

FEATURE INTERVIEWS



**MIKE
CHAMBRELLO**

GTECH Chief
Executive Officer
of North America
Lottery



**GAVIN
ISAACS**

President and Chief
Executive Officer,
Scientific Games
Corporation



**ANTONIOS
KERASTARIS**

Chief Executive
Officer,
INTRALOT Group

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Antonios KERASTARIS

Chief Executive Officer, INTRALOT Group

PGRI Introduction: Antonios Kerastaris joined INTRALOT in January of 2014 as Chief Financial Officer, and was tapped to lead INTRALOT and became an executive member of the Board of Directors in November of 2014. Prior to joining the INTRALOT Group, Mr. Kerastaris served in senior management executive positions at the INTRACOM Group, Procter & Gamble, Hilton, Mercedes, and the OTE Group of Companies.

Since its inception in 1992, INTRALOT's focus on the Player has driven its growth to span fifty-seven jurisdictions across five continents. As a supplier of integrated gaming and transaction-processing system, sports-betting management, and Interactive Services, INTRALOT is forging innovation in business process and technology that promises to drive sustainable growth for state-licensed gaming organizations worldwide. We met with Mr. Kerastaris at ICE to drill down on the three strategic pillars that will be guiding INTRALOT's service to its customer in the coming years. In fact, PGRI is honored to be the first interview granted by Mr. Kerastaris after assuming the role of CEO of INTRALOT!

- CRM (Customer Relationship Management) and Focus on the Consumer
- Technology as the Enabler, and Not an End in Itself
- Broadening the Portfolio of Gaming Products

CRM (CUSTOMER RELATIONSHIP MANAGEMENT) AND FOCUS ON THE CONSUMER

Paul Jason, PGRI: *We all aspire to be "customer-centric" and customer-driven businesses. But, government lotteries resources and funding are limited, and investing in short-term sales generates more short-term income than investing in CRM. Doesn't that make it difficult to allocate resources in ways, like CRM, that have a longer ROI time-line?*

Antonios Kerastaris: CRM is about understanding and connecting with the customer. And a business is not likely to accomplish its goals without that understanding and connection. CRM is the cornerstone for any business that aspires to be genuinely customer-centric. In fact, the drive to maximize

sales, even long-term sales, is what interferes with the true mission of the business. Think about it—whose business "Mission Statement" focuses on maximizing sales? Mission statements all refer to a higher calling, like delivering the best products and acting with integrity and serving the customer. The reason we should "walk the talk," and actually embrace our mission statements that point us towards a genuine commitment to understand, connect with, and serve the customer, that is good business.

It's true that there needs to be a balance. Knowing and investing in your consumer may not have the shortest ROI time-line, but it is the key to building a sustainable business, and key to optimizing the long-term value of the business. The pressure to meet our short-term business objectives

can sometimes cause business leaders to lose sight of that fundamental concept.

For that matter, CRM is not a mission statement like "dedication to serving the customer." Customer Relationship Management requires investment in technology and business processes that capture the data so necessary to understanding and connecting with the customer. Truly effective data analytics requires commitment and investment of resources. But the application of CRM stretches across all aspects of the business, from product design to marketing and distribution. And that's why the first acquisition we did in my role as CEO was a CRM platform that is truly revolutionary.

You acquired Bit8 (www.bit8.com)

A. Kerastaris: Yes. The Bit8 CRM plat-

form is an open source platform that easily integrates into the existing technological infrastructure of the lottery or gaming operator. It is customized to the specific needs and priorities of the operator. The important thing is that the Bit8 platform learns from the experience of the customer, synthesizing countless data-points into concrete correlations that truly inform the whole process of delivering more value to the customer. In the end, it's not about the data, it's about delivering more value to the customer. Capturing the data is the easy part. Bit8 has unique capabilities that convert the data into meaningful intelligence that drives business decisions. We think that this platform has the DNA to become the number one CRM platform in the world. And we know it has the power to make the most sophisticated CRM applications fully accessible to our lottery customers. It is our task now to roll it out into the operations, work on it, invest more, and take it to the next level. All it needs is investment and exposure, meaning markets.

INTRALOT is so strong in sports-betting where CRM is vital to just survive in that competitive space. How do your capabilities in sports-betting inform or enhance your capabilities to serve your customers that focus on traditional lottery games?

A. Kerastaris: The basic principles of knowing your customer and delivering value to the relationship are the same. The process of using that knowledge to create products and business processes that are valued by the customer, of making sure that all business decisions are driven by the basic principle that everything you do should deliver value to the customer - those principles are the same in traditional lottery as they are in sports-betting. How the products are designed, packaged, marketed, and made accessible to the consumer, should all be driven by data-analytics which is the brain of a high-performing CRM system.

