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Marios Mitromaras

General Manager of INTRALOT Asia & Deputy Managing Director of Asia Pacific

most importantly, a trend-setter in the region, bringing state-of-the-art technology and operational expertise that has supported its partners in their endeavors to modernize the Asian gaming market.

Today the company has established offices in Beijing, Seoul, Taipei, Hanoi and Hong Kong. We also provide our technology (s/w & h/w) in Malaysia and Philippines.

The majority of INTRALOT's employees in the region are local professionals with an excellent academic background and deep knowledge of the local markets and cultures. We thus have a globally recognized and tested portfolio of gaming solutions that our people in the countries undertake to customize and adapt to the local needs, all with the resources and support provided by INTRALOT's Athens Headquarters. As in all regions including Asia, we implement INTRALOT's operational strategies and expertise that have been acquired over decades of global experience, but with a keen focus on the local gaming culture, as it is very well described in the phrase "think global, act local."

What is the strategy of INTRALOT going forward in China?

M. Mitromaras: China has always been a target market for INTRALOT. China is a "tough" market with its own "codes". Entering and establishing an operation there has not been an easy ride for INTRALOT. We needed to convince our Chinese colleagues and partners that we are a long term investor, so locals could trust and do business with us. While we established our first offices in 2005, our first major projects did not launch until 2012, after seven long years of business development.

We are proud to have become the only international company in China that is a certi-

PGRI Introduction: When INTRALOT decided to enter the Asia market back in 2004, it was with the expectation that the emerging Asian gaming market would soon become the land of opportunities for the gaming sector.

Today, after nine years of hard work, major investments in the region, and a strategy that focuses on sustainable long term growth, INTRALOT has managed to establish a strong presence in several countries and become very well positioned in numerous others. The investment of human capital and the experience of global operations is just as vital to developing a market as products, services and materiel. With six local offices joining forces in Asia Pacific region, INTRALOT now offers world-class, industry-recognized gaming solutions and services to five countries.

Marios Mitromaras, General Manager of INTRALOT Asia & Deputy Managing Director of Asia Pacific talks about how the Company's motto "gaming industry is a marathon, not a sprint" is being implemented in the Asian region and explains why the Company has sharpened even more of its focus on China, with a population of 1.5 billion people.

The story is not just about INTRALOT. It is about the gaming consumer markets in Asia, how they differ from other global regions, how the shapers of public policy are positioning Asian countries to build a responsible and sustainable growth industry that focuses on recreation and fun more than winning a big jackpot.

Paul Jason, Public Gaming: *Could you please give us a brief overview of INTRALOT's activity in Asia?*

Marios Mitromaras: We first entered the Asia markets in 2004. During our first years in the region our ambition was to set the basis for a long term operation. We were driven by the corporate vision to enter into new markets and offer INTRALOT's innovation across many geographies and to pen-

etrate new consumer markets.

In Asia, INTRALOT was first settled in China and then expanded its operations in Taiwan, Korea, Malaysia and Philippines. Through a variety of large-scaled and demanding projects, the majority of which were assigned to INTRALOT following competitive international tenders procured by licensed organizations, INTRALOT has managed to become a dominant player and,

fied and approved terminal supplier by China Sports Lottery (CSLA) for our Photon terminal. By receiving this certification we are allowed to provide Photon to the 31 provincial CSLA lottery companies in China during the upcoming terminals replacement cycle. This is a major project for INTRALOT, because we can participate on all the upcoming tenders of the CSLA provincial lotteries which will gradually replace their approximately 130,000 terminals installed in their Points of Sale countrywide.

The potential of the gaming market in China is estimated at over 100 billion US dollars. The competition there comes mainly from Chinese companies. Major international players have tried to gain a share of the market. Many of them have left and only few are still there, trying to get a foothold. A company should have patience and persistence, a good product portfolio, well-built relationships and a significant investment of resources. Chinese expect to see a level of commitment by any company that wants to operate in their country. China is a country in transition with a fast development pace. A foreign company has to deploy a team of capable local employees with a high degree of loyalty to the company. Fortunately, in INTRALOT we have a good team with a capable management who has very good knowledge of the local needs.

