

PGRI PUBLIC GAMING

I N T E R N A T I O N A L

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- The Science of Instant Products: Exploring the technology, philosophy and partnerships behind \$1 billion in U.S. instant product growth last year.
- State Regulation of Fantasy Sports
- The 10 Habits of Highly Effective Millennial Marketers
- The Advent of Variable-Payback/Skill-Based Gaming

FEATURED INTERVIEWS



Gordon Medenica



Rose Hudson



Terry Presta



May Scheve Reardon



Ilan Rosen



Frank Cecchini



Antonios Kerastaris



Scott Bowen



Lottery
Modernization
and the Retail Space



Antonios KERASTARIS

Chief Executive Officer and Executive Member
of the Board of Directors, INTRALOT S.A.

INTRALOT's Leap to the Future:

Transforming into a Products and Solutions based company aiming at a universal customer experience spanning all gaming sectors.

PGRI Introduction: INTRALOT's exhibit booth, its "Iconic Pavilion," at the ICE Totally Gaming Expo in London is completely new and demonstrates the Product Journey vision that will be guiding INTRALOT's offering to its customer in the coming years. Our discussion with Antonios Kerastaris reveals the singular focus that INTRALOT places on the Lottery and sports-betting sectors, and the five components in the Journey to optimize the player experience and results for the operators.

Antonios Kerastaris joined INTRALOT in January of 2014 as Chief Financial Officer, and became CEO and 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 leading gaming company bringing to the industry best-in-class solutions and services for the whole spectrum of gaming verticals across multiple delivery channels, INTRALOT is forging innovation in business process and technology that promises to drive sustainable growth for state-licensed gaming organizations worldwide.

Paul Jason, PGRI: *Over the past year, INTRALOT has reshaped its organization, introduced new products and technologies, and won new contracts. What is the over-arching strategy and goal that set you on this fast-track of change?*

Antonios Kerastaris: Like any public company, INTRALOT is committed to delivering financial results to its shareholders and sustainable value to the Society. Our method for accomplishing that is to deliver more and better value to our customers, the operators of games-of-chance. Financial success for INTRALOT's shareholders is driven by the service and value we deliver to our customers. So that's why the mission we hold dear is to create the fabulous player experience.

Many of the new technologies, new products, and new ideas that you see in the INTRALOT Pavilion at ICE takes a lot of hard work to develop and requires time to be translated into financial results for our shareholders.

The over-arching objective is to excel operationally, to deliver short-term finan-

cial performance, and to invest in the products and technologies that will position our customers for long-term success. By reshaping the organization into an efficient operator and solution provider that delivers peak performance to both customers and shareholders, we are accomplishing both of these objectives. We are winning contracts that are forming the basis for long-term organic growth. And most importantly, as you can see in our ICE Exhibit, we are filling the pipeline with the most advanced technologies and products that will serve our customers' goals to deliver a great gaming experience to the players, and thereby maximize their return to Good Causes and their stakeholders.

The current buzzword in the industry is Player Journey. You, though, refer to the Product Journey. How would you describe the difference?

A. Kerastaris: INTRALOT's 'Product Journey' is the most advanced portfolio of gaming solutions that enhance the customer experience across different sectors such as Lotteries and Sports-Betting. We separate this Product Journey into five compartments. Retail, Retail-Plus, Systems, Interactive, and VLTs. We define the status of these categories as they exist in the present, and we chart a course for where we think they need to be for the benefit of our customers in the future. These functional areas represent the five ways that cover all essential players' needs through technological innovation, hardware solutions and advanced software offerings, all incorporated seamlessly in an omni-channel approach. Players are reached through all available touch-points in the most efficient way, thus adding value not only to the end-customer but also to every stakeholder involved in the process.

