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PGRI Introduction: Successful businesses are anticipating consumer trends and preparing today to meet the needs of tomorrow. With all the discussion about i-gaming and multi-channel strategies, we need to appreciate that it is the consumer who is driving innovation and change. Operators and their commercial partners are moving as quickly as possible to keep up with the consumer. That's true for all industries and it is now more true than ever in the gaming, wagering, and lottery industries. Fortunately, there is a wave of technological innovation that is being implemented today that positions our industry to meet the needs of the player. The challenge is to shorten the time-to-market, accelerate the rate of change and progress. To that end, commercial partners are connecting all these technology-enabled capabilities with a genuinely consumer-centric business strategy.

Paul Jason, Public Gaming: *IGT has taken some bold steps to reshape itself to serve the next generation of gamers. Connecting with the consumer through multiple channels would seem to be the vital first step for all operators.*

Christopher Satchell: The gambling industry needs to change and adapt. There is a gap between how our industry provides entertainment experiences and the way other media industries operate. We need to close that gap and the first step towards doing that is to clarify our business mission and purpose. It's not about gambling per se. It's about entertainment. We need to think about what that means and how it can inform and perhaps change our approach to delivering a better consumer experience. Our customer is redefining themselves to be consumers of entertainment and not just slot machine players or casino players. They want more from their gaming experience than to just gamble and hope to win money. They want a comprehensive gaming experience that enables all varieties of exciting game content to be available through all varieties of media and channels of distribution. We are competing with an explosion of creativity in the media, hospitality, and entertainment industries. Any and all products and services are being infused with entertainment attributes and so we need to raise our game to engage the attention and interest of the consumer.

When we thought of our industry as being more proscribed to a specific market with player profiles limited to casino gamblers, the need for the industry to evolve was not so pressing. And so the casino and gambling industry did not progress as it should have. The technology that delivers the

games evolved, but not with as much innovation and ambition as it has in other industries. Customer relationship management programs were focused on attracting the big players and not on a broad base of consumers. And, of course, the internet and mobile has not been fully integrated into the channel and media mix. That is mostly because of regulatory constraints, but still these new media could have been leveraged to build more of a relationship-based connection to our players than to think of it as simply a marketing player-acquisition tool. That is all changing now and that is where IGT is investing its resources: to position our customers to serve the new-age consumer with innovative game content delivered over multiple channels and combined with a richer, more imaginative overall player experience.

It sounds like you think the casino gaming industry needs to expand beyond its core casino-player profile. Not just enhance the experience for the core player whose tastes are changing, but to reach beyond to bring in new consumer groups.

C. Satchell: It's true but I would also say that the things we need to do to bring in new consumer groups are really no different than the things we need to do to enhance the appeal of our product for the core player. They all want a richer, more varied entertainment experience. We need to analyze the appeal of social games and figure out better ways to integrate the attributes that deliver that kind of social gaming experience to our markets.

The real trick of it is to change our DNA with respect to the way we view innovation and change. The tempo is no longer being set by our competitors in the casino gambling industry such

that if we all evolve at a slower rate, that's okay as long as we keep up with each other. We're now competing on the much bigger stage of entertainment. The producers of Zynga and World of Warcraft games are already inventing the next generation of games. And they don't wait around to wring every last dollar out of the life-cycle of current product and business processes. They don't wait to innovate and launch new game styles that will further evolve consumer play styles and preferences. So, as an industry, if we do not dramatically pick up the pace, that evolution is taking the consumer further and further away from the traditional games and approaches that make up the current casino gambling industry. We simply need to change and adapt much faster and the way to do that is to benchmark against the leaders in the entertainment and media businesses, not against our peers in the casino gambling industry.

Younger consumers are driving many of these changes. But all consumers, even the core baby-boomer demographic that plays in the casinos, are all digital and connect through multiple channels.

C. Satchell: Exactly. We are talking about two different aspects of how we need to evolve. Game content needs to evolve to appeal to a generation weaned on the excitement of video games and social interaction. What needs to happen now, and I mean yesterday really, is to provide the consumer with a comprehensive set of integrated channels, media, and touch-points to access their favorite games and connect with their favorite operators. We are actually behind the curve on this right now and need to catch up quickly.

