benefits by these kinds of partnerships.



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Our strategy is to capitalize on INTRALOT's technology and products by extending them quickly into new market sectors through partnerships. And it's working.

Instead of developing everything internally, you focus on your core competencies to ensure that they are always best-of-breed and then augment that with partnerships to bring in the complete portfolio of best-of-breed.

N. Nikolakopoulos: Yes, but it's not all about technology and products. The operational synergies are equally important. For example in Peru we are not going to utilize any other technology or product partner. It is all INTRALOT. Our partnership is with someone that knows the consumer extremely well in a very local and in some ways challenging market. And it is not about gaining market share since INTRALOT already has more than 90 percent of the market. We are investing in growing the market in Peru. We are partnering with someone that has thousands of consumer touch points and knows the Peruvian consumer better than anyone else. Combine that with our operational expertise in the industry, our technology, and our

products, and we are confident that the market can be expanded.

You are not only assembling a best-of-breed portfolio of assets, you are doing it in ways that accelerate speed to market and flexibility to change with the times.

N. Nikolakopoulos: Exactly. The fact is that nobody can be the best at every single thing. Business challenges, opportunities, and environments vary so much all around the world. Our approach enables us to deliver the uniquely best solution for

each unique set of circumstances. Creative collaborations and partnerships enable us to assemble the very best solutions for the benefit of our clients.

And the synergy between sports-betting and lottery is apparent in almost all markets apart from the U.S. INTRALOT's strategy to leverage that synergy makes a lot of sense.

N. Nikolakopoulos: We think so. We think the player profiles and the distribution channels and consumer touch-points for Lottery are completely different from casinos. The overlaps, especially as regards operations, logistics, and distribution, between sports-betting and Lottery are something we want to leverage for the benefit of the operators. The majority of the countries where we are present employ this winning combination of offering with thousands of PoS selling both lottery and sports betting products.

I believe that INTRALOT has by far the biggest land-based sports-betting operation. We are in more than 18 countries. And we focus on helping lottery operators extract significant economic benefit from the distributional synergies between sports-betting and Lottery. And

keep in mind that markets where sports-betting is presently prohibited, like Brazil and Argentina and the U.S. and many others, are actively exploring models to regulate and tax sports-betting. So imagine the opportunity for the operators, and for INTRALOT, when sports-betting becomes regulated in these markets. The upside potential for everyone is huge. The sports-betting market is already huge in these unregulated markets. A lack of regulation is dangerous for the players, has no apparatus to promote responsible gaming or collect taxes or minimize money laundering. Everyone understands this, so it is just a matter of time before sports-betting is brought out of the gray underground economy and is properly regulated and taxed.

Is there anything that traditional lottery can do to evolve itself and its products to meet the needs of the modern, younger player?

N. Nikolakopoulos: That is the million dollar question, isn't it? A part of the answer is to help retailers connect with their customers and enhance the player experience. INTRALOT is deploying advanced digital strategies to enable our customers, the lottery operator, to work hand-in-glove with their retailers to accomplish that. Digital includes in-store technologies and also the build-out of the omni-channel model to provide connectivity on all channels—land-based, Mobile and digital everywhere. We need to focus on those things that we can change, and not be side-tracked by things we can't change. Providing a seamless, universal player experience is something we can do and should work harder to make it happen now.

We also need to develop game content that is not so reliant on big jackpots. The jackpot games have been very good for Lottery, and the players will play them for many years to come. But it is imperative that we develop a more varied portfolio of products that appeal to a broader base of consumer play-styles. ■