

# The Spirit of Instants

The future elnstant is rooted in its past

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# Putting the Player at the Center

Greece is considered the cradle of Western civilization, democracy's hometown, the birthplace of Western literature, drama, tragedy and comedy. Greece enjoys home field advantage for the Olympics. The culture—one would have to admit—has a certain staying power.

That resolve is evident in abundance with the Athens-born Antonios Kerastaris, Group CEO for INTRALOT S.A. His approach mirrors that of the ancient Macedonia philosopher Aristotle who was known for his intensely logical and concrete starting point for philosophical reflection. Aristotle mentored the young Alexander the Great who himself conquered much of the known world, melding Grecian culture with that of the venerable east.

Like Alexander, INTRALOT has spread its influence across the globe in its 25-year history. From its inception in 1992 as a spin-off, the company has set new standards for value, service and innovation in the gaming industry. Now, the company is poised for growth through customer centricity and mergers and acquisitions (M&A).

At the core of INTRALOT's push is the concept of the Universal Customer Experience (UCE). The lottery industry is replete with any number of clients that could be considered as "customers"—from

as well as the needs of the gatekeepers, such as the lottery executives and channel partners.

"This is a very local business, not only because of the regulatory environment, but because of consumer habits and traditions," insisted Kerastaris. "Factors in the various countries include social environment, religion of the country and trade channels. There are so many variables to consider that one solution would have to be as local as possible, keeping in mind that lottery is a universal game. Customization and adaptation are important considerations as well."

Globalization and customization can be difficult masters to serve efficiently. The INTRALOT Group CEO points to the need for a paradigm shift from "one-off" systems technology to fully open systems. This structure has at its heart uniform products with add-ons to be as customizable as one would like to have for each country.

"So you have the efficiencies, you have the synergies; you have the size and the scale on the main part of the systems, and customized interfaces for the customer facing applications," he asserted.

Unifying the customer experience though may run into a number of hurdles. Convergence is the name of the game in gaming. That implies massive system integration. "It is not a very easy exercise

and convergence is a cultural issue. "The culture of casino, the culture of lottery and the culture of sports are so different and in many ways

competitive that it hinders the ability to create that convergence" he observed. "If I talk to a lottery person, a casino person, an online person and then a sports betting person, I will get four different opinions about the same thing. But, having the units work in parallel with technologies such as specialized CRM and analytics in between creates the right melting pot effect under certain conditions."



## Interactive & Online World

Much of the world outside of the U.S. looks to sports wagering and interactive channels for its future growth. Interactive now accounts for 49% of lottery sales in Finland. Sports has been a far more difficult sale in the U.S.

"It is clear that the online channel is adding to the business," declared Kerastaris. "This is true for many trade structures. It is so specific that this would be expected. Interactive commerce has achieved penetration because of factors such as climate and broadband availability."

But he goes on to stress that the terrestrial and interactive channels are complimentary. "In my mind you cannot separate one from the other," he explained. "Both add value. Now, the question is about the level of impact: Is that sales lift 50% as experienced in Finland, is it 23% as in Holland? Is it 2% as in Turkey, or is it the 8% or 9% which is the percentage in the United States? That is the question."

Growth potential depends on a number of factors such as the investment made in the channel and commercial policy, number of games, consumer behavior and customer base. "Take, for example a country like Turkey: The percent of online in sports betting is

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the regulators and lottery executives to the agents and players. For INTRALOT, though, there is no confusion.

"There is only one customer. The customer is the person using the product or service. So this, at the end of the day, is the player. Keeping the end customer in mind is the best way to serve the lotteries," said Kerastaris.

INTRALOT works to keep all the stakeholders in balance. That balance includes sensitivity to local regulations

and that's why there is no major operator globally that has achieved it fully," noted Kerastaris. "INTRALOT is closer to the solution than our competitors mainly because our technology and operations units are cooperating closely, but the idea also is how you can be as flexible as you have to be with as much of the synergies and as much of the scalability that one needs in order to grow in a global market."

Kerastaris also stressed integration

40% of all online. Lottery is just 2%—same country, same demographics, same culture, different executions,” noted Kerastaris.