And by "consumer", I mean everyone. Who

isn't online, who doesn't want their games to be enhanced with social interaction? The baby-boomer generation is who drives revenues and profits in the casino gaming industry now. But how are they any different from the next generation with respect to being online and mobile and expecting to be able to connect to the entertainment providers through multiple channels? They aren't. Accelerating the roll-out of a multi-channel gaming environment is the top priority. Game development will always be a work in progress. But making our content available through all channels is something that needs to be done right now. The fastest growing segment on Facebook is the over 45 crowd. We need to deliver to them the kind of entertainment experience that will keep them engaged with our industry or we'll begin to lose even our core customer.

And by that you mean that the consumer should be able to access the same games online as they do in the casino?

C. Satchell: Not exactly. Some of the content should actually be distinct to its medium, to reflect the special and unique characteristics of the medium or, in the case of a casino, the venue. The casino floor has qualities that could never be replicated online and it would be foolish to not fully leverage those qualities; that excitement of being with other people, playing the games that they are playing. The energy and the ambience of a casino is a wonderful thing that we certainly want to focus on as a uniquely powerful competitive differentiator. Many of the games themselves will have a quality that remains distinct to the casino floor and not necessarily travel across all channels. Likewise there will be online games that will leverage the unique qualities of that medium.

But we want to recognize that people playing in a casino are all connected to multiple channels in their everyday life and so we want to create a customer relationship management approach that is consistent with that. The fact that our casino players are not necessarily clamoring for an online strategy should not delude us into thinking that therefore we don't need to deliver a multi-channel experience. In fact, we need to actually drive the evolution to multiple channels and incent the consumer to interact with the operator through the different channels like internet. The reason we need to do that now is that if we wait till we see more and more attrition of our customer base to take action, it will be too late. Others will have gotten the jump on us and it will be hard to claw our way back into the game. We need to be the leader and introduce our customers to a world of inter-connected channels that enable them to migrate their loyalty system points from one channel to another. We want to enable the player to quickly and easily see how their online experience can be migrated to the casino floor and vice-versa; how they can enjoy the same set of friends and player groups in the casino as they can online. How they can receive text-message promotions while they are playing the slots. How they can receive invitations to casino tournaments, or free bonus plays at the casino delivered to their online account. How they can leave the

casino and know that they can pick up the game right where they left off when they get home. We do not want to wait for others to deliver this kind of enhanced player experience before we do it. We want to lead the consumer, including our core casino players, into this new world of highly interactive and mobile gaming experience.

The benefits would seem to be huge, not just from the enhanced consumer experience point-of-view, but from a customer relationship management point of view.

C. Satchell: The customer may not know that this is what they want, or they may not be communicating that this is what they want. Customers did not describe to Steve Jobs all the features they wanted in the i-pod, i-pad, and i-phone. He had to discern the consumer wants and needs and implement a warp-speed plan to give it to them. And the roadmap that we are talking about in the gaming industry is frankly crystal clear compared to the one that Apple had. We can clearly see that this is the direction we need to go in. The only debate, such as it were, is how fast should we move to get there. I am just submitting that once we get clear on the ultimate direction that the consumer wants to go, we should deliver it post haste, like yesterday, and not continue the debate while our competitors move forward with agendas that will sweep the market like Apple Computer did in its markets.

To your point, creating the fully multi-channel relationship with the consumer yields huge benefits to the operator in terms of building the kind of interactive and personalized relationship that will drive all successful consumer product and service companies in the future. There evolves a feedback cycle that enables the operator to identify the products and services that appeal to each individual player. As the products, services, promotions, and communication style gets more and more customized to the preferences of each individual consumer, the feedback cycle is improved and the ability to continually enhance and build upon the positive foundation reinforces the bond we have with each individual consumer. That's what Double-Down Interactive does for IGT. It gives us the tools to build that online customer relationship management system that will bring in new consumer groups and reinforce the bond with the core player group.

My next question was going to be about integration of multiple channels, but you have gone a long way towards making sense of that too.