In China there is still plenty of room for the company's further development. The groundwork has been laid and specific partnership agreements have been made, however we need to be patient until the implementation process is completed.

What is INTRALOT's activity in the rest of Asia?

M. Mitromaras: We are really satisfied with our business in Taiwan so far. We have established strong relationships offering an excellent product portfolio. Taiwan's lottery is among the biggest in the Asian market. Our first contract there started in 2007. Recently we have signed three contracts in the country, we won two new competitive tenders and renewed our presence in Taiwan for 10 more years. We have signed a lottery contract, a betting technology supply contract and most recently a sports betting services contract, our first one in the region.

In Korea we operate as part of the "Nanum Lotto" consortium, tasked with the national lottery's operation since 2007. Recently, Nanum Lotto won the tender to continue to operate the lottery for the next 5 years.

In Malaysia and Philippines, we operate primarily as technology providers. Our

partners / clients are local operators and license holders from local Governments.

In Vietnam, the legislation has recently changed and an international tender process was procured. According to the tender, specific providers were invited to bid for a 20-year license to operate the national lottery. INTRALOT was among the companies invited and submitted its offer. The selection process is still ongoing.

What are the company's future plans in Asia?

M. Mitromaras: Southeast Asia is of particular interest for INTRALOT. We have already made moves in the AS AN emerging region, targeting countries with a clear legislative framework, since it is our philosophy at INTRALOT to only operate within regulated jurisdictions.

Right now we concentrate our efforts on mainland China, with its billion and a half population and two major lotteries, the Sports Lottery and the Welfare Lottery, which generate an annual turnover of more than 50 billion dollars. China has 33 provinces, some of which are so big that they are easily comparable to the entire European continent; therefore a new project in any of these states has an immense potential value for us.

Are there "best practices" that can be applied to operating methods throughout the world of gaming and lottery?

M. Mitromaras: There is one commonality to INTRALOT's approach all around the world. And that is that the gaming experience is all about the player. The player may differ from culture to culture. But INTRALOT's focus on the player applies throughout all the markets that we operate in.

We do manage a global data-base of informational resources that support the management process of operations all around the world. And we can certainly all learn from each other, even though the differences may outnumber the similarities. But vital to the effectiveness of operations everywhere is the "Act Locally" component to our mantra of "Think globally, act locally". INTRALOT's wealth of global experience is no more relevant than the insight and understanding of our local partners.

Are there commonalities between consumer behavior in Asia and in other parts of the world? And do other market conditions differ between Asia and other parts of the world?

M. Mitromaras: China and Asia in general, is quite different from other markets in many ways. Certainly, the whole regulatory

environment is different. The retail shops and the way people shop is also different. Most of the lottery/gaming shops are very small. And there is a much more social interaction in the shops and in the streets. In northern Europe and the U.S., people tend to go into the shops with an objective of purchasing something and then leave as quickly as possible. There is a similarity, though, between the Mediterranean and Asian cultures in that respect. People there like to socialize, in the streets, in the tea shops, the coffee shops, the restaurants. And they like to have easy walking accessibility to all different kinds of shops. That's why you see so many different shops, and not so many big malls. And people like to shop from their friends, relatives, and the shop-keeper who convinces them that theirs is the lucky store.

And, of course, numbers hold a special significance in Asian cultures. Even though the games are random number generated, they have very strong feelings about the significance of the numbers they choose.

They make a real game out of betting on anything. I was in a hotel and noticed the people waiting for the elevator were laughing and having so much fun. It turns out they were betting on which elevator doors would open first, how many people were in the elevator, would it be an odd number or an even number, more male or female, and so on. They bet and play not just to win money, but because it is fun.

Now we understand how Macau went from having no gambling to generating six times more revenue than Las Vegas, in just six years.

Is distributing through millions of small shops a logistical nightmare?

M. Mitromaras: It is a logistical challenge, but they are very well organized and operate efficiently the distribution of coupons and programs. It is really not a problem at all.

Do you provide the broader range of support services or are you mostly a seller of technology and game content?