## Omni Channel

Many conference presentations, trade publication articles and industry blogs extol the benefits of omni channel. It may be one of the more overly hyped phrases in gaming. “Omni channel is another buzzword,” mused Kerastaris. “The essence behind omni-channel is that I can approach the same customer with different channels of distribution. Another aspect is that channels have differentiated customers by channels. We can address with one message some 21-year-old who won't go to a retail shop, but spend three hours every day online and use a different message for their parents who like spending time with friends online, playing keno. That's pushing the same product to different people through different channels.”

## Product Roadmap

Returning to the subject of the Universal Customer Experience, INTRALOT has a new product roadmap designed to engage the customers and enhance their gaming experience. Kerastaris spent some years at Procter & Gamble. His unique vision for the industry is evident in the UCE concept.

“You know Head & Shoulders is the same product in 180 countries,” said Kerastaris. “You cannot have that in our industry. Sports betting has to be sold to each country specifically. Lottery products have to be sold to each country specifically. If I try to take one of my Ohio lottery products and sell it to Peru under a different brand name, I would be simply shooting myself in the foot. The heart of the game is the same; it's still a shampoo. Flavors, fragrances and formula vary.”

The INTRALOT product roadmap is a glimpse into a market driven concept that visualizes future products. It suggests the technology needed to address the continuously changing gaming landscape.

“It is the customer who dictates their needs,” said Kerastaris. “We are creating what we think the customer will want in the next five to 10 years because one of the things that are changing in this

industry is the idea of the product.”

Kerastaris sees the gaming products on a super highway. In the fast lane is sports and interactive. The right lane is for very traditional products that have been on sale for 20 years. Technology keeps traffic moving and helps the customers navigate to their preferred lane.

“The world is changing faster than ever before. The customer is changing with it. So you need to increase the speed of your reaction to the needs of the market, and I think that this is a new thing for the industry in itself. It's the same everywhere,” he stressed.

## Speak Sports

The interest created by fantasy sports last year illustrated how much the U.S. market desires a sports betting option. It is part of the fabric of the American psyche—regularly featured in Hollywood movies as well as played out in every office pool in the country. It is a fact of life but for historical and cultural reasons the federal and state governments have not broadly authorized it.

“I think it's just a matter of time until either the federal government or state governments will look at sports betting in a different way,” predicted Kerastaris. “Regulating sports betting will be an important revenue driver. For lotteries losing market share to other verticals, sports betting can be a very powerful tool to support the states' budgets.”

Across the globe sports betting is the fastest growing sector in the gaming industry. “There are more opportunities to create revenue for license holders and there is no comparison between the growth potential of this market, they need sports betting, if you compare it with either lotteries or the casinos.” asserted Kerastaris.

## Mergers & Acquisitions

The gaming industry has gone through an unprecedented level of mergers and acquisitions (M&A). INTRALOT has a unique perspective on M&A. “So, you know there are so many opportunities out there that one company with one balance sheet and with one operational capability cannot address the needs of the entire market. You need to grow through finding the right partners,” said Kerastaris.

Kerastaris noted Peru as an example. Peru is a country with 30 million people and with a very difficult landscape, and a very fragmented retail network. To effectively address this market one would need to operate around 12,000 retail outlets, no easy task.

“Opening, operating and monitoring that many outlets would take up so much of our business capacity that we would have to leave a number of other interesting business opportunities around the globe,” noted Kerastaris. “This business is about partnering up with the right people on a local level that could address the issue of how you grow in this country in terms of operational capacity. In addition think in terms of finance capabilities: who has the balance sheet to take on the privatization contract of California alone? No one. The global game is bigger than the companies that are out there in the market to tackle it alone.”

Much of the growth in gaming hinges on the economies of scale promised by convergence. “I think lottery and sports betting can be combined,” speculated Kerastaris.

By contrast he sees no synergies in with the casino sector. “The casino world is a completely different world. The focus will become key differentiators going forward. It is a completely different marketing exercise, completely different cycle of business, completely different regulation. We have to do the things we are better at and the things that we can focus on. I simply don't see the synergies in the base business. That is why we have decided not to go into the casino space at all.”

Kerastaris has a unique take on INTRALOT's strategic positioning. He points out that there is no such thing in the gaming sector as the “best product.” “What we can do is we can live up to a promise to the customer and we can give a better execution,” exclaimed Kerastaris. “These are the differentiating factors in our industry. There is nobody saying that this is a better product than the other. Take the best product that there is theoretically and give it to the wrong guy to operate it. You have to live up to the promise you make to the customer and you have to execute the best possible way.”