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Looking Ahead

and Shaping
Our World for
the New Normal



» **MARIOS MITROMARAS**

Chief Executive Officer, INTRALOT Australia and INTRALOT Gaming Services



HOW ASIA-PACIFIC LOTTERY INDUSTRY IS RESPONDING TO THE PANDEMIC

PGRI INTRODUCTION: INTRALOT entered the Australian and Asia-Pacific markets in 2004. Marios was appointed a year later to galvanize the team to action. Beginning with a long-term commitment to the region and a dedication to serve the customer by building customized solutions for a region with immensely diverse gaming and political cultures, regulatory frameworks, and operational objectives, INTRALOT now supports customers in, Taiwan, Malaysia, Philippines, New Zealand as well as Victoria and Western Australia and at the same time monitors other SE Asian countries. The market is huge, it is booming, it is rapidly coming under effective regulatory stability and INTRALOT is poised to help its customers emerge from current challenges stronger than ever.

Paul Jason: I would think the number and variety of regulatory frameworks, business models, and technology solutions is as diverse as the Asia-Pacific region itself.

Marios Mitromaras: It's true that Australia is a highly regulated and probably the most mature gaming market in the region. There are federal laws that apply to the entire country but each state has a degree of freedom to implement regulatory restrictions and projects that differ from state to state. It is only in more recent years that coherent and effective regulatory frameworks have been implemented in Southeast Asia and especially the Asian countries. One of the catalysts to regulatory modernization is the emergence of way too many "com" hubs, internet gaming operators

which often-times operate without proper regulatory approvals or licenses. Due to that, everyone wants to install a regulatory framework and the enforcement mechanisms to prevent illegal operators from harming the players, and siphoning off economic benefit and tax revenues. One of Covid-19's collateral effects were that more people went online which brings even more urgent attention to the need for effective regulation.

What are your current and upcoming projects in these markets?

M. Mitromaras: As we speak, there are lockdowns and many restrictions in place, especially where I am, in Melbourne, Victoria. The case numbers are smaller than many other countries and regions that

have been so badly hit by the pandemic. We are all looking forward to returning to normality, hopefully sooner than later. Of course, the work continues as we hope to position our customers for optimal success as conditions allow.

INTRALOT has been established in Australia since 2005. Our current contracts take us to 2027 and hopefully onwards. We have been working in Victoria and Western Australia. We provide Lotterywest in West Australia with gaming technology, software & hardware which contributes in reaching their targets and run a state-of-the-art lottery operation in West Australia. In Victoria, working for the Ministry of Justice and for the regulator VCGLR, we monitor and safeguard the integrity of approximately 29,000 EGM's (Electronic Gaming Machines), what they call "pokies" in Australia. It is approximately \$AU3 billion in turnover that we ensure always runs smoothly. COVID has impacted this business as the recreational venues where the EGM's are installed are closed. Within our Australian subsidiary we focus on applying the BCP (business continuity plan), keeping all systems up and running and being ready for the post-lockdown period and the normality.

How does the gaming culture in Asia-Pacific differ from other parts of the world?

M. Mitromaras: Southeast Asia and Australia are considered by many to be a gaming paradise. The people love games in general and games-of-chance in particular and they love to socialize. They love numerical games, scratch games, sports betting and going to the casinos. Australia has the highest gaming expenditure per capita in the world. Keep in mind that the population of Australia is only 25 million, much less than half the population of England, France or Germany. But still,

the gaming culture is as robust here as anywhere. And at the end of the day, it is all about channeling economic benefit back to good causes and society which is what the lotteries in Victoria, Western Australia and the rest of Australia all do.

Western Australia is quite different from Victoria. That is also evident in their response to Covid-19 where Western Australia did not impose the same level of severe restrictions as Victoria and others did. In Victoria, there is an 8:00 pm to 5:00am curfew and recreational gaming venues like casinos and the pubs that operate the EGM's have been closed since March 23rd and will remain closed at least until September 27th. Lottery tickets are still available in retail stores and online.

Does it seem like some consumers who may have gone to the casinos when they were open are now turning to lottery to enjoy a recreational game-of-chance?

M. Mitromaras: There is actually a research report from the Australian government indicating that Australian players did turn to the online betting operators of sports betting, casino games, e-games and lottery games. The research was not able to quantify the share that went to legally licensed and regulated operators. Still, the net result of Covid-19 continues to be a severe loss of revenues for the operators and of taxes to the state. There is evidence that markets across the world experienced a big increase in revenues flowing over to "gray" area operators who do not pay their full share of taxes and do not apply the highest standards of player protection. The Covid-19 lockdown has enabled gray area online operators to increase market share in the U.S., Europe and Asia just like they are doing in Australia.