INTRALOT is the biggest sports betting organizer in the retail world. Sports-betting is a fabulous looking glass into the world of retail as it applies to gaming in general. We transform with modern tools the insights

we gain from the retail world of sports-betting into understanding consumer and player behavior in the broader sector of gaming that includes our valuable clients in the lottery sector. The goal is to think of Retail in this broader context, to see it as a Product Journey that all consumers are part of in each sector. Retail in our industry is modernizing to keep up with the fast changing gaming ecosystem. Lottery needs to understand where Retail is going in order to sharpen its focus on how it will modernize in order to align with those macro-trends that are driving consumer 'shopping'

experience and integration of the online and off-line connection to the consumer. That's the future and it is the "plus" in Retail-Plus.

The next component to the Product Journey is Interactive and Mobile. This has become so vital to the lifestyle of the modern consumer that it now occupies a focus of its own at INTRALOT. We have immersed ourselves in this product category over the past two years, pioneering innovative products that connect Retailers, Lotteries, and Consumers to an Interactive platform based on Mobile. More than ever

Retail and Lottery have very few similarities to casinos and casino-style gambling. That's why the focus of INTRALOT is on the lottery playing experience. The business of delivering the superior lottery playing experience is a world unto itself and that is our mission.

behavior. We broaden our scope to include the entirety of Retail consumer behavior, not just the behavior we see in the current players of lottery games and this becomes a great advantage in our approach.

Of course, the Product Journey always leads us back to the consumer experience. What we want to understand, though, is the consumers' perspective that enables us to create the products, technologies, and strategies that will drive growth for our Lottery and sports-betting customers.

Retail-Plus?

A. Kerastaris: This concept relates with how Retail is evolving over the next six months to three years. We want to understand how a product and the distribution channels will change and position our customers to adapt to the new ideas that are shaping the modern market-place. The products and technologies on display in our booth are testament to a future that includes digitization of the in-store shopping

before, INTRALOT is investing in the development of the most advanced Mobile and Interactive solutions and distribution channels. They have been tested successfully with our customers and so are now also being sold separately and integrated into the technology platforms of a much broader cross-section of operators.

The third component to the Product Journey is Systems. INTRALOT has always excelled at Systems, the central servers and technology platforms that support the operations and distribution of games-of-chance and Lottery. Systems will always be one of our core competencies and the basis for winning contracts like Polla Chilena in Chile where we provide the most comprehensive range of operational and distributional services.

Our expertise in Systems is also our advantage in adding value to the VLT category. We are not a VLT operator and will never become a VLT operator. We provide the software to manage, monitor, and improve

the VLT player experience. This is all done at the Systems level. We are pioneers in the development of effective Responsible Gaming solutions and those are implemented at the Systems level as well. We serve some of the major operators of VLTs all around the globe and we will continue to invest in and develop the technologies that deliver the best player experience in the VLT space.

So, focusing on the Product Journey provides the best foundation for delivering the optimal player-experience, and optimal business and operational results for your customers.



Team INTRALOT in front of its “Iconic Pavilion” exhibit booth at ICE Gaming Show in London

A. Kerastaris: The Lottery business is evolving to include multiple channels of distribution. And that involves digitization at all levels of operation. But the face to the customer, the ultimate consumer touch-point, the zero moment of truth where the consumer decides to buy a lottery ticket, is predominantly at Retail. And that won't change in the near future. Even in those market-places that have the most developed online lottery businesses, like Scandinavian countries and the UK, the majority of sales is still at Retail. In all other markets, the vast majority of sales still happen at Retail.

Retail has very few similarities to ca-

sinos. The differences far outweigh the similarities. That's why the focus of INTRALOT is on the lottery playing experience. The business of delivering the superior lottery playing experience is a world unto itself and that is our mission. It's not about building VLTs and gaming machines for casinos. It is instead about understanding the Product Journey as it relates to the objectives of our customers. And that is all about Retail and digitizing the operational aspects of this business to meet the needs of the modern consumer.

Most lotteries around the world also offer sports-betting. So that remains a big focus of INTRALOT.

A. Kerastaris: Exactly. There is much about the distribution of sports-betting services that informs our approach to the lottery market. Casinos are completely different, as they appeal to a whole different clientele and involve a wholly different method of marketing and distribution. Not so with sports-betting. We need to integrate the internet and land-based consumer connections in both Sports-betting and Lottery. Sports-betting shops resemble retail shops and so the methods of engag-

ing and serving the consumer in that kind of environment are also similar to Lottery. This is why we are focusing our resources on serving the specific needs of our defined market-place which is the operators of Lottery and sports-betting.