C. Satchell: Integration is key. It is just as vital that operators truly optimize the consumer experience in the casino as it is to provide a multi-channel customer relationship. Casinos could and should be just as much a growth area as internet. And definitely more profitable. The internet shouldn't be thought of as a way to capture a market that is not going to casinos. It should be thought of as working synergistically to reinforce the appeal of casinos as well as providing an at-home gaming experience. Casinos have a huge potential to recapture the growth rates of five years ago. Look at the example of cinema. Al-

most everyone now has large-screen televisions and we can download or even live-stream all the best new content. So, why go to the cinema? Yet, people do still go to the cinema because it delivers a different kind of feeling, a different overall consumer experience. And cinemas are trying to enhance that experience and augment that appeal. Fortunately, the attributes of a casino provide a far richer canvass to work with than the cinema industry had. The casino experience will continue to be a huge draw, and insofar as it is augmented with more variety of entertainment options, more social gaming experience for players right on the casino floor, more extended-play and entertainment-enhanced game content, that's what gives casinos a huge potential to appeal to new consumer groups as well as energize the loyalty of their core groups.

That's why the Double-Down Interactive investment is a testament to your confidence in and commitment to your community of land-based casino operators.

C. Satchell: Exactly. Supporting and supplying casinos is our core business and that is what we are focused on now more than ever. We need to merge all the back-end infrastructure to enable our customers to implement this integrated multi-channel relationship with their players. IGT is in a better position than anyone to accomplish this task, to deliver the fully integrated back-end that provides a seamless player user interface along with the 360 degree view of the player that the operator needs. The operator of the future, whether it is Big Casino or Lottery, needs to do this for the benefit of the consumer and for the ability to manage a more complex back-end that supports the multi-channel infrastructure. IGT has the broadest experience, crossing over all categories of this industry, that really requires us to take the leadership role. Our experience with game and content and slots development, with server and communications technologies, with all aspects of traditional land-based casino operations, with internet-based gaming where it is legal, with loyalty and bonus systems, with innovation in all of these spaces, and now with the acquisition of Double-Down the ability to integrate these into a comprehensive customer relationship management program - all this drives our conviction that the industry needs us to take the lead in providing the next generation of full-service support for operators to meet the needs of the digitally connected consumer.

How will the Double-Down Interactive model be integrated into IGT's business model? Is IGT entering the B2C space?

C. Satchell: No. Think of the internet as being a virtual venue. We operate games and take a revenue share. That is the same model as applies to the way slot machine suppliers install machines in a casino on a revenue sharing plan. The supplier retains ownership of the machines, maintains them, and for that service receives a small percentage of the revenue. Likewise, IGT and Double-Down provides the technology and

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the consumer interface to the operator to serve the online customer. IGT does not encroach on the operator role with Double-Down any more than it does in the service of providing slot machines. The operators are our customer and we are not competing with them. We are simply providing access to an additional 800 million consumers, to bring the excitement of gaming to the online community for the benefit of our operator customers.

And you deliver the instant scalability and liquidity that is needed for online social gaming.

C. Satchell: There are many pieces of the puzzle of building out an effective online gaming model. IGT is also the leader in building the tools to do this. You need to assess the lifetime value of the player and how you want to focus your game content and resources. For instance, you have a World of Warcraft business that yields a lifetime value in the hundreds of dollars. Then you have Zynga-type social games in which the lifetime value of a customer may be less than a dollar. Both models work fine. Obviously, with a Zynga model, you need more players. A lot more players! But it still works. Lots of costs relating to game development, revenue-generating, customer service, and customer acquisition need to be factored into the whole strategy. But that is all part of the skill-set that IGT brings to the table for the benefit of the operator. For the gaming operator, it won't likely be limited to one end of the spectrum or the other. You'll want a broad base of consumers supported with a lower lifetime-value model, but you'll certainly want to appeal to the online whales just like you do in the land-based casino world. And then integrate all the above! It's all very do-able, and we need to start doing it now.

How will the migration of the consumer to multiple channels impact the player profiling that has traditionally been applied? The gambler versus the lottery player etc.

C. Satchell: Of course, the player profile is ultimately decided by the player, not those of us who apply our classifications. There will remain the same distinct differences between the outcome-focused, high-velocity/high-return gambler and the recreational lottery player. However, the channel mix is driving an element of convergence. It's not that lottery players are becoming more outcome focused or gamblers less so. There is a point of convergence, though, in the emerging space of extended-play, entertainment-enhanced and social games. The importance of player profiling, of recognizing the distinct differences between the gambler and lottery player profiles, will not change. But there is a new space, a hugely important new category, that will combine attributes of both of those with these new play-styles. All play styles, including the dedicated casino gambler and the loyal lottery player, will be best served by a multi-channel approach towards customer relationship management and even on the games themselves. Our goal at IGT is to understand how the different consumer groups

are recasting themselves and to help the operator keep up with those trends, meet their needs, and implement a focused consumer-centric strategy.

