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December 2011



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EuroSlot
December 2011

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INSIDE: POOL • REGULATORY NEWS • U.S. MARKET PROFILE • TIME TO GO CASHLESS?

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www.euroslot-online.com

Editor
Barnaby Page
euroslot@barnabypage.com

Journal Manager
Jonathan Swift
+44 (0) 1622 699197
jswift@datateam.co.uk

Contributors
Jon Bruford, Stuart Gardiner
Italy: Maurizio Brodo
U.S.: Sharon Harris
Asia: Ian Hus

Publishing Director
Paul Ryder
+44 (0) 1622 687031

Managing Director
Parvez Kayani

Published by:
Datateam Business Media Ltd.
London Road, Maidstone,
Kent ME16 8LY, UK
Tel: +44 (0) 1622 687031
Fax: +44 (0) 1622 757646

ISSN: 0966 - 0259 DECEMBER 2011

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PHOTOS: p4: Beijing: Fang Chen. Belgrade: Zoran Životić. London: Iridescenti. p20-25: main picture: Battrick/Fotolia.com.

The devil's in the detail

The news that Britain's gambling machines tend to be concentrated in lower-income districts, which we report this month, will inevitably be seized upon by gaming's opponents as evidence of exploitation. But the industry should be measured in its response.

Leaving aside the issue of why wicked capitalists would particularly want to exploit those with less money rather than those with more, we can point to the logical principle that correlation does not mean causation.

For example, machines may not be concentrated in poorer areas because poorer people live there, but because low rents appeal both to those people and to arcade operators.

There is also, as our story points out, no evidence in the latest research that more machines necessarily mean more spend per consumer or more problem gambling.

Having said that, though, we mustn't rule out these possibilities too stridently. The gaming industry is certainly not wicked in motivation, and can point to a good track record in supporting problem gambling initiatives, but many respectable commercial enterprises have potentially harmful side effects.

Ultimately it benefits all of us – the industry, national and local government, support charities, and by extension consumers themselves – to acknowledge these and to know more about them. This research is another step in that direction.

Barnaby Page, editor

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Events and exhibitions

17-20 January 2012

IMA – International Trade Fair for Amusement and Vending Machines
Venue: Dusseldorf, Germany
Website: www.ima-messe.com
Email: info@ima-messe.com



24-26 January 2012

EAG – European Amusement & Gaming Expo
Venue: London, UK
Website: www.eagexpo.com
Email: karencooke@eagexpo.com

24-26 January 2012

ATEI at ICE Totally Gaming
Venue: London, UK
Website: www.atei-exhibition.com
Email: kristian.fuller@clarionevents.com

14-16 March 2012

Amusement Expo
Venue: Las Vegas, U.S.
Website: www.amusementexpo.org
Email: bjaeger@wtglasgow.com



14-16 March 2012

China Attractions Expo
Venue: Beijing, China
Website: www.caapa.org
Email: caapa@163.com

21-23 March 2012

FER-Interazar
Venue: Madrid, Spain
Website: www.grupointerazar.com
Email: info@grupointerazar.com

17-19 April 2012

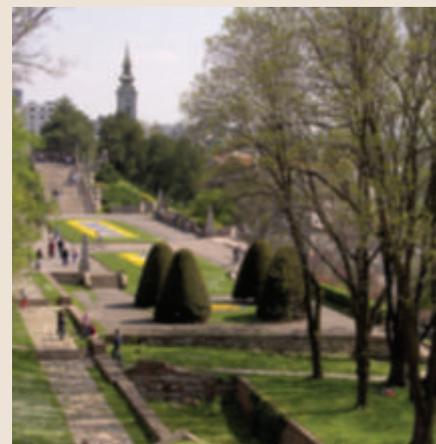
DEAL – Dubai Entertainment, Amusement & Leisure Show
Venue: Dubai, UAE
Website: www.themeparksdubai.com
Email: jacob@iec.ae

10-12 May 2012

GTI Asia Taipei Expo
Venue: Taipei, Taiwan
Website: www.gtiexpo.com.tw
Email: gametime@taiwanslot.com.tw

22-24 May 2012

G2E Asia
Venue: Macau
Website: www.g2easia.com
Email: yolinda.wong@reedexpo.com.hk



22-24 May 2012

GEB
Venue: Belgrade, Serbia
Website: www.see-geb.com
Email: office@see-geb.com

6-8 June 2012

Asian Attractions Expo
Venue: Hong Kong
Website: www.iaapa.org/expos
Email: jparsons@iaapa.org

9-11 October 2012

Euro Attractions Show
Venue: Berlin, Germany
Website: www.iaapa.org/expos
Email: jparsons@iaapa.org

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Mobile's rise and rise

The allure of mobile gaming appears irresistible, to real-world and online operators alike: it's as up close and personal with the consumer as you can get.

On the online front, one of the biggest recent affirmations for mobile comes from Microgaming, probably the leading provider of Web gaming software. It sees an increasing amount of business coming from mobile, and has recently added an Android-based tablet and smartphone app to its line-up.

The system makes its debut with eight games, and another 20 or more should be added by the end of the year.

Said Neill Whyte, head of product channels for Microgaming: "The explosion of mobile gaming over the last 12 months, driven largely by the increased adoption of smartphones in developing countries, represents a huge opportunity for providers."

Meanwhile, new rules in Las Vegas allowing gambling beyond the casino floor will be a great boon for the likes of Cantor Gaming, with its mobile sportsbook, and we can surely expect to see many more such services spring up over the next year.

But it's not just the activity of gaming itself which can be, well, mobilised. Working with Bally Technologies, the Seminole Hard Rock Hotel & Casino in Hollywood, Florida has committed itself to a wide-ranging set of customer services available via mobile apps, available both on Apple's iTunes and the Android Market.

"The mobile app puts the Seminole Hard Rock Hotel & Casino right at patrons' fingertips," said Jeanine Repa, senior vice president of brand marketing at Seminole Gaming.

It lets them buy concert tickets, inspect and book hotel rooms, learn about game rules, sign up for tournaments, read restaurant menus and make reservations, or consult GPS maps of the venue and surrounding area. They can even order room service while they're playing in the casino so that it's waiting for them upstairs.

Yet more features are planned, too. And while smaller operators probably won't want or need an app as sophisticated as this casino's, the principle underlying it – that giving the customer easily-accessed information will encourage them to take up more aspects of your offer – can easily be scaled down.

It seems that far from being a pure threat to land-based gaming operators' revenue streams, mobile could become another way to enhance them.

Juke Britannia

Sound Leisure is producing a limited-edition red, white and blue version of its 1015 jukebox.

"The Juke Britannia is the best of British, made in Britain and it looks stunning," said the firm's Chris Black. "We have had the Royal Wedding this year and next year we have the Olympics, so we felt now was the time to create something that combines nostalgia and patriotism with a good dose of rock and roll. Given the relatively small number we are creating of this model, we expect the response to be huge."

Only 99 units will be manufactured.



Cost-effective music

NSM Music plans to show its new Icon Lite jukebox at January's EAG International Expo, alongside established models such as the Fusion, Apollo, and Icon2.

Costing just over £1000, the Icon Lite "has been developed to satisfy the customer requiring a more competitively-priced product but unwilling to trade down in quality", said the firm's Alex Kirby.

"Should they wish, they may build on the basic specification and take control of the ultimate cost, rather like when purchasing a new car. The current economic climate has put our customers under considerable pressure and it's important that we play our part by developing cost-effective products and music content packages."

It will also use EAG to demonstrate a new "touch and slide" interface technology, similar to that used on many smartphones and designed to reduce the number of selection errors made by consumers using its jukeboxes.

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FUNTASIA



PUNCH



TOUCH ME II

New market opportunities

In addition to classical locations in amusement parks or restaurants, Touch Toy is also well for **alternative locations** in hotels, shopping centres, furniture shops, banks or doctor's surgeries.

Touch Toy can be set up with or without coin slots which opens up **new business segments** for operators: They can **operate** the children's terminals but also **sale, rent or lease** them – with very good success as the strong international growth in Europe and Russia shows.



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Cues for China

Not many British cue sports manufacturing companies can currently say that they are flat out with production. Even fewer can say that the bulk of their sales are going to a hungry market in China.

But this is exactly what is happening to the historic Liverpool-based company Peradon, which has been making cues since 1885.

Peradon has remained focused on handmade, high-quality English cues. The result has been a significant increase in demand from a discerning Chinese customer base.