Our resources are focused on enhancing our core competencies in the business of retailing as a land-based operator, rather than a dot.com B2C operator. We have a crystal clear vision on how to best serve our customers and will not dilute our efforts or depart from that focus.

That seems to be serving you well because Lottery is the healthiest sector in the broader games-of-chance industry. Will it be harder to maintain growth going into the future?

A. Kerastaris: Absolutely. Our experience in retail solutions is our competitive edge and engine of growth. At the same time though, we are increasing our focus on game development and the method for making those games available to the consumer. That means Retail-Plus in the forms of digitizing the in-store shopping experience, integrating Mobile and Retail, innovating in the self-serve space, and developing game-styles, like e-Scratchers, that take full advantage of online and digital media. The more we invest in the Product Journey, the more dynamic the lottery market-place becomes. And I do think we are just beginning the process of reshaping the lottery market from a very traditional, paper-based industry, into an industry that offers a wide variety of consumer options in games, and platforms to play these games.

Another manifestation of INTRALOT's focus on innovation is what you have brought to the self-service terminal space, the “SST” line that expands your retail offering and addresses new player needs. Will the adoption of Self-Serve reach a tipping point, maybe even to the extent that clerk-assisted selling will cease to exist?

A. Kerastaris: Of course not. Retailers are the “heart” of any lottery operation.

Clerk-assisted sales will never go away. They may evolve so that the nature of the assistance isn't all absorbed by processing transactions. But the human touch of clerk assistance to address shoppers' needs will always be there. That's the "raison d'être," one of the key value-added properties of retailing that differentiates it from other distribution channels. People like to interact with other people and that's a fact of life. We just think the product should be made available in as wide a variety of channels as possible. Easier access for the consumer equals increased sales. As important as clerk-assistance is to the selling process, we still want to create as much exposure and access to the product as we possibly can.

The important thing for us as an industry is to give the consumer as many options as possible and enhance the player experience. Offer more and better games, and make them available online as well as in-store, on Mobile as well as through self-serve, in sports-betting shops and large chain retailers as well as convenience stores, always in ways that embrace Responsible Gaming principles.

The business of capturing and leveraging Big-Data has the potential to reshape our

approach to market analyses, segmentation, game development, promotion and distribution. Does it require player registration as the conduit for capturing that data?

A. Kerastaris: Player registration is important for building the interactive relationship that is key to player retention and loyalty as well as for transparency in gaming operations. Big-data, however, is often much more than that. Big-data analytics is about capturing and analyzing huge amounts of aggregated data. It is the macro-world compared to the micro-world of direct interaction with the players, or even analyzing the online activities of player responses to games and promotions. In the Big-data world, you are analyzing macro sales data to discern big-picture trends. You're looking for connections between external phenomena and consumer behavior. How does weather affect sales and how can we adjust to minimize the negative impacts? Are there correlations between the days of the week and sales volumes? How do big events like an election or a huge sporting event affect the sales of lottery? Forecasting patterns of play enables us to shape the products and offerings to match

those patterns. The analysis of the player behavior patterns as relates to these events is helping us to refine our marketing and messaging to take advantage of correlations that Big-data reveals. And that does not require player registration.

What is meant by "complete Mobile ecosystem for lotteries?"

A. Kerastaris: In the end, all different POSs and all different channels need to be integrated into a seamless experience for the player. One common denominator for all players is the Mobile. Lottery operators must include the Mobile component in their business, in order to offer players new forms of lottery entertainment at retail, so as to stay up-to date, attract younger demographics and boost their sales performance.

The gaming experience is all about Retail. That is where our resources and skill-sets are focused. INTRALOT will continue to sustain its position as a leading Retail solutions provider, because that's where the fun, excitement and social interaction happen. That's where the sales happen. And that is where INTRALOT, as commercial partner to the Lottery, are shaping the gaming world and player-experience of the future. ■