And Double-Down Interactive is a key component to providing the infrastructure to respond instantly to the evolution of consumer play-styles and preferences.

C. Satchell: That's absolutely true. We need to provide all the games through all the channels, to create the user interface that makes it super-easy for the consumer to travel from one channel to another, and to provide the technological infrastructure, the back-end systems, to implement this integrated multi-channel approach. There may be a lot that goes into accomplishing this, but it all comes down to one thing: enhancing the consumer experience.

IGT has also advanced the use of cloud computing to serve its operator customers. Is the basic value proposition of cloud computing that it provides the benefits of technologically sophisticated and expensive infrastructure to the smaller operator? They don't have to buy and manage the technology but instead pay IGT for a full turn-key service that delivers the multi-channel benefits to the consumer.

C. Satchell: It's true that it delivers exactly that benefit to the smaller operators who do not want to allocate the resources to technological infrastructure. I would propose that the larger operators benefit just as much on two counts. First, it enables them to channel more resources towards their areas of core competency and mission-critical business areas. Those would include staying focused on creating the best consumer experience. Second, cloud computing facilitates the rapid deployment of all the latest breakthroughs in games, in delivery systems, and in customer relationship management tools. By enabling them to not invest in technology that becomes obsolete, cloud computing effectively future-proofs the large operators as well. Why would any consumer-centric operator, large or small, want to be saddled with an increasingly complex IT business?

How do you create a social gaming experience on the casino floor?

C. Satchell: You start with a server-based gaming back-end to manage a more dynamic gaming environment on the floor. That enables the operator to create what I call a 'metagaming' experience.

Let's say all three of us were in a casino. You have split screens and friend-finders that keep you connected to other games and tournaments taking place both on the floor and online. Up pops a message saying "Paul and Susan are in the casino and they're playing." There are fun graphics to indicate that you or they are winning and challenge you to form a team to play in an instant tournament. Whoever wins the most points in the next ten minutes gets a free bonus play. I see little dollars flying up indicating that Susan is winning

so I get excited because she is on my team. Then I see Paul winning and the next thing I know our team has won triple points. We're all just playing on a slot machine, but we're having a social experience, courtesy of the server based gaming adding the social end.

Imagine we're playing at a local casino on a Friday night. Suddenly a window pops up that says, "In five minutes we're doing a red versus blue tournament. Do you want in?" And the rules are whichever team wins they gets ten extra points. You end up on the blue team and your companion next to you ends up on the red team. And your teammates might from all over the world. And the boxes with big screens on top of the games are displaying play-by-play results and even adding in audio when the excitement reaches a high pitch. You hear cheering and clapping as passerby's get caught up in the excitement as one team takes the lead. Unfortunately for you, Paul, the red team wins but then maybe Susan will take you to dinner to celebrate her victory. The casino floor is made for just this kind of social gaming. The operator takes a careful inventory of all its assets and figures out how to leverage them into an enhanced player experience. In a casino, a big under-utilized asset is the energy and excitement that can be created when you have a large group of people gathered together and surrounded by all these exciting electronic games and entertainment media that create the energy you have in a football stadium. And speaking about available inventory, think about how many non-cash rewards a casino can offer its players. 50% off at the high-end restaurant, free spa treatment, or even free nights at one of their other resorts. And, of course, the operator can manage this inventory to increase demand on slow days or to introduce new products and services. Or to appeal to a specific convention crowd that has flown in from some other country. The possibilities are endless. And these are experiences that cannot be replicated in the online environment.

Operators used to be concerned that extended-play games, or sending messages to the slot players' smart-phones, or enabling a multi-tasking play-style at the machine on the casino floor, would diminish velocity and therefore profits.

C. Satchell: It does diminish velocity. But it does not diminish profitability. Let's start from the point of view that delivering the best consumer experience needs to be a part of all successful business models. This is what the consumer wants. But really, whatever is lost in terms of velocity is totally made up in the time they spend on playing because they enjoy the gaming experience so much more. The customer decides what kind of experience the operator needs to deliver. Then it's our job to create, or even reinvent if necessary, the business model that makes it work for everyone. Fortunately, our industry is rich with potential to innovate and evolve with the customer in ways that are profitable for all stakeholders. ♦