Said the firm's Paul Woods: "The Chinese buyers appreciate high quality and craftsmanship. They also see the value in strong brands with strong reputations for build quality. Put this together with Peradon's long history and unrivalled reputation and the made-in-England heritage, and it's easy to account for the high demand."

Peradon also now allows customers to design and build their cue to their own specification through its Cue Wizard online tool.

Back to the British

Two decades after it was bought by U.S.-based Milliken & Company, the Stroud textile business Milliken Woollen Speciality Products has returned to British ownership.

The business has been christened WSP Textiles Ltd., with three senior members of the management team joining a new board of directors.

The former Milliken Woollen Specialty Products management team who have seats on the board are the new chief executive David Smith, sales director Duncan Kettell and manufacturing director Malcolm Fallows.

They will be joined by non-executive chairman Michael Henderson, a former director of the textile conglomerate Coats Viyella.

All 160 employees will remain with the firm.

The acquisition was arranged by Vespa Capital, a private-equity firm that helps management teams acquire and develop the businesses they manage, and the board is completed by Vespa Capital partners Nigel Hammond and Matt Lyons.

Said Hammond: "We are delighted to be investing in a world-class UK-based manufacturer and look forward to supporting the management team in delivering their investment plans. We believe the number of people playing tennis and snooker will increase around the world, particularly in Asia, and this will underpin the company's growth prospects."

The original company had made cloth since the 13th century and the WSP acronym recognises the founding mill owners, who were called Winterbotham, Strachan and Playne.

Today the Strachan brand has a high profile in the snooker market, while Playne tennis ball cloth can be found on Dunlop, Wilson, Head, Tretorn and Babolat balls, used at many tournaments including Wimbledon and the French Open.



Eight-ball tour



British pool cloth manufacturer Strachan is backing the new International Professional Pool Players Association (IPA) eight-ball tour in 2012.

The company has joined Hilton Worldwide and pool table maker Heywood Supreme in backing a new committee now heading up the organisation, which has attracted more than £120,000 in prize money.

The committee is keen to develop the amateur and professional game in 2012 and hopes to see eight-ball pool return to TV screens followed next year by the launch of a televised premier league.

The 2012 IPA tour has been conceived by pool professional Morray Dolan (pictured), and a committee keen to provide the game with a professionally-managed circuit that also appeals to the European market.

The new season starts in March with the British Open and the amateur championships in Blackpool. It will end in Newport in October with the Welsh Open and the Welsh amateur championships.

Dolan has paid close attention to regional alliances, with the south of England hosting its first event, in Bracknell, for six years. The Midlands stages the tour's flagship event at the NEC near Birmingham in April, and the tour travels north in June with an event in Bradford.

Strachan marketing manager Stuart Gardiner is pleased the new tour has gelled so quickly. "All credit must go to Morray and the committee for pulling together the eight-ball game," he said. "I can see the players getting behind the tour because it has been constructed with their interests and those of spectators at its heart. It can only be good for the game and lead to more European players climbing the world rankings."

Blackpool anniversary

World pool bosses are planning to celebrate the 20th anniversary of the longest-running tournament of its kind with an even bigger and better competition.

With an increased prize fund plus expected major sponsorship and television coverage, the 2012 World Championships will mark the milestone in fitting style.

Next year's World Championships have already been confirmed for the Imperial Hotel, Blackpool, taking place from 24 June to 4 July.

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What do we earn?

The Amusement & Music Operators Association (AMOA) recently released the results of its first comprehensive member survey in more than ten years. Conducted in the spring, the poll invited the organisation's 1400 members to participate via SurveyMonkey, an online tool. More than 70 operators in 26 states responded, and most answered the 61 questions.

The results suggest that the typical operator is independently-minded and in their forties or fifties, with some college education. They typically employ fewer than ten people. Member operators prefer to deal with smaller local banks and make their own travel reservations. It is an ageing business, and more than 93 percent of respondents are over 40. Almost a third are over 60.

The American amusements industry is typically very close-mouthed about earnings, because most companies in the sector are privately held. This year, little over half of respondents reported their annual revenues. Of those who did, 30 percent revealed route collections between \$500,000 and \$1m; 22.5 percent reported collections between \$250,000 and \$500,000. Another 22.5 percent generate \$1m to \$2m.

The survey demonstrated a vital need for promotion, as only 20 percent of operator locations actively promote their venues. Why? About a third blamed indifference on the part of locations; 31 percent cited a lack of dedicated staff, and 18 percent were uncertain how to manage promotions. One category perfect for promotions is league equipment like darts or pool, but only one in 20 operators conduct leagues in 80 percent or more of their locations.

Although two thirds do have a company Website, 58 percent view it as ineffective in promoting their companies. Social media is also not widely used yet, and Internet connectivity for equipment has actually declined over the past few years.

The survey also covered numerous other questions including types of equipment used.

The conclusion to be drawn is that AMOA operators must employ the modern tools available to them in promoting the industry, not just as an extra, but as an integral part of each location's entertainment package for its own customers. As for taverns and restaurants, operators must learn to establish co-operative efforts with leading brands of foods and beverages to further promote amusement products.

Green campaign

Conservation and the coin-op industry are successfully blending, thanks to MEI's Recycle for Recyclers promotional programme for American operators. Operators who traded in any brand of bill validator – whether functional or non-working – when buying MEI's new CashFlow VNR recycler earned a rebate credit.

The environmental campaign resulted in the recycling of more than 2796 pounds of electronic equipment. It was all disassembled and then recycled by partner Intercon Solutions of Illinois.



New jukebox rates

The Jukebox License Office (JLO) has released its 2012 AMOA jukebox licensing rates. The first jukebox will cost \$454; the second's fee will be \$105; the third will be priced at \$77. For more information, visit www.jukeboxlicense.com.

From coin-ops to Apple: industry remembers Jobs



As the world continues to mourn the early death of Apple founder Steve Jobs, the amusements industry can be proud of its place in his life. Jobs began his career in the coin-op video game industry when he belonged to California's Palo Alto Home Brew Computer Club in the 1970s. Along with Steve Wozniak, Jobs introduced the first Apple computer. At the time, he had been working on Atari's Breakout video game.

More delays for VLTs

Once again, Illinois operators are caught in the middle of legislative brinksmanship. Waiting for two years to start operating within the 2009 Video Game Act (VGA), they have been plagued by delays and changes.

Companies have already been approved to operate, distribute and manufacture games within Illinois. But now, once again, Governor Pat Quinn is pressing for possible regulatory modifications.

In mid-November, by a 58 to 53 margin, Illinois law-makers failed to pass legislation that would have nullified Quinn's plans for reform of the gambling laws. This eases the path for Quinn to expand casino gaming statewide. Regulation could also mandate a local opt-in requirement for video lottery terminals (VLTs), ban VLT operators from contributing to any politician (a provision which would probably apply to VLT owners in the amusements business too), and eliminate provisional video poker licences.

The original VGA permitted these types of temporary licensing approvals. Operators supported this language as a means of quickly entering the market before the long investigative process was completed.

However, the Illinois Gaming Board (IGB) rejected this option, citing the potential for licences being granted to applicants who had been involved in criminal activity, before they had been thoroughly investigated.

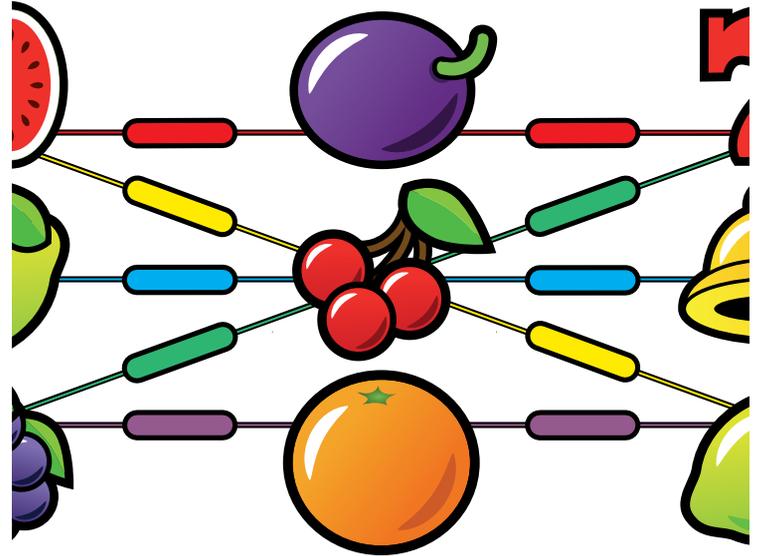
Operators became a pawn in a larger battle for control, with the battle lines drawn between legislators who want to select sites for five new casinos and Quinn, who is demanding the IGB pick the locations. Operators are caught in the middle because the entire programme is now on hold.