Are destination resorts like Singapore and Macau faring even worse than decentralized marketplaces like Australia?

M. Mitromaras: I think we can expect that decentralized markets will bounce back more quickly once the restrictions are lifted, as the reluctance to fly to destination resorts may linger on for a while. But they can't fare any worse right now than in Victoria where all the gaming venues are closed anyway. And even when the restrictions are eased, some say that consumer confidence may take longer to return to

normal. We think that a positive attitude about the future is a key component to a healthy gaming market and we will do what it takes to support it.

Our projects in Southeast Asia are continuing as these countries are hopeful and cautiously optimistic for a faster rebound. Everyone is moving at their own pace, but in Taiwan, Malaysia, Philippines, Vietnam, Cambodia, Hong Kong and Macau are investing in their future and in the gaming industry of the future. Culturally, they are very social people and really enjoy the social experience of playing in retail outlets, casinos and recreational venues where they share the experience with others – as opposed to playing online. Of course, it is hard for destination resorts when the players can't travel. Currently, we do not know what the future holds. Maybe there will be a resurgence of Covid-19? Anxiety about the future will not help the recovery of the gaming industry. We need to recapture a spirit of optimism.

But now regulators and policy-makers need to give more serious attention to the online channels since the consumer has nowhere else to go and the illegals are rushing in, right?

M. Mitromaras: The jurisdictions of Southeast Asia have been moving quickly towards that direction for years. They are investing in the technological infrastructure to serve the online markets and channelize the online play away from unlicensed operators and over to the state-regulated operator. They have the benefit of studying the best-practices of the more experienced operations in Europe, therefore they begin right away to apply a 360-degree view towards integrating the online and off-line channels. They see the importance of having a thoughtful approach to build mutually reinforcing synergies that benefit everyone – players, lottery beneficiaries and retailers. Asian consumers are probably even more attached to their retail shopping experience than in other parts of the world and so retail will continue to thrive here.

INTRALOT has also developed the tools that help retailers bring the digital world into their stores and to integrate the online experience with the in-store shopping experience, so it drives traffic into the stores.

M. Mitromaras: INTRALOT's strategic goal is to drive Business Innovation through

Digital Technology and what a better way to do that, than guiding Retail to its next day into the future? Retail has always been our core business and our experience in that field is invaluable. Having worked with subject-matter experts in Customer Experience in order to provide a Holistic and Unified Gaming Experience to our customers, INTRALOT has designed a solid-proof Lottery Solution that also includes end-to-end digitally transforming retail journeys. Players need to be facilitated and embraced, they need to be offered entertainment, security and honesty.

Smart-phone has become the primary user-interface for the player, so we need to introduce it as a communication link among our different components: Lotos X, our new game and draw lifecycle management system, Lotos Xi, INTRALOT's complete iLottery Solution and our latest Retailer & Self-Service Terminals.

INTRALOT has a whole family of products to support the retail POS. Our Ticket Vending Machines are modernized to deliver not only a self-serve option but to provide a more responsible and entertaining playing experience.

Our new infrastructure models can be full cloud or hybrid cloud solutions that enable us to customize an entire lottery playing ecosystem that is precisely aligned with the objectives of the operator and the needs of each unique market-place.

Every jurisdiction has its own unique gaming culture and its own approach towards the business of operating games-of-chance. That is why INTRALOT's offering is equipped with bespoke and tailor-made solutions that can serve the evolving and diverse needs of our customers. Since, INTRALOT operates the Lottery for some of our customers, it's important that we stay aligned with the gaming culture and the operational objectives of each jurisdiction.

How do you engage retailer support? Do they understand that integrating the online channel doesn't cannibalize their business?

M. Mitromaras: Thank you for that question. The key to being successful at that is to have a plan in the beginning and a formal systematic approach towards working with the retailers so that they can see that you are committed to their success.

At first, it is quite natural that they are

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concerned that lottery tickets purchased online are tickets that would otherwise have been purchased at retail. We meet with retailers regularly so they are confident that the dialogue is ongoing. We explain that the Lottery's online channel brings in new player groups who are then prompted to go to retail stores, either to register or for a second chance bonus plays, additional prizes etc. The retailers know they can follow up with us in a few weeks to express their approval or air their grievances. We acknowledge their right to be concerned and we address their concerns with solutions and commitment to helping their business.

