



THEO GOBNER  
Westdeutsche Lotterie



HANSJÖRG HÖLTKEMEIER  
Deutsche Klassenlotterie

**Features:**  
The Evidence  
is in, and it's  
conclusive:  
iLottery  
benefits  
land-based  
retail sales



GORDON MEDENICA  
Maryland Lottery &  
Gaming Control Agency



JAMES MAIDA  
Gaming Laboratories  
International (GLI)



MIRIAM LINDHORST  
NOVOMATIC Lottery Solutions  
(NLS)



NIKOS NIKOLAOUPOULOS  
INTRALOT Group



FRIEDRICH STICKLER  
Austrian Lotteries & President  
European Lotteries Association



DR. HEINZ-GEORG  
SUNDERMANN  
Lotto Hessen

Uberification:  
Disruption of an industry by  
a combination of legal and  
illegal means.

How Regulatory  
Dysfunction  
Clears the Path  
for Illegal  
Operators

STATUS QUO



MIKE VEVERKA  
JUMBO Interactive



PHILIPPE VLAEMMINCK  
Altius Law Firm

May/June 2015

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# intralot

## Nikos NIKOLAKOPOULOS

INTRALOT Group COO

### Leveraging Lottery's Network of Land-Based Retail, and the Consumer Adoption of Mobile, for Competitive Advantage

**PGRI Introduction:** A most telling sign of the enduring relevance of retail: Amazon's opening of land-based retail stores in 2015. Even Amazon, by far the most successful online merchant in the world, recognizes the value of land-based retail. A picture is emerging for how the landscape of B2C commerce will evolve; and it most definitely includes land-based retail. The successful merchants, and operators of games-of-chance, will all have multiple channels of distribution and communication with the consumer. Digital technologies, social networks, and application of CRM (Customer Relationship Management) tools will permeate the business of gaming, and consumer products marketing, and promise to breathe new life into the retail sector.

Nikos Nikolakopoulos discusses how these trends will impact the gaming and lottery industry, and why they represent a big opportunity for government-gaming operators.

**Paul Jason, PGRI:** *Mobile and Internet connectivity is coming into the retail store. Near-Field Communication (NFC), WiFi, transaction-enabling Mobile technologies would seem to represent a huge opportunity for operators of lottery and games-of-chance. Is this a window that might close before we have the chance to take full advantage?*

**Nikos Nikolakopoulos:** When it comes to integrating digital technologies into the retail stores, we need to appreciate that all the other marketers of consumer products are thinking the same way—how to turn these trend-lines to their advantage. The retail industry is keenly focused on the goal of integrating the Internet and Mobile technology into the in-store shopping experience and it is already evident that every ef-

fort to modernize Lottery retail stores is not complete without the utilization of online and mobile technologies. We are supporting our customers in such efforts worldwide and can see that these efforts are paying off quickly, wherever they are applied.

Specifically, the opportunity that Mobile represents for gaming operators is huge—not only as platform but more importantly as the means for effective player engagement. It is therefore imperative that operators focus on effective CRM (Customer Relationship Management) capabilities and loyalty programs. The “mobile” player is much more willing to try new things, to migrate from channel to channel, from website to website, and from operator to operator. There will be intense competition

to acquire and retain player loyalty.

Retailers and Lottery alike will need to differentiate themselves by service, by Customer Relationship Management, and by overall consumer experience because everything else is a commodity. CRM enables personalized service and that is the key to delivering the consumer experience that is most valued and appreciated by the players.

*What's to become of the desk-top computer for future generations?*

**N. Nikolakopoulos:** Most of us still use desk-tops for work in our offices. But exactly what capabilities does desk-top computing have that Mobile doesn't have? Young people clearly think the answer is – not much at all. They rely on their Mobile for

practically everything. Notice the increase in size of the newest generation of Mobile phones to make it even more convenient for applications that require larger screens and easier-to-use keyboards. The thing about Mobile is that it becomes an extension of ourselves in ways that desk-top computing never could, allowing for continuous communication and interconnection anytime, anyplace. The Mobile device is always in our hand or our pocket or handbag, effectively binding us to its power to instantly connect us to each other, and to the apps that we use to accomplish anything we want in the digital universe. INTRALOT has long invested in enabling our Lottery customers to leverage the power of the Mobile channels and it is an integral part of our strategy.