Also affecting Cook County operators in Chicago are the potential \$1.3m in additional fees and taxes for 2012, if the new budget is passed. It calls for \$225 annual licences for VLTs and prize vending machines. A fee of \$150 will be charged for licences for jukeboxes, pool tables, amusement video games and other coin-op devices. Across the county, which has the largest population in Illinois, 10,000 machines would be affected.

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and a
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Asia sells to Europe

Italy is the largest electronic gaming market in southern Europe, and Taiwanese companies successfully penetrated it a long time ago. So at this year's autumn Enada event in Rome – focused on Comma 6a AWP's and Comma 6b video lottery terminals (VLTs) as well as a wide range of amusement and sports machines and peripherals – it was not surprising that they enjoyed extensive exposure.

Andromeda promoted products developed by Feiloli and FYC. Subsino's logo and game machines could be seen at the Hit Game stand. Gieffe displayed game boards made by Astro and IGS. Faro Games showcased products from Paokai and Shiyu. And RAFI Electronica promoted coin selectors made by Will Join.

At the Surexpo amusement trade event in Poland, meanwhile, local exhibitors Jakar and Vita showcased Saint-Fun's Street Basketball – one of the products attracting most attention at the expo. It was also on offer to players at the top-tier amusement centre Hulakula in Warsaw, placed at a prominent location near the entrance to attract customers.

Gaming referendum

Matsu, one of Taiwan's offshore islands, will hold a referendum on gambling at the end of 2011 at the earliest. Many civil groups went to the Ministry of Transportation and Communications (MOTC) this autumn and presented eight inquiries and three petitions.

They believe that authorising gaming-related parties to draft the rules on international resorts housing casinos is like asking the fox to guard the hens. A number of civil groups including the Anti-Gambling Legislation Alliance (AGLA), the Citizen Congress Watch Alliance, and the Taiwan Teachers Alliance went to the MOTC and protested that the government is promoting gambling business through gaming tourism.

They pointed out that the Ministry took advantage of the Offshore Islands Development Act to package gaming tourism and that the draft gambling act touted the adoption of Singapore's experiences, but no comprehensive evaluation of the island's conditions was conducted.

These groups suggested that the MOTC plays a leading role in promoting gambling and demanded the ministry give a clear explanation.

Chief secretary Hsi-tzung Chang of the Tourism Bureau, run by the MOTC, accepted petition letters from the anti-gambling activists and emphasised that the draft gambling act and the review of integrated resorts absolutely conform to the law.

In addition, Chang said, the establishment of tourism casinos is based on the premise that it would not be permitted until the outlying islands had passed referendums and complete reviews were conducted. Moreover, a casino could only be built as part of an international resort.

Animation inspection

A group of governmental leaders from Panyu District in Guangzhou, China recently investigated the Huachuang Animation & Cartoon Park, an industrial park devoted to commercial animation.

President Pei-wen Liu of Huachuang introduced its development and position, outlining progress of projects and future plans. He emphasised Huachuang's plan of independently developing commercial game-machine platforms.

Afterwards, the governmental leaders went to Belrare's plant in Huachuang park and toured the firm's product showroom and R&D workshop. Here, president Ju-ceng Zeng of Belrare spoke of its insistence on positioning itself as an independent game developer and illustrated the company's game-development procedures as well as demonstrating how to play its games.

The creativity of Belrare game products gained unanimous positive comments from the governmental officials, who were also very surprised by the scale of the Belrare R&D room and the large number of R&D personnel there.

Panyu Startoon E-Game Machine Expo 2012 (SEM 2012)

Welcomes any enquiries from companies interested in participating.



**March
5~7, 2012**

Hall1 & 2, Poly World Trade Center

Guangzhou, China

**China's Most Commercially
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While global economic focus is on China, you should not lose your chance to enter this market.

S EM 2012 is organized by People's Government of Panyu District, it is believed that SEM 2012 is destined to succeed in Gathering a long list of exhibitors and providing the most advanced and complete array of e-game related product offerings.

With leading R&D capabilities and organized machine supplying chains, the development of the e-game industry in Guangzhou is much more mature than other cities in China. Located in Guangzhou, Panyu has developed as a well-known manufacturing powerhouse of the Chinese e-game machines and related products and services; therefore, professional buyers are able to make a one-stop purchase at this district and it has become a new destination for both local and foreign professionals to buy amusement equipment. Facing the future, on the basis of its celebrated manufacturing power and continuous support from the Chinese government, Panyu is transforming itself actively and heading on the road of becoming a nationwide R&D headquarters of the e-game industry of China.

China: Global Economic Focus Full of Business Opportunities in 2012

Chinese electronic-game industry has drawn a large amount of international professionals' attention. It is believed that SEM 2012 will be the most professional and commercially effective show among the e-game related exhibitions next spring in China.



Targeted Exhibitors

The exhibition is a grand assembly for all types of Chinese companies related to the e-game industry involved in such activities as manufacturing, distribution, trade, supply, retail and amusement venue operation.



What Will You See?

In this exhibition, you will see various types of China-manufactured innovations and products including amusement machines, amusement games, theme park facilities, and fitness equipment. Do not miss this chance to make purchases.



How to Reach Us?

Please feel free to contact us for inquiring about booth rental issues or admission tickets, your participation will definitely enrich the exhibition. For further information about the show, Please contact Peter Lee / +86-20-2287-1721(Rep.) E-mail: peterlee86@163.com

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Is it legal?

Every month Euroslot updates you on the latest news affecting gaming policy and regulation around the world



ARGENTINA

Gaming Laboratories International (GLI) hosted 58 regulators from 22 jurisdictions in Latin America and the Caribbean at its latest Latin American Regulators Roundtable in Buenos Aires. The day-long event included contributions by regulators from Argentina, Chile, the Dominican Republic, Mexico and Panama. GLI's next event for regulators, covering North America, will be held in Las Vegas on 7-8 March.

counterparts, imposing only a 20 percent flat-rate levy on gross revenue. The decision will likely make it possible for any other EU member state to do the same.



BELGIUM

The Belgian government is to require Internet service providers to block access to unlicensed e-gaming sites from January, and will also prevent the gambling operators from processing financial transactions involving Belgian bank and card accounts.

Currently, the eight licensed online gaming sites serving Belgium are estimated to have about 35,000 customers, but as many as 150,000 other Belgians use unauthorised sites.



EUROPE

The European Parliament has issued a lengthy resolution on the shape that e-gambling regulation should take. Among its recommendations are that regulation should "channel the natural gaming instinct of the population by restricting advertising to the level that is strictly necessary in order to direct potential gamblers to the legal provision of services, and by requiring all advertising for online gambling to be systematically coupled with a message warning against excessive or pathological gambling".

It also calls for member nations to "combat the illegal gambling sector by strengthening technical and legal instruments for identifying and sanctioning illegal operators", to "guarantee effective protection for gamblers, with specific attention to vulnerable groups, in particular young people", to "ensure that part of the value of bets goes to sports and horse-racing bodies", and to "ensure that a considerable proportion of government revenue from gambling is used for publicly beneficial and charitable purposes".

Concerned about fragmentation of regulation, it calls for national regulators to co-operate more closely, developing common standards and working together against unlicensed operators.



DENMARK

EU regulators have approved Denmark's plans to tax online gaming operators at a lower rate than their land-based



It also suggests the introduction of pan-European uniform minimum standards of electronic identification and consumer protection.

Trade body the Remote Gambling Association praised the resolution. "The European Parliament's resolution demonstrates a marked change in approach," said Clive Hawkswood, the association's chief executive. "It now wants to regulate rather than prohibit, and it is pressing the European Commission to act against member states which unjustifiably restrict access to their gambling markets."

He added: "There is no evidence that introducing a well-regulated licensing regime with multiple operators presents any more concerns than a monopoly."

However, the association also said "it is disappointing that [the resolution] includes a reference to a property right for sports event organisers from betting. This follows increasing lobbying by wealthy sporting bodies to unjustifiably manufacture new income from betting products in addition to the large amount of commercial income they already receive from the gambling sector."



GREECE

E-gaming firms have already protested that the partially state-owned OPAP's land-based gaming business receives more favourable tax treatment than online operators do in Greece.