In the end, we deliver on our promise that the omni-channel model enhances player engagement, brings new player groups to the Lottery, increases sales at retail and increases retailer commissions. Additionally to that, mobile apps, digital enhancements of any kind and the option to play lottery games online also increases both net revenues for the operation and customer satisfaction. Due to the recent burst of illegal online operators, it is more imperative than ever for the Lottery to provide the consumer with the option to play online and keep the economic benefits from flowing out of the country.

China effectively blocks access to all unlicensed online operators. It can be done. Someone may point out that illegal operators are creative and can always find a way. While that may be true, it is also true that there are tools available to prevent consumers from accessing illegal websites that should not be used. It is more a matter of policy than technology. The vast majority of illegal online play could easily be prevented.

How did INTRALOT adapt to the challenges of lockdowns? And how did you help your customers adapt to the lockdown?

M. Mitromaras: Adversity can also bring out the best in us. We had Business Continuity Plans that included moving a large part of our workforce at home. We are proud to say, we did not miss a beat for that challenge. Our telecommunications networks, service and telephone support functions were ready to move to everyone's home. All around the world, INTRALOT is meeting its obligations and enabling its

customers to continue performing and delivering the games.

For example, our sports betting customers had no sport contests to place wagers on. So we helped them to quickly deploy e-sports and virtual games. We have been encouraging expansion into these new categories for years. The pandemic was the catalyst that prompted them to go for it. The important thing is to be ready to execute quickly when the need and the opportunity arises. We had already deployed these solutions in markets like Taiwan and Malta and so we were able to minimize the time-to-market when the pandemic motivated our other customers to want to proceed, even with solutions customized for each market.

Do you think that the pandemic, and the economic repercussions, will cause the political and regulatory climate to be more receptive to new technology and new games and channels of distribution to help Lottery increase sales and contributions to the state and good causes?

M. Mitromaras: I do. For instance, retail and consumer commerce is all moving to cashless. With the need for "contactless" interaction, the prohibition against cashless lottery transactions is downright irresponsible. So hopefully any jurisdictions that continue to require cash-only for lottery play will quickly amend that outdated policy. The EGM "pokies" in Australia are all coin-operated. That needs to be digitized.

Another benefit of digitizing transactions is that it leaves a digital trail that makes it much harder to launder money. Cash-based gambling is a widely used method for money-laundering and so policy-makers should want to eliminate that.

From our side, we're trying to promote more effective enforcement of regulations against illegal operators, both online and off-line. Sometimes we are invited to discuss these issues with regulators and we very happily accept. The technology is available to do so much more to minimize illegal gambling, help protect the consumer, promote responsible gaming and promote the Lottery. Also, cloud technologies should replace the expensive data-centers. That would yield lower costs and increase operational efficiencies especially

as the business expands and produces economies of scale. All these capabilities are available to us now.

The wheels of progress can move slowly when it comes to enacting new laws and regulatory change. But I do hope and expect the current conditions to cause policy-makers to be more receptive to modernizing regulations and allow their own government lotteries to grow and expand and take market-share from the gray-area operators. I do hope and expect that everyone can take advantage of this period of extreme disruption to create a better world on the other side, to apply the heightened ability to adapt to adverse conditions and adapt to new ways of thinking about innovation and ways to apply technology to make the world a better place.

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we can change quickly as needed. We now have a Players Club that enables us to reach out by email and ask, "What about this ticket?" "Ticket A or Ticket B ... Which one do you like?" We need to drill down on the underlying elements that drive success, deconstruct the attributes of the product and the component parts to the selling process and the POS. Thankfully, I think we are starting with a genuinely popular product that players will continue to love for many years to come.

Anything you might add about the fabulous accomplishments of the Georgia Lottery?

G. Corbin: I'd just like to say thank you again to everyone who has supported the Georgia Lottery Corporation over the years. We are incredibly fortunate that from our first day, we have had an incredible team of professionals working and being creative at the Georgia Lottery. Georgia is also fortunate that our governors and legislature set up the Georgia Lottery as a corporation, to be nimble like a business and with astute oversight by our legislature and a board appointed by the governor. The Georgia Lottery will always be appreciative to those who structured and continue to support us so well. Their foresight and commitment have truly paid dividends, especially in the year of 2020. ■