But isn't sports-betting a lot different from traditional lottery, and appeals to a different player profile altogether?

A. Kerastaris: Absolutely. Much different, but the fundamental role of CRM, turning customer data into business intelligence that drives decisions and enhances value to the customer, is the same. Understanding and analyzing the patterns and habits of your customer is still the key to building a sustainable business model. That should be at the very center of the organization.

Sports-betting is so much more competitive than the traditional lottery business. And the customer acquisition and retention skills and methods that we learn from sports-betting can be applied to great effect in traditional lottery and transform the business.

You operate as a B2B as well as a B2C. How does your experience as an operator which sells directly to the consumer inform your role as provider of technology and services to other operators?

A. Kerastaris: At the end of the day, we all must focus on the end consumer. It is the consumer who decides whether to buy the product or play the games. It is the consumer who drives all business decisions. An effective CRM provides that never-ending feedback cycle, the live model that gets reevaluated and adjusted based in new information gleaned from customer behavior and response to past actions and methods, implemented anew, tested again, and reevaluated again. This feedback cycle informs the earliest stages of product inception, product design, technology R & D, engineering, and all aspects of operations. In the end, everything we do is for the purpose of creating value for the customer. Our customer includes the operators of government-gaming and lotteries. But even then, the best way for us to be of service to those customers is to understand how to help them deliver value to their customer, which is the consumer, the player. So, our focus really is always on the end consumer.

What is an example for how CRM directly increases sales?

A. Kerastaris: We really need to have a more expansive view towards customer engagement and how that increases sales. Look

at the way consumer products companies engage the consumer. And they are doing it with products that are not nearly as fun and exciting as games-of-chance. Procter and Gamble, for instance, knows today that your baby was born yesterday and in two weeks they send you free Pampers at home. Likewise, by knowing what games appeal to each individual player, Lottery can tailor its communiques directly to the specific interest of the player. You can see how this would increase sales.

TECHNOLOGY AS THE ENABLER, AND NOT AN END IN ITSELF

Everybody talks about content, content, content. But it seems to me that maybe we are underestimating the importance of all the other factors that comprise the overall consumer experience.

A. Kerastaris: I fully agree. Businesses are all engaged in a process of creating a product or service, and delivering that product or service. Both must be performed to the highest standard for the consumer to appreciate the value of the content. Blockbuster content like Game of Thrones attracts good distribution as will a blockbuster lottery game will garner positive buzz and distributor support. The thing is, most businesses have a broad portfolio of products that are not all blockbusters. Lottery certainly does. Effective distribution is the backbone of a diversified portfolio of products.

That is what INTRALOT does. All our resources are channeled towards creating the overall player experience that supports the distribution of a broad and diverse portfolio of gaming products. And that's where the rubber hits the road. Excellent execution in all aspects of creating a superior consumer experience is what will attract good content.

Of course, great content does make a big difference. And the creation of great content requires imagination and genius. We do appreciate and respect that. But there are two things about that. First, there are lots of brilliant people creating great content. I would submit

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that the sustainable business model, especially as it applies to traditional lottery, depends on excellence in distribution and in creating the overall consumer experience that enables the players to enjoy the games—in other words, the whole gaming ecosystem that surrounds the actual game itself. Second, INTRALOT is not a content creator company and never will be. INTRALOT's business is to design, build, and implement the technologies that make the games accessible to consumers. The operator depends on us to fulfill that task. If we do not make it happen, then the content does not get delivered, the customer can't purchase the product, and the business ceases to operate. That is a huge responsibility. That is why we focus all of our resources and energies on excelling at that one mission-critical area of the business—making sure the content gets delivered and the consumer derives value from the overall experience. Fortunately, there are countless providers of excellent content, and you never know who will be coming up with the next big thing tomorrow. When they do, we are here to make sure it gets into the hands of the consumer. Another way to think of it is that in the future, great content will not be proprietary. The competitive differentiator will be the application of technology to create the best overall consumer experience for a broad portfolio of products.

An example of the gaming ecosystem is the way that INTRALOT is bringing digital into retail stores in an imaginative way. The customer is not asking for that, the retailer is not asking for that. But we know it will enhance the whole player experience and that will benefit both the consumer and the retailer. So you have to have creativity, imagination, and vision to make this happen.