Now the Remote Gambling Association (RGA) and the European Gaming and Betting Association (EGBA) have lodged a complaint with the European Commission regarding the country's new e-gaming rules, saying that "a number of anti-competitive and unjustified restrictions remain in the adopted law. These place unnecessary and unjustified economic burdens on new operators, such as forcing them to have a permanent establishment in Greece and limiting financial transactions to Greek banks. The law also imposes a higher age limit for online than offline gambling with no justifiable evidence to support that restriction."

The two associations also charge that Greece's government acted non-transparently and stifled competition in awarding OPAP a ten-year extension of its licence, to 2030.



IRELAND

Ireland's High Court is to rule this month on whether commercial bingo should be permitted in the country. The law permits bingo to take place only for charitable or philanthropic purposes, but in practice many charities have formed partnerships with commercial operators, and there are around 20 commercial-style bingo halls in the country working under such arrangements. The issue came to a head with the case of Rock Bingo in the Cork suburb of Togher, a new 1000-seater venue which was given the green light to open by the High Court but raided by police just days later.

Separately, the Irish government is considering a sale of the National Lottery, among other state assets collectively worth about €2bn. If it were sold, the deputy prime minister said, the amount it raises for charity – €244m last year – would be protected.



ITALY

Italy is contemplating an increase in the maximum stake on Comma 6a machines from €1 to €2, with maximum prizes going up from €100 to €200. Operators have said that the new VLTs are "seriously affecting" business. VLTs currently account for about ten percent of AWP, but more than 25 percent of takings.



JERSEY

Jersey may take the British government to court over its exclusion from the list of nations approved for providing e-gaming services to Britons. Alderney and the Isle of Man are on the list.



SERBIA

New laws in Serbia increase the powers of the gaming regulator, enabling it to crack down on illegal casino operations and money laundering.



SINGAPORE

Singapore is further restricting casino marketing, in a bid to ensure that gaming appeals primarily to visitors and not residents. Its Casino Control (Advertising) Regulations now cover membership campaigns and loyalty programmes.



SLOVAKIA

The finance ministry has decided not to restrict access to foreign online gaming services without a Slovakian licence.



TRINIDAD AND TOBAGO

Trinidad and Tobago could regulate its gaming sector in an attempt to develop tourism, according to a government minister in the Caribbean state. Currently, it has around 75 casinos and private clubs employing an estimated 10,000 people, and doing business largely without supervision.

"The casino industry has been operating in a very unregulated manner since it started," minister of trade and industry Stephen Cadiz told local media. "Gambling has been going on in Trinidad and Tobago for centuries but the current regulations under which the casinos have been operating are being abused under the Private Members' Club Act. There is also the problem of money laundering. The government will have to take a decision to regulate this industry."

The nation has a population of only 1.2m, nearly all on the island of Trinidad. But regulation would attract foreign gamblers and help to boost the tourism sector, which has been growing but is not proportionally as important to the economy as it is in some other Caribbean countries. It would also lead to better conditions for casino employees, Cadiz suggested.



UNITED KINGDOM

The European Court of Justice has agreed with Rank Group that British VAT law on amusement machines and bingo breached the EU law principle of fiscal neutrality. British courts have already found in favour of Rank's £253.4m claim for overpaid bingo-related VAT; a claim for a further £30.8m related to amusement machines remains outstanding.

Separately, Rank has issued a paper calling on the British government to harmonise tax rates for online and land-based gaming. Said chairman and CEO Ian Burke: "I believe that the government has the opportunity to create jobs in the UK without sacrificing tax receipts by replacing the current patchwork quilt with a single tax, at a single rate."

Conservative MP Matthew Hancock is also asking the government to address gaming tax issues. He says millions of pounds of tax revenue are lost when bookmakers move offshore.

Meanwhile, parliament's Culture, Media and Sport Committee reconvened at the end of November to consider the effectiveness of the 2005 Gambling Act. Issues it is examining include the impact of offshore e-gaming operators, the lack of new casino licences, and the classification and regulation of gaming machines.



MONEY WORRIES

Cash can be a pain for businesses to handle – but is going cashless really the answer?
Jon Bruford investigates

Cash makes life difficult for leisure venues in a host of ways: it's inherently insecure, it's expensive to handle, and it requires dedicated machinery in the form of hoppers, coin acceptors and the like, with moving parts that need attention. All in all, if you could run your business without cash – or at least minimise its presence – wouldn't you?

There are a few options available to businesses wanting to take the cashless route, but it's not as straightforward as it might first appear. For example, an arcade that is looking at ticket in/ticket out as an option is also looking at a potentially expensive upgrade to every machine in the venue; the sensible option, therefore, would be to consider such a choice when your games are due for overhaul or replacement, says Paul Rodgers, chairman of Vendorcom, a trade body for the cards and payments industry. After all, when you're speaking to machine suppliers, you can specify what you want the machine to do in terms of payment acceptance, even down to the bill validator provider they use; most vendors will bend over backwards to keep a customer.

Says Rodgers: "That replacement cycle is the real cut-off point, the watershed. If a business is going to go cashless, it all needs to be done at once, because to have partial cash and partial cashless payment options will create a mixed message for

customers. Some amusements are of course actually coin-based, and if you want to maintain that physicality of coins there is no getting away from it; but you can have coin dispensers you put a card into and get coins that way, for example, so you're still fundamentally cashless."

The advantage of having a partially cashless venue is probably limited because your existing security mechanisms will have to remain

The key for many operators is, then, whether it is financially viable to go down the cashless route. Assessing this means digesting many factors to do with cash handling, as Rodgers explains – and speaking to your insurer is a good measure of what you might save in the long run, too: "As to whether it's cost-effective to do so, I think it's a case of benchmarking against those who operate a cashless situation; the key factors will be things like putting an estimate on the risk you face by having cash around. Insurance companies are often the best guides for that, so get a quote based on what your current premium is based on cash loss by theft, compared to going cashless, and taking out some of the weaker links in the chain of cash handling.

"The advantage of having a partially cashless venue is probably limited because your existing security mechanisms will have to remain – the fixed costs of handling cash are quite a large proportion of the overall cost, so until it is taken out completely, you won't know what you can save. For example, even with contactless payments on the high street, even if cash were reduced to 20 percent of its current usage, the infrastructure around managing cash would still be there – cash machines, security transports, banks, all of those would still exist and so would the associated costs, even if 80 percent of

transactions involved no cash at all. Understanding the fixed costs of cash is crucial to the decision."

The customer perspective

A cashless environment is relatively easy for a customer to accept, particularly those in cities where the transport system, for example, has already switched or partially switched to cashless, as London has with the Oyster card. Indeed, there are lessons all businesses can learn from the Oyster card, which has been successful not just because it is convenient to use it instead of queueing for tickets, but because it enables price reductions. Oyster is cheaper to administer than a paper-based ticketing system, so paper tickets have been made more expensive for travellers to buy.

Similarly, in the amusements sector, incentivising patrons with added value as well as greater convenience while they're playing is a win-win situation. Offering a £10 credit for signing up for your pre-paid card, for example, or a free cup of coffee with every visit for cardholders, does not cost the vendor a great deal in financial terms but it means a lot to a player, and has the potential to increase customer loyalty.

Most venues would opt for a closed-loop card model, where the card can only be used in that venue or chain

Issuing your own cards to players means one payment location, a cash desk in the venue, which can also be used to cash out. Most venues would opt for a closed-loop card model, where the card can only be used in that venue or in properties owned by that chain; an open loop involves a payment or card system accepted by other vendors, which realistically means Visa or MasterCard pre-paid cards. Not impossible, but also not as sexy when you think about player loyalty and return visits.





However, one issue that signing up for a card might bring up is that of anonymity – many people do not like the idea of their movements being trackable, or even adding yet another card to an already-bulging wallet or purse. Are your customers ready to give their details and sign up for a card, or is the best approach one that preserves anonymity, as retailers' gift cards do?

Vendorcom's Rodgers reasons through the pros and cons: "It could be an obstacle, that's certainly the case when you look at open-loop pre-paid being used in any form, whether contact or contactless. For me, a cashless situation works best in a contactless scenario with low-value payments. [But although it is not contactless] a completely anonymous card – which would work exactly like a gift card in a high-street shop – would work in that situation rather well. This would be relatively cheap to implement because most gift cards only have magnetic stripes, there's no chip and they certainly don't have any of the RFID technology that makes contactless possible."

However, he adds, although "those [RFID-enabled] cards are more expensive to produce, they're more durable and secure than a simple mag-stripe card. If someone is reusing a card over and over to add money, investing in that extra technology makes sense. With that investment, if RFID were involved it brings contactless technology and increased convenience for the user. In the leisure industry, that convenience will outweigh anything else. A venue could just install swipe readers for players to use, it would be relatively quick, but contactless is probably the way forward."