*The adoption of the Mobile as the communications hub is being embraced even faster in emerging markets than in the mature markets which have existing land-line infrastructure and high existing population of desk-tops. Won't it be easier for emerging consumer markets to leap-frog these legacy technologies and jump right into the future of Mobile computing and gaming.*

**N. Nikolakopoulos:** Emerging economies lack the telecommunications and technological infrastructure that already exists in Europe, the U.S., and the more mature economies of the world. However this is irrelevant when disruptive technologies render traditional infrastructure obsolete. Just think of the massive land-based wiring system to connect telephones all over the entire landscape of the more developed countries—that now most of us do not even use as we increasingly rely on the one (or more) mobile phones we have.

A few years ago, the lack of development of telecommunications infrastructure in developing countries was a formidable obstacle to growth. Now it does not matter so much. In fact, the lack of land-based infrastructure is being turned to advantage because it frees developing countries to move even faster into the next generation technologies based on digital and cellular. And they are

doing just that. The general population in many developing countries are adopting new telecommunication technology at a faster rate than those in the developed countries. That's an extraordinary thought. In many emerging markets, the number of cell phones exceeds the population itself—over 100% penetration of cell-phones! Mobile is completely replacing the need for land-based connectivity; at least as it applies to telephony, commerce, dissemination of news and information, social networking, and online games.

*Interesting that emerging market consumers are moving so quickly into next generation technologies and yet they value the legacy games based on the unique cultural history of the people.*

**N. Nikolakopoulos:** Some of the most successful games have been running for decades, even forty or fifty years. Quinela in Argentina, for example, and Cash pot in Jamaica. There is a clear correlation between what they see, their inner thoughts, their dreams, and how they play. An incident like a dog crossing a street co-mingles with the number of a birthday or anniversary, or maybe a number on a store-front sign, to influence the numbers they select in lotto or the kind of wager that is placed in the other games. The whole gaming culture in Latin America, Asia, and many emerging markets has an underlying experience that is rich with cultural and emotional connections.

*In the mature markets, we are struggling to reshape the lottery playing experience to deliver that richer emotional connection. The games need to be simple, but also engaging at the same time. Complexity does not seem to appeal to lottery players.*

**N. Nikolakopoulos:** Making the game complicated is certainly not a goal - but if you are implying that games must be simple in order to sell, then I don't agree with that. I would frame the issue differently.

The more time and mental energy required to play a game, the higher the level of interactivity and engagement that must be delivered. For instance, the player experience can be a

purchase of a \$2 ticket for the chance to win a jackpot. Simple, easy to understand, little time involved in making the purchase. But casino games like poker and blackjack require the player to invest much more time and energy as well as to learn how to play games that are much more complicated than the act of buying a lottery ticket. Another example is sports-betting, which is the fastest growing game category. Sports-betting can be quite complicated. Consumers enjoy it, though, because it taps into their knowledge about and enjoyment of spectator sports. And they enjoy poker and other time-engaging and more complicated games because they deliver a more engaging player experience.

I am not saying that complicated is good, or that one play-style is better than another, only that we need to think of everything in a holistic manner to understand whether increased complexity is truly adding value to the player experience. Because if it isn't, then complexity can definitely be a barrier to player engagement.

*What are some of the trend-lines in gaming styles of the mature markets?*

**N. Nikolakopoulos:** Younger players have grown up with online games that are fun and engaging—which is why the simple jackpot games are struggling to stay relevant and appealing to younger players. Games should always be easy to understand and play. But they need to deliver a more exciting player experience. That could mean just finding ways to integrate social media into the gaming experience. Or multi-player options. These new gaming overlays can be implemented via the Mobile.

Connecting personally, even emotionally, with the consumer is the next stage of development for the gaming operator. We need to personalize the B2C interaction with individualized communication that speaks directly to the player's preferences. This is a key area of focus for Intralot—converging personalization via CRM, interaction of content and key channels into delivering a compelling value proposition for the player profile of today and tomorrow.