A. Kerastaris: Technology is not an end in itself. In fact, technology itself is not even the differentiator. Companies like Bit8 are inventing new technologies seemingly overnight. These new technologies are making current methods of operation obsolete. It's

the application of technology, configuring and applying it to add real value to the consumer experience—that is the real differentiator. Technology is just a means to an end.

INTRALOT didn't invent NFC, Near Field Communications. But you are applying it in a way that is transforming the retail shopping experience.

A. Kerastaris: Exactly—that's it. You don't need to be the inventor or owner of the technology to be the user of the technology. Instead of dissipating our resources on invention, INTRALOT channels all its resources into improving the consumer experience. Instead of trying to invent everything we sell, we focus on harnessing the very best that is available. This is a true "best-of-breed" model. A true commitment to best-of-breed requires having the flexibility to apply the best technology regardless of who invents or owns it.

Our R&D goes into the applied stage of the process. We endeavor to understand the big ideas of this world for what they are, work with a broad variety of solution-providers, and forge win/win situations.

BROADENING THE PORTFOLIO OF GAMING PRODUCTS

Speaking of best-practices, don't we need to benchmark against the very best practices as they exist outside of our industry?

A. Kerastaris: Our industry is unique in some ways, and that has perhaps caused us to look for solutions and success strategies of others within our own industry because they can be more easily and readily applied to our own business. The problem is that others in the broader category of gaming and gambling are innovating at a much faster rate than government-gaming. They are recasting ideas that may have originated outside of the gaming and lottery industries to create whole new ways to capture the attention and interest of the consumer.

You were Telecom

A. Kerastaris: Like government-gaming, Telecom perceived themselves to be unique. They thought their business was driven by technology and scale. Everything started to change a few years ago, when they figured out that it's really all about the consumer. Instead of assuming they knew what the customer wanted and they just have deliver more of that, they stepped back to ask basic questions and explore the habits of consumers, how the customer uses the product, how the products fit into the consumers' lifestyles, and ultimately how the product enhances their lives. The Telecom companies which adapted quickly are doing well. Those that did not act so quickly, are not doing so well. The thing is, by the time the changes become apparent in the market-place, it is often too late for the slow-responders to catch up to the market-leaders. And when that happens, the market-leaders then have the additional advantage of being change and innovation oriented, so the usually continue to distance themselves even further from the second-tier players. The positive thing for Lottery is that much of the cost and risk associated with innovation has already been incurred by others. All we need to do is apply some imagination to see how the solutions and success strategies that have been applied to such great effect outside of our industry can be transposed to our own.

Regardless of whether the benchmarks are within or outside of our industry, we need to take into consideration all the factors that do make each situation unique. Every market-place, every gaming culture, every regulatory environment, and countless other factors are unique to each individual business. We do need to always be clear on the specific nature of our own business when it comes to reimagining how success strategies of others can inform our own approach to the business.

The online world is reshaping the market-place. How can government-gaming adapt to

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these changes and carve out a growth strategy for themselves in this new world of multiple channels and media?

A. Kerastaris: The dotcom world is building global brands. They are branding the operator, not just the games, applying the idea of a global brand to their businesses. This kind of branding has not even touched our industry. And this is one of the key things that INTRALOT is working to change.

The dotcom operators have taken advantage of the fact that regulatory frameworks have not evolved with the market-place. They operate in a global market-place and regulatory frameworks apply to national market-places. The fact that their operations are not licensed in every country they operate does not prevent them from building powerful global brands. Illegal

gambling far exceeds legal gambling, which is absurd, and unfortunate. All forms of gaming, gambling, and lottery need to be regulated and taxed. That is the best way, if not the only way, to get control of the illegal gambling markets. That will also provide the basis for the development of global brands for legal gaming operators.

Government-lottery operators do have a huge competitive advantage, though. Their land-based connection to the consumer will help them to consolidate a higher degree of brand loyalty. They just need to augment that land-based retailer connection with a more robust online connection. Online operators are building global brands, but there is no customer loyalty to those brands. The online consumer quickly migrates to whomever has the best value proposition today. Lottery

can leverage the online connection to reinforce its long-term position of strength in the land-based market-place to become far more powerful than the countless online brands which are entering the market now and in the coming years.

In fact, it is very exciting to think about the potential for growth for the government-gaming sector. Sure, there are things we need to do differently, and building out our multi-channel connection to the consumer is one of those. But the competitive advantages that lottery has over all other sectors include its bond with the consumer that has been built up over many decades. Its reputation for integrity, security, corporate responsibility, affiliation with good causes, and great games—these are assets that nobody easily can replicate. ■