Return on investment

Durable and scalable technology is out there now, and it works. The question comes back to affordability. With widespread adoption of contactless, the cost of hardware is coming down, but will it pay for itself in your venue? The answer is more than likely yes. This is because psychologically, paying with a contactless card means the user is not seeing pounds and pence; although the card has been paid for with cash, to many people it ceases to be seen as currency.

Rodgers explains: "If you change currency – for example, at a theme park or funfair – and pre-pay for tokens, when you're actually queuing for the ride and handing over your tokens or tickets, you're not thinking 'wow that's just cost me five pounds' – it's lost its relative value to you in a way, you're handing over a bit of paper. It's the same mindset that kicks in when people are operating in a cashless environment. Cruise ships have made a huge, huge success of pre-paid cashless environments; the tour operator might give you a card with, say, a couple of hundred pounds on it, and you reload it and go on a mad spending spree."

A mobile future?

Then, of course, there's mobile technology, which is likely to trump all existing methods of cashless payment in the next few years. The reasons are simple – the customer feels in control, they already

own the payment technology (their handset), and there's nothing extra to sign up for.

The growth of the smartphone means mobile payment technology is likely to thrive. It's been around for some time already, but it's only recently that manufacturers in cash handling have been looking to apply it to gaming – JCM recently showed a potential new mobile payment technology, turning the mobile phone into a wallet for a form of contactless pay, at the Global Gaming Expo in Las Vegas.

The benefits of the mobile phone as a form of payment go way beyond simply being convenient, though, as Rodgers says: "Cards as a form factor for payment are certainly not dead, just as neither cash nor cheques are dead, as some have claimed; there is life for all of these things, but the dynamics for

payment are moving toward mobile commerce in all sorts of ways. It's not just using your mobile as a wallet, or like a contactless card – you're also able to engage through apps or through a mobile Website for purchases as well, so there's lots of ways to use them for payment.

"Tap-and-go payment, though, is very real. Within the context we're talking about here, contactless-style cards I think will be one of the shortest-lived technologies in the cards and payments industry; I think we will see that consumer process moving to the mobile phone using near field communication [NFC] technology very, very quickly."

It also has another benefit – from the customer's side of the fence, at least. Mobile payments mean the customer always has access to details of how much they have spent, quickly and easily, unlike a pre-paid

THE CASHLESS FEC

David Stenning, MD at Embed Playsafe, shares his thoughts on the cash-vs-cashless debate

Is the UK market truly ready for cashless debit-card systems? That is the question which is becoming asked more and more. The answer is: yes, the customer is ready, but maybe not the operators just yet, although if you had been in Orlando at the IAAPA show in November you may have thought otherwise.

We have always known that the introduction of cashless systems will take time for both customers and operators to accept. But once people understand the significant benefits of this type of system, market forces will start to take over. Customers like the fact they get a better deal with this, and operators will soon realise there is a great deal they can use this type of system for to improve their revenue as well as reduce their operating costs.

Cashless payment has enabled flexibility on pricing not possible through coin operation. Player tracking has enabled the concept of rewarding specific customers for the money they spend and also gaining a much better understanding of who the customers are and what they like and dislike.

The customer's experience is greatly improved by the operator's ability to offer their guests purchase and play value in ways that are not possible with tokens or coins. This can also be applied to other attractions such as bowling, rides, and laser tag, as well as food and beverages.

The industry should consider the needs of the customer and what they want, not what we think they want. We are a service industry, we are in retail, we are in

entertainment and most of all we need to provide value for money to our customers. We are meant to be an innovative industry and innovation is about change, so change is what we should be embracing. A free cup of coffee and a biscuit will not be enough to retain customers going forward; they are expecting more.

Cashless payment has enabled flexibility on pricing not possible through coin operation

Embed Playsafe provides systems that will allow new ways of operating and give the ability to reward customers for their loyalty and custom. Loyalty rewards, player tracking, redemption rewards, and cashless play are all parts of the new offering we can give to our customers and the way we should be moving.

A good level of service and quality surroundings are what the playing public expects and should be getting. For operators there is a much better marketing opportunity, flexible pricing to attract more play, and the benefit of more happy customers.



card where they might have to check at a desk or kiosk.

Observes Rodgers: "Regarding the psychological effect of not 'spending' cash when you're using a pre-paid card in a leisure environment, I think when you start to move toward a mobile-based wallet, because the user will be able to see pounds and pence on their phone, it brings the user back to knowing they are using real currency, so the increased spend we sometimes see with pre-paid might diminish a little." On the other hand, the player will also feel more in control, which might influence future repeat visits.

Unless you're prepared to fully commit to cashless, your savings might be negligible. But the commitment may bring other benefits, like a new customer base lured in by the facility for cashless

A cashless slot machine is like a broken pencil: pointless

payment: teenagers. Rodgers elaborates: "I'm not convinced that a demographic would change markedly if a venue went cashless - though being more technologically switched-on might make a venue more appealing to teenagers who typically carry less cash anyway, particularly if you went to a mobile NFC environment. A vendor might be able to move into a younger demographic."

Cash, however, is simply not dead, and there's absolutely nothing wrong with a cash-based setup, as long as you have staff you can trust and systems in place to keep everything secure and running well. We'll leave the last word to Ron Delnevo, managing director of Bank Machine and a director of industry body the Payments Council, who told Euroslot: "A cashless slot machine is like a broken pencil: pointless. The jangle of a big win is fundamental to the atmosphere of a slot machine environment.

"But as well as bringing a crucial element of excitement to arcades and FECs, cash encourages responsible gaming, as players can tangibly see and feel how much they're spending and budget accordingly. Cash is absolutely fundamental to a vibrant and at the same time responsible gaming sector."

COUNTING ON TECHNOLOGY

The automation of cash counting can improve security - and give you more time to do your job

Usually, the person counting cash in a venue is the owner or manager. So if the cash is counted more quickly and more efficiently, with reporting downloaded into your computer system, that staff member or owner has more free time to do what they're really good at, which is presumably not just counting cash.

Andrew Crowson, Cummins Allison UK's managing director, explains: "The biggest problem people have with counting cash is security issues. The more hands money passes through, the greater the risk of it being stolen or counted incorrectly. There are many points at which mistakes can happen, or money can be misappropriated.

"So what our machines do is count the money very fast, very accurately and very efficiently, and you can add things to allow you to download information straight into a computer, into spreadsheets, into management systems, that kind of thing."



The company's best-seller is the JetSort 1000, a compact unit which can sort up to an incredible 2200 coins a minute with 99.995 percent accuracy. The device comes with a patented sorting disk which is warranted for 10m coins.

Large keys, a clear LCD screen and a built-in lift tray all combine to make this easy to use for just about anyone, and the JetSort 1000 can sort up to eight different coins.



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THE IMPORTANCE OF CASH

Cash is very much alive, argues Dave Ellwood, UK and Ireland sales manager for Crane Payment Solutions

Read the papers these days and you'd believe cash is dead, or at the very least dying. Just recently the Daily Mail screamed: "Smartphones will put paid to cash in five years." Talk to some people in the amusements and gaming industry and within the other markets Crane Payments Solutions operates in, and they'd tell you the same.

But while cashless payment systems are becoming increasingly popular, statistics show it is far too early to be sounding the death knell for coins and notes. In fact, just take a look at the recent figures released by the European Central Bank, which demonstrate that the opposite is actually the case.

Since 2006, the number of bank notes in circulation in Europe has increased from just under 10.5bn to more than 14bn – an increase of a third. The same situation has occurred with coins – an increase of over 40 percent in the same period, to more than 96bn coins. In Britain one in three consumers still treats cash as their first payment choice, and for low-cost items this rises to more than three quarters.

So, with more cash in circulation than ever before, the importance of using the right payment systems is essential – ensuring that the customer experience is enhanced and business efficiency and profitability are increased.

Whether it is coins or notes, Crane Payment Solutions have a cutting-edge product that addresses the many issues that our customers face, such as cash management and security.

In Britain one in three consumers still treats cash as their first payment choice, and for low-cost items this rises to more than three quarters

For those that claim cash handling is expensive and time-consuming, our message is that this doesn't have to be the case. The CashCode Bill-to-Bill 60 was the industry's first 60-bill recycler designed for the European AWP market. The Bill-to-Bill 60 accepts €5 through to €50 bills and can then store and recycle €5s, €10s or €20s to pay out as change or dispense as winnings. The

bank notes used to pay out are the same ones the unit receives.