M. Mitromaras: Every country is different. In Korea, the lottery license holder, the Korean Lottery Corporation (KLC), which has granted the lottery operations license to Nanum Lotto. Nanum Lotto does all the logistics, runs the IT hardware and software, they do the marketing, Nanum Lotto is licensed to do pretty much everything. It's different in Taiwan. Both lotteries, the sports lottery and the welfare lottery are established separately from Taiwanese entities and we

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are the suppliers of hardware, software, technology platforms and sports betting services. In the Philippines and Malaysia, INTRALOT is again more of technology supplier. China has a much bigger variety of models to work from. You can establish your own POS network. You can open shops, you can get a license to sell products of welfare lottery or sports lottery and be an owner of hundreds or thousands of shops. Or you can collaborate directly with the Government Lotteries, CSLA or CWL at central and/or provincial level. Currently we are also collaborating with CSLA for the implementation of high frequency games, which are very appealing to the Chinese consumer. They like fast games, new and different kinds of games, games with interesting, rich content.

Both of the Chinese lotteries are expanding and increasing their revenue and retail network by 20 or 25% annually. And keep in mind, half of the country is still in agricultural and rural areas who have not even been introduced to lottery! The potential for growth is astounding.

It sounds like, on the one hand, the Instant games are more appealing to the Asian consumer. On the other hand, it also sounds like the consumer markets are in such an early stage of growth that anything new and different will also be appealing. So the consumer response to draw games will likely be just positive as it is for Instant?

M. Mitromaras: We can look to our children to understand our own behavior as it relates to games. Anything new and different will be more appealing than what we are used to. That is probably more true for the Asian consumer markets because of their genuine love for games.

Game styles and preferences may skew differently for different age groups. The Instant may always appeal to younger adults. The willingness to wait for the outcome in the draw games may always appeal to the 35 and older segment.

Too, the fact that the lottery generates funding to help society can be a driving buying motive for many players. The draw games may provide a better format for appealing to that play style and motivation.

I have sometimes referred to China and sometimes to Asia. For one thing, is there a commonality to the culture between China, Korea and Southeast Asia or are there lots of differences in that region? And then how does the region differ from Europe and the United States in terms of gaming culture?

M. Mitromaras: One similarity between all the Asian countries is that they are very active learners, students of everything that happens everywhere in the world. They all understand how gaming operates in Europe, the U.S., and everywhere else, very effectively.

They monitor this industry very closely. They travel to the gaming shows throughout the world to improve their understanding. They pay special attention not just to technology, but also to gaming regulatory models and philosophies. Sometimes they like to adopt best practices, gaming philosophies from other countries. They may pay more attention to the way their Asian neighbors operate, but they are very attentive to the more mature markets of Europe, and the U.S. as it relates to lottery.

As for consumer behavior, the fascination with numbers runs throughout Asia. And the shopping experience, and therefore the lottery playing experience, is much

more social than in many parts of the world.

Is it possible that lottery gaming may explode throughout Asia in the exponential fashion that casino gambling in Macau did?

M. Mitromaras: I hesitate to make a prediction like that. But I would have to say that it is certainly quite possible. They are already reshaping the way people think about casino gambling. Singapore, for example, has integrated casino gaming into a broader concept of leisure and recreation. Over 60% of the revenue from the operations at Marina Bay Sands and Sentosa come from activities other than gambling. Singapore uses the casino as a magnet to create a thriving food and entertainment industry. All kinds of retail shopping, museums, and other leisure activities are all benefitting hugely from the inclusion of gambling into the overall product mix. And Singaporeans have to pay for the entrance into the casino so that they are allowed to gamble. But Singapore has become a family-friendly destination alternative to Macau, which caters to adults. Japan has a similar approach, with a focus on activities like skiing and technology seminars and such to be the activities that gambling is used to as an additional amenity to attract the consumer.

This more expansive view of gambling, as leisure activity would seem to be a good antidote to jackpot-fatigue syndrome.

M. Mitromaras: Absolutely. Of course everyone has the desire to win a large amount of money. But their focus is on reshaping the overall attitude to focus on recreation and the fun of playing games. There is a very strong Responsible Gaming component to the public policies in all Asian countries. ♦