*That is already being done in the most advanced markets in Europe and other parts of the world.*

**N. Nikolakopoulos:** Everything starts with mature markets. But this too is an opportunity for the emerging markets to leapfrog and go directly to a more interactive gaming environment. The successful emerging market operators are already moving in that direction as we see that it is not at all uncommon for consumers in emerging markets to have two Mobile devices; one cell-phone and also a smart-phone with more robust capabilities for games and other apps. The Mobile connection that operators can create with consumers anywhere, anytime, represents the biggest opportunity to customize their offer and communicates to the individual players. This kind of personalization will be the next frontier for operators to differentiate themselves.

*But isn't there a large percentage of emerging-market consumers who don't even have credit cards?*

**N. Nikolakopoulos:** Many don't even have bank accounts, but that does not mean that there are no alternatives already Pre-paid cards and dedicated payment systems are two options. And more solutions are being developed. Even this fact can be turned to advantage for government-gaming operators. The aspect in which these solutions depend on the retailer to be a point of sale for payment services gives the legal operator a big advantage over remote unlicensed operators. Especially in emerging markets, consumers place a high value on trust and integrity. That too confers a big advantage to the licensed operator with the known and trusted brand.

*There is often a personal relationship between the consumer and the retailer, isn't there?*

**N. Nikolakopoulos:** Absolutely. Many consumers, especially those without credit cards or bank accounts, rely on their personal retailer relationships. These consumers also depend on the retailers for guidance when it comes to the lottery games they play, how they play the games, and how they pay for goods and services. The Lottery can

be an agent for change, for helping the retailers to evolve their business for consumer markets that will be coming out of poverty and into middle class. Lotteries can help the retailer integrate digital, WiFi, and internet enabled transaction processing into the store environment. Lotteries could be, and should be, the leaders in helping the retailers migrate to the omni-channel model.

*This is exciting stuff. Insofar as Lottery can be the agents of change, they can shape the dialogue about the omni-channel model; change it from an adversarial relationship with retailers into one that is mutually supportive. Lotteries could be the ones to help retailers evolve and grow their entire business.*

**N. Nikolakopoulos:** I agree. We know from our worldwide engagements that the Internet does not cannibalize the land-based retail sales. It is imperative though that Operators, retailers, and commercial partners like INTRALOT need to all work together to ensure that implementation of the omni-channel model results in expansion of the market so that all achieve benefit from incremental growth.

Retailers will also benefit by integrating new media channels and technologies into their business model. The need for them to do that is not driven by just lotteries. Retailers need to evolve their business model to meet the needs of the consumers who have interactive relationships with all their merchant affiliations.

For example, the coffee sold at Starbucks is inherently an off-line consumer experience. But they sell Starbucks payment cards that require registration and deliver value-added benefits and promotions via the internet. Retailers should be thinking about how to stay competitive in the modern market-place not just so they can sell more lottery products, but so they can be more successful in all product sectors. Lottery can be the change-agent that will help the retailer be more successful in every product sector. The performance of that role will hopefully promote the kind of collaborative relationship that will result

in and increased focus on lottery, and more lottery sales.

*Norway has had compulsory registration for ten years. Svenska Spel is now instituting compulsory registrations. Is compulsory registration likely to be adopted by more lotteries? And is it a good thing?*

**N. Nikolakopoulos:** Keep in mind that registration is already compulsory everywhere for consumers to buy lottery products or play lottery games online. Registration is always a pre-condition for buying products online. That is true for all lotteries everywhere. As regards to even stricter requirements than already exist, like compulsory registration to play the games off-line, or buy lottery products in land-based retail stores, I would suggest that it depends on the games. Player registration enables the operator to communicate with the player. That channel for communication enables more effective implementation of Responsible Gaming tools. Focus on Responsible Gaming is most important for slots, electronic games, and fast-play games that have a higher potential for abuse than do traditional lottery games. Of course, the Interactive relationship that all lotteries aspire to create does not happen without player registration. Preferable to making it compulsory, though, is to make it appealing to the players so that they enter into the interactive relationship because they want to, not because they are forced to. Then player registration becomes a tool not just for Responsible Gaming, but as a channel for ongoing communication that is the basis for growing the market in a sustainable and healthy manner.

As the new COO of INTRALOT, what are the main goals of your strategy in global operations?

Our strategy in global operations focuses on four main pillars; we are streamlining operations to focus on the player, we are strengthening our subsidiaries' management, we are expanding our offer in existing jurisdictions, and we are seeking opportunities for selective growth and greenfield development. ■