Security still remains a major concern within the industry, and rightly so. Among the innovations found on the Money Controls Ardac Elite is the first and only field-proven imaging technology. The Ardac Elite will accept street money in virtually any condition, inserted at virtually any angle, and is compatible with almost all gaming machines.

Meanwhile, Money Controls' SR5des coin acceptor features sensor technology which enables it to provide exceptional acceptance rates. The inclusion of DES encryption provides the highest level of security at all times, as the encryption cannot be disabled with a switch.

The NRI G-13.mft coin validator series has been designed to meet a multitude of coin-acceptance needs. Using multi-frequency technology for reliable coin recognition, the G-13.mft accepts up to 32 different coins.

Finally, the Money Controls Universal Hopper offers unrivalled performance, reduced operating costs and an extended lifetime. Among other attributes that make it so popular is its large capacity, which reduces the number of empty or refill cycles. The Universal Hopper can hold up to 1200 euro coins or 950 £1 coins and is suitable for almost all global coin sets, including coins with holes, without the need for adjustment.

Thomas launches PayStation in 2012

Thomas Automatics, the change machine and cash processing specialist of Loughborough, is set to launch a new range of products in 2012 which have been specifically designed to allow gaming machine operators to enhance security and improve their operating efficiency. The first in the series to be launched is the Thomas PayStation.

The contemporary-looking Thomas PayStation will allow the automation of hand-pay jackpots. This multifunctional arcade device will serve as a change-giver and cash dispenser for the arcade and bingo sector. Its 21-inch screen with touch technology is both appealing and easy to use.

The new suite of ThomasPay products will enable arcade operators to convert coin hopper payments to a secure ticket-out solution. Tickets can be cashed at the cash desk or within the Thomas PayStation.

Ultimately, ThomasPay will offer operators the chance to run a full cashless solution.

Ian Fuller, sales manager for Thomas, said that Thomas would be exhibiting at both of London's January gaming shows, ICE and EAG, for the first time in its history. "In 2011 we have listened to our customers highlighting the problems of B3 jackpot payouts, hopper starvation and security risks. Starting January 2012, Thomas will be delivering solutions to these problems," Fuller promised.



Suzo-Happ Maxi III

The big brother of the Arcade III, this money-changer allows the installation of either a bank note reader or coin validator or both, along with two Evolution hoppers for applications that require a higher coin payout capacity or payout via two separate coin denominations.

Suzo-Happ MEI CF9500e

This five-inch coin validator can handle eight separate coin types. The technology allows excellent true coin accept rates while identifying potential frauds. The simple programming allows manufacturers to easily cope with demand from export markets using other denominations.



Suzo-Happ Cube Hopper MK2

Designed to the highest standards for reliability, this has become the standard choice for many manufacturers. The Cube Hopper MK2 is compact in design and has a continuous opto-sensor check for security. Thus it can be used in a whole range of applications including gaming, change, parking and vending. The standard 450-coin capacity can be increased to up to 1200 via two additional extensions. Customers can choose from a parallel or ccTalk interface.



Suzo-Happ Evolution Hopper

The Evolution is an alternative to the upright, universal types of hoppers. The sturdy motor ensures longevity, and components can easily be removed for cleaning. The Evolution has a coin capacity of up to 1100 coins and has a payout rate of four coins per second. Customers can choose from a parallel or ccTalk interface (encrypted or non-encrypted).

Suzo-Happ Arcade III

This money-changer from Suzo-Happ combines flexibility and security at a very reasonable price. Customers can choose from a Trilogy note reader from Pyramid Technologies or an electronic coin acceptor from Comestero. In payout, either one or two Cube hoppers can be used, so operators can easily switch from one-coin payout (Evolution) to two-coin payout (two Cube hoppers). Security is provided in the housing with an Assa Desmo lock.



Suzo-Happ Hopper Flow

The Hopper Flow is the latest addition to the coin payout hopper family at Suzo-Happ. This single-denomination hopper requires no adjustments if the coin denomination changes. The Hopper Flow can pay out up to seven coins per second. Three different bowl sizes (standard, medium and large) give gaming manufacturers further flexibility to ensure that the correct coin capacity can be stored.

Money changers from GeWeTe and Hess

Suzo-Happ offers a range of changers from other vendors to complement their own products. For higher coin capacity, Suzo-Happ offers money changers from Germany's GeWeTe. These sturdy yet also sleek changers hold up to 25,000 coins, and a note-dispensing option is available. Suzo-Happ also offers a range of possibilities from Hess.

Talaris Ntegra

This multi-currency bank note counter and sorter has been designed to ergonomically fit in compact and portable applications. The Ntegra can denominate and authenticate currencies at a processing speed of 1000 notes per minute. A built-in printer gives the user written evidence of the amounts counted or sorted.

Talaris Nvision

The Nvision, a multi-currency desktop sorter, has two full stacking pockets to allow greater sorting choice. The processing speed of up to 1000 notes per minute still permits an array of note detection and authentication technologies. Nvision can also accommodate up to five separate users on the same machine, each receiving his or her own password.

Talaris Mach coin sorters and counters

Suzo-Happ offers a range of Talaris Mach coin sorters and counters. The Mach3 and Mach6 are suitable for table-top or portable applications.

The Mach3 can sort up to six different coin denominations with a coin feeder capacity of 600 coins, and can also integrate bags to package the coins automatically.

The Mach6, meanwhile, can sort up to eight different coin denominations with a coin feeder capacity of 1500 coins.

The Mach9 and Mach12 are the top of the range, both offering a coin feeder capacity of 10,000 coins in up to nine different coin denominations. The Mach9 can process up to 4500 coins per minute, and the Mach12 up to 6000.

DIGITAL CENTRE LAUNCHES PHOTO BOOTHS

Multinational photo booth corporation Digital Centre presented their new line of products at The IAAPA Show 2011 in Orlando, Florida. Their exhibition had a major success with the release of The Strip, The Wall Strip, The MEGA Strip and The FOLD'N'GO.

The STRIP, one of their most innovative and modern looking photo booths, was the most popular among the viewers. Its versatile design offers inspiration for great customized decorations. In addition, great features like the video message and time management are great assets to have for party rental customers.

Another one of our successful photo booths in the Show was the MEGA STRIP. Offering a gigantic giant 6x16 strip, where the final customer can easily frame and have a wonderful souvenir. In addition, this photo booth has a great attention grabber: four screen monitors in the form of a strip outside of the booth provide two photo booths in one. As customers inside of the booth are taking their pictures, on the outside of the booth other customers may also take theirs simultaneously and independently.

Digital Centre is taking photo booths to the next level. Their main priorities are to offer fantastic products with innovative software, in which customers are able to have a wide variety of features for their pictures. Another important asset is portability, light weight and easy to maneuver cabins, which have been designed specifically for party rentals and the coin-op Industry.

Today, with competition in the photo booth arena tougher than ever, the company has not eased up when it comes to innovation. And while the firm does produce a line of portable

"event" booths sans coin-mech and bill acceptor, as Freddie Torres, National Sales Manager pointed out, 98% of the firm's product line is still in coin-op.

For example, DC's New Generation line-up, while boasting a more traditional cabinet style, is packed with features. Measuring in at a slim 29" W x 39" L x 78" H, the unit weighs only 370 lbs. It also includes a host of programmable and automatic features, including the ability to offer time-released seasonal backgrounds for holidays such as St. Valentine's Day, Halloween, Christmas and Independence Day.

Its sophisticated and ever-expanding software package also allowed for a large selection of frames, customizable hair-styles, a choice of color or black and white images as well as choice between vertical or horizontal formats. At the heart of the unit is a

Windows-based operating system powering a Mitsubishi dye-sublimation printer with 600 vends to a roll of film.

"The industry has changed a lot. The new digital options brought a lot of new functions to the market," explained Torres. "The most important has been the full options to customize the units by the operator, and the internet functionality to send the pictures to Facebook and others sites."

98% of the firm's product line is still in coin-op

More recently, the company rolled out its new Strip line of photo booths, which include the Mega Strip, Fold 'N' Go, and Wall Strip. Each offering a unique design as well as the ability to print giant 6" x 16" photos. "One difference between us and the competition is the MEGA Strip, where we print a giant strip 6 by 16-inches," said Torres. "All other competitors are printing 2 by 6-inch strips."

MEGA STRIP

The Mega Strip, which is in a standard photo booth format, measures a 76" H x 56" L x 34" deep. In addition to a full line of software options, such as wigs and hairstyles entered through a 22" touchscreen, the unit also features an exterior camera. "The size and design are great for any location," said Torres. "It can fit into any fashionable store, even a small jewelry shop or similar specialty store."

The Fold 'N' Go is a full-featured portable booth that folds to a compact size while The Strip is a portable unit in a new format that recalls the traditional four-frame photo. Measuring a 80" H x 22W x 24" D, the unit is designed for events as is the Wall Strip, which combines a trio of The Strip units to form an impressive 12-screen array.

As company officials noted, there are currently plans to offer a bill acceptor on select portable models, making them more appealing to some locations. At present time only the Mega Strip and Party'N'Go are offered with the bill acceptor option.

For additional information, contact the company at: America: +1.305.387.5005 or Europe: +34.938.74.8158, or visit DC's website at: digital-centre.com.



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NEW GENERATION



PARTY'N'GO



**NEW
PRODUCT**

Patent pending

FOLD'N'GO



**NEW
PRODUCT**

Patent pending



**NEW
PRODUCT**

Patent pending



**NEW
PRODUCT**

Patent pending

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America:
Digital Centre America Inc.
14271 SW 120th Street. Unit #109
Miami, FL 33186
USA. Tel: +1.305.387.5005
sales@dc-image.com

Europe:
Digital Centre
Pol. Ind. St. Isidre, C/Puigmal, 20-22
08272 St. Fruitos. BARCELONA
Spain. Tel: +34.938.748.158
info@dc-image.com

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Population 313m
Under 15 62.9m
Aged 15-64 209.2m
Urban population 82 percent
Major cities Nine over 1m, a further 24 over 500,000
GDP per capita \$47,200
Business climate As we went to press in August 2011, the sensational downgrading of the U.S. credit rating by Standard & Poor's had dealt a body blow to the country's economic credibility. Yet it remains a huge, business-oriented and employer-friendly market. Possible issues facing those setting up in business here include a sizeable wealth gap between affluent and less-affluent consumers, with incomes remaining flat at the lower end; an ageing population with growing healthcare and pension costs; significant variations among states in the regulatory framework; and social conservatism in some areas that may affect those local markets' attitudes toward amusements. There are also exceptionally high levels of violent crime, by the standards of industrialised nations, in a few localities, but – perhaps contrary to the popular view – many more are quite unaffected by this.

When coin-operated amusements first appeared during the 1930s Great Depression, early operators and manufacturers envisioned a profitable, recession-proof industry. For decades, the creativity and ingenuity of the American manufacturers and operators drove the thriving sector nationwide.

But serious challenges have confronted the industry since the early 1960s and 1970s, as urban neighborhoods' deterioration eroded the player base. The boom in video games of the late 1970s introduced tough new laws and taxes, and the 1980s move toward home video games proved competitive with street locations.

Societal and cultural changes during the 1990s increased parents' reluctance to allow their children out as often. And the first decade of the 21st century introduced individualised technology, inviting consumers to customise their amusement options on personal computers and phones.

This evolving culture, ever-changing technology, and competition for leisure activities have impacted every operation across the U.S., even closing down many. Laws impacting operators, both positive and negative, have passed individual state and local legislatures.

Since 2008, the American recession has devastated the economy. Reflecting that consumer caution, the U.S. Bureau of Labor Statistics reported a five percent drop in entertainment spending in 2009, the most recent year for which reporting is available.

Yet smart, innovative operators have survived and even profited by diversifying and promoting new ways to attract and retain customers. They have adapted by recognising one premise: everything is constantly changing and nothing is certain at all.

Ironically, the smallest equipment categories have often experienced the least decline in revenues. One may conclude that these speciality games have a loyal, if limited, following which actively seeks them out.

Market size and structure

In 2009, the U.S. amusements market as a whole had revenue of \$5.3bn.

Pool and prize merchandising are the biggest single categories of amusement by revenue.

Each November, Vending Times releases its Census of the Industry analysis of the prior year's sales. The latest 2010 coin-op summary reported a decline of almost ten percent in 2009. The fragile American economy will probably lead to similar 2010 results.

Calculating machine totals nationwide is difficult. Operators often refuse to reveal their proprietary information. Also, numbers fluctuate because of location changes, damage, maintenance issues and licensing fees.

Pool tables: In 2009, pool tables were the top amusement game, accounting for 33 percent of all total game revenues and 25 percent of all installations. Unfortunately, however, the market for pool tables was largely based on taverns and bars, feeling the economic brunt of the recession and decreased customer traffic in 2009.

Pool tables have been operator favourites since the 1950s because of their longevity and easy maintenance. In recent years, electronically-controlled tables have become popular, increasing revenues by up to 25 percent.

Total 2009 revenue from pool tables was \$1.7bn from 290,000 tables, or \$115 per table per week.

Prize merchandisers: As more traditional locations rejected pinball and video games, the prize merchandiser category, mostly comprising skill cranes, has grown. It is now the second-biggest element of the amusements sector, accounting for 19 percent of all revenue.

In 2009, total revenue was \$980m from 124,000 machines, or around \$152 per machine per week.

Jukeboxes: The original big-box machine has been downsized to a smaller digital box that downloads music from a remote server. In a quality-versus-quantity environment, jukebox numbers have decreased. However, revenues have increased because of fewer low-income locations and more profitable sites. Almost half – 42 percent – of all jukeboxes were priced at \$0.50 per play, or three plays for \$1. Average weekly income was \$138.

Video games: Once accounting for the bulk (60 percent) of operators' income, video games hit their peak in 1982. Excluding some temporary rises in popularity and income, video games have steadily declined since the 1980s, currently accounting for 15 percent of total operating income. Many newer games like the Golden Tee golf product appeal to a more mature audience with competitive sports games, and have developed to include tournament play.

Vending Times's 2009 figures show video games generating total revenue of just over \$800m, from 308,000 units. That equates to an average weekly take of some \$50.

Pinball machines: Historically the operator's most enduring type of game, the pinball machine has declined by more than 70 percent in a decade. Several reasons have been cited, including space limitations and operator preferences for a computer-based game over the complex mechanical pinball.

The flipper game was traditionally associated with taverns, candy stores, and local restaurants. Because many of those locations have closed, pinball is now considered a niche game. In 2009, total revenue from pinball was \$275m from 79,000 machines, or about \$67 per machine per week.

Electronic dart games: Electronic soft-tip dart games continue to benefit from evolving technology. Dart games are staples throughout tavern locations in the U.S., but have the highest concentration in the Midwest, where the region's economic hardship since 2008 resulted in an 11 percent overall revenue drop in 2009.

In 2009, total revenue was \$562m, from 148,000 machines: a weekly average of \$73 per game.

Kiddie rides: This niche market continues its decline due to a shrinking children's audience. Kiddie rides are typically operated along with bulk vendors and cranes. They have often been relocated from the sidewalk to inside a retail outlet.

Total 2009 revenue was \$33m from 10,500 machines, each generating \$60 weekly.

Amusements in parks: The International Association of Amusement Parks and Attractions (IAAPA) represents more than 400 amusement parks – many with on-site arcades – and traditional attractions.

IAAPA recently released its 16th Annual State of the Family Entertainment Centers Industry Report for 2010. Although it was an unscientific survey, the information was gathered from active members of the amusement parks/family entertainment centres category.

Statistics revealed:

61.3 percent owned their own arcade games.

16 percent had a revenue-share arrangement.

22.7 percent owned some games and participated in revenue-share for others.

66 percent said arcade games are less than 25 percent of their gross annual revenues.

38 percent operated their games primarily on tokens.

35.3 percent operated on a card system.

12 percent used quarters (25-cent coins).

24.8 percent of family entertainment centres' mean total revenues are redemption.

Trends and opportunities

Manufacturers, importers, distributors and retailers of children's products are now required to comply with new federal **limits for total lead content** in toys intended for children 12 and under. The regulations are part of the Consumer Product Safety Commission's new guidelines. Lead limits have been gradually phased in since 2008. All toys manufactured since then must meet the new standards. A requirement for third-party testing will take effect on 31 December 2011.

One business model attempted multiple times in the past 25 years may again potentially alter the **operator/manufacturer relationship**. Since Wurlitzer created sales dealerships for its jukebox products in the 1930s, the American protocol has revolved around manufacturers selling their products and parts to regional distributors, who in turn sell them to local operators.

Traditionally, this three-tier dynamic was not just a buy-and-sell relationship: it was a partnership based on mutual need. The distributor frequently delivered the machine, set it up and supplied the parts and repairs. Perhaps most importantly, distributors financed the equipment.

However, the relationship has steadily fractured since the 1990s. Multi-location operators of family entertainment centres began buying equipment in bulk, toll-free numbers cut into established sales territories, and overnight freight services could quickly deliver parts to operators throughout the U.S.

Now, a small number of manufacturers may be looking to bypass the distributor and sell directly to operators. Although larger operators of family entertainment centres have established purchasing programmes, street operations may be next to eliminate the middleman.

As most U.S. **states face financial emergencies**, many are viewing the amusement category as another revenue source. Some want to co-opt it as an extension of their lotteries. Others are evaluating how amusement operators may become part of expanded money-earning opportunities, such as video lottery terminals (VLTs).

One example is Illinois, now confronting massive economic deficits. After two uncertain years, the Illinois Supreme Court ruled 7-0 in July 2011 to permit amusement operators to participate in the VLTs program legalised under the 2009 Video Gaming Act. The state may launch its operator-run video-gaming programme in on-premise liquor locations. This should benefit the Illinois operating community for decades.

However, operators still face several hurdles before debuting their games. The Illinois Gaming Board (IGB) must award a central system contract, and installation and testing will then take four to six additional months. There will also be time for public opposition.

If all proceeds smoothly, the IGB will issue licences to manufacturers, distributors, suppliers and terminal operators that have submitted gaming applications.

In June 2011, the U.S. Supreme Court ruled unconstitutional a contentious California law that restricted the sale or rental of **violent video games** to minors. The case, *Brown vs Entertainment Merchants Association*, was decided by 7-2 vote. A federal appeals court had already set the law aside.

The Supreme Court likened video games to other forms of children's entertainment, such as books, plays and movies, that have long communicated ideas and social messages. The decision appears to indicate that video games will now enjoy protection as a form of free speech.

Industry associations

The Amusement and Music Operators Association (AMOA) was formed in 1948 to fight an attempted repeal of the jukebox royalty exemption. Although operator-focused, the AMOA also includes manufacturers, suppliers, distributors, the media and other affiliated groups in its membership.

Its 1240 member companies represent a slight drop from 1254 in 2010. Operators comprise 84 percent of the total membership. Within that figure, 52 percent are smaller operations with one or two employees. The current AMOA directory lists 45 U.S. distributors and 40 U.S. state associations as members.

AMOA's operator members service a diverse customer base in out-of-home locations. The bar/tavern segment remains the largest location type, but other sites such as family entertainment centres, bowling alleys and pizzerias have also emerged as profitable venues for coin-operated equipment.

The National Dart Association (NDA), an adjunct of AMOA for 20 years, is a success story. It resulted from continued AMOA and dart machine manufacturers' support, plus a dedicated player magazine and administration office.

With international members from eight countries, NDA sanctions 56,000 players each year. Charter holders conduct dart leagues and tournaments in more than 10,000 locations worldwide. League play culminates in the NDA's annual international soft-tip dart tournament in Las Vegas, which is the world's largest dart competition.

The American Amusement Machine Association (AAMA) celebrates its 30th anniversary this year. Founded by concerned amusement machine manufacturers in 1981, the AAMA actively advocates positive industry legislation, the development of promotional arenas, foreign business opportunities and more.

The current 112-member AAMA roster includes:
 15 allied members (providing goods and services).
 16 distributor members (selling equipment and amusement machines).
 Two international members (outside the U.S. and Canada).
 50 manufacturer members (producers of coin-operated amusement machines).
 29 supplier members (parts suppliers).



Q&A: Walter Bugno

A relative latecomer to the industry, Lottomatica's gaming CEO wishes he'd got here earlier

How did you first get involved with the amusements industry?

In 2003, I was approached by Stargames, which is now owned by Shuffle Master, to join their board as an independent director. This was my first exposure to the world of gaming from a supplier's perspective. Later, in 2006, I joined Tabcorp as the CEO of its casino business, and was able to view it from the operators' side.

Why? What attracted you to this sector?

During my previous role in the brewing industry, I bought and operated pubs and hotels, and I was responsible for the gaming that took place in our licensed locations. I think that's where I developed my passion for the leisure industry. I've always enjoyed great food, great accommodations, and great entertainment, including gaming.

I think my heritage also plays a big role. I'm from a close-knit Italian family, and most Italians grow up playing cards. I have many happy memories of playing games like briscola and scopa on Sundays with my grandparents, and it's a tradition that continues today with my father and my adult son.

So when I add all this up, the casino business made sense – it's where all my interests intersect. When I was offered the chance to work for Lottomatica, one of the greatest gaming companies in the world, it also meant I could move closer to my family in Italy, so it was an unequivocal yes.

Do you think it has changed much since then?

I see the industry undergoing three main changes right now. First, the use of technology is evolving so rapidly. It's enabled innovative game features that are more interactive and engaging than ever before.

Second, back when I first started, gaming was only about standing in front of a box. Today, it's an experience you can have anytime, anywhere, on anything. Thanks to the advent of mobile technology, this evolution won't stop any time soon.

Finally, the industry wasn't as tightly regulated as it is today. There's a much more serious and impactful set of boundaries that suppliers, operators and regulators must face every day. There's a much greater emphasis on responsible gaming, too, so this needs more consideration than it used to get.

What are the biggest positive factors for the sector right now – the drivers of growth and development?

Clearly, the increase in new gaming channels is a great benefit to the industry – it's growing and connecting markets that just weren't reachable

before. So we now have cross-promotional opportunities between sectors and distribution channels – for instance, between land-based and online gaming.

As well, the current regulatory environment is providing many opportunities for growth, such as the establishment and expansion of government-sponsored gaming programmes – Italy comes to mind, as does the impending programme in Greece.

And this phenomenon of social networking is driving organisations to really think creatively about games. Games aren't just about video or slot reels anymore.

And what are the negative ones – the obstacles to growth?

I really believe that the biggest obstacles are the limits that gaming companies put on themselves. If you're not ready to accept that the world is changing, and you're still offering the same old style of game you produced ten years ago, you're going to fall into a negative spiral. You have to come to terms with the fact that the market is changing, and players are changing.

You know, gaming is, and always should be, a leisure activity. The one obstacle outside of our control is the fact that these are difficult socioeconomic times, and people are curtailing their leisure activities to ensure their basic needs are met. When a player has the means to enjoy entertainment like gaming, we have to deliver more value than ever before.

Looking at your whole career, what do you reckon was your smartest move (large or small)?

By far, it was my decision to embark on an international career. I started my career working for an Australian company in the small domestic market. At 27, I had the opportunity to relocate to Europe to work in international markets. It changed my whole perspective on the world. That exposure to all those different cultures rounds you out, and helps you understand the different ways that people can approach business.

And your dumbest one?

Not getting into gaming sooner! I actually turned down my first chance to enter this industry back in 1984, when I was just 24. I was approached by a gaming supplier to take on a junior role, but I was content at the time to work for the automotive company I was with. That said, I'm very happy to be part of this business today.



Where do you hope you'll be, professionally, in ten years' time?

I'll be 62 in ten years. I hope I'll still be in the gaming industry, and with Lottomatica. And I hope to be helping to shape the product and trends of the future. Gaming is so enthralling and exciting – I consider myself fortunate to be a part of it.

And finally – if you'd never embarked on this career, what other line(s) of work would you have liked to pursue?

I'm passionate about football, and I would love to be a football commentator, travelling the world from stadium to stadium. If I could interview any player, it would be my idol, Alessandro Del Piero, who plays for Juventus. I'd love to ask him: "When you walk into the stadium for your 700th game, do you still get that tingle down your spine?"

Curriculum vitae

Education:

1970-74 Collegio Cavanis, Possagno, Italy
1975-77 Patrician Brothers, Fairfield, Australia
1978-80 BComm in marketing, University of New South Wales
1982-84 MComm in business administration, University of New South Wales

Career:

since 2010 CEO, gaming division, Lottomatica
2009-10 CEO, BOKKS London
2006-09 CEO, casinos, Tabcorp
2004-06 chairman, Sydney Football Club
2002-06 president, Asia Pacific, Campbell Arnotts Asia Pacific (Campbell Soup Company)
1998-2002 managing director, Australia, Lion Nathan
1994-98 managing director, Simplot Australia
1992-94 managing director, Edgell-Birds Eye, Pacific Dunlop/Pacific Brands Food Group
1987-92 regional president, Asia Pacific, Huhtamaki
1981-86 marketing manager, Girlock and Century Batteries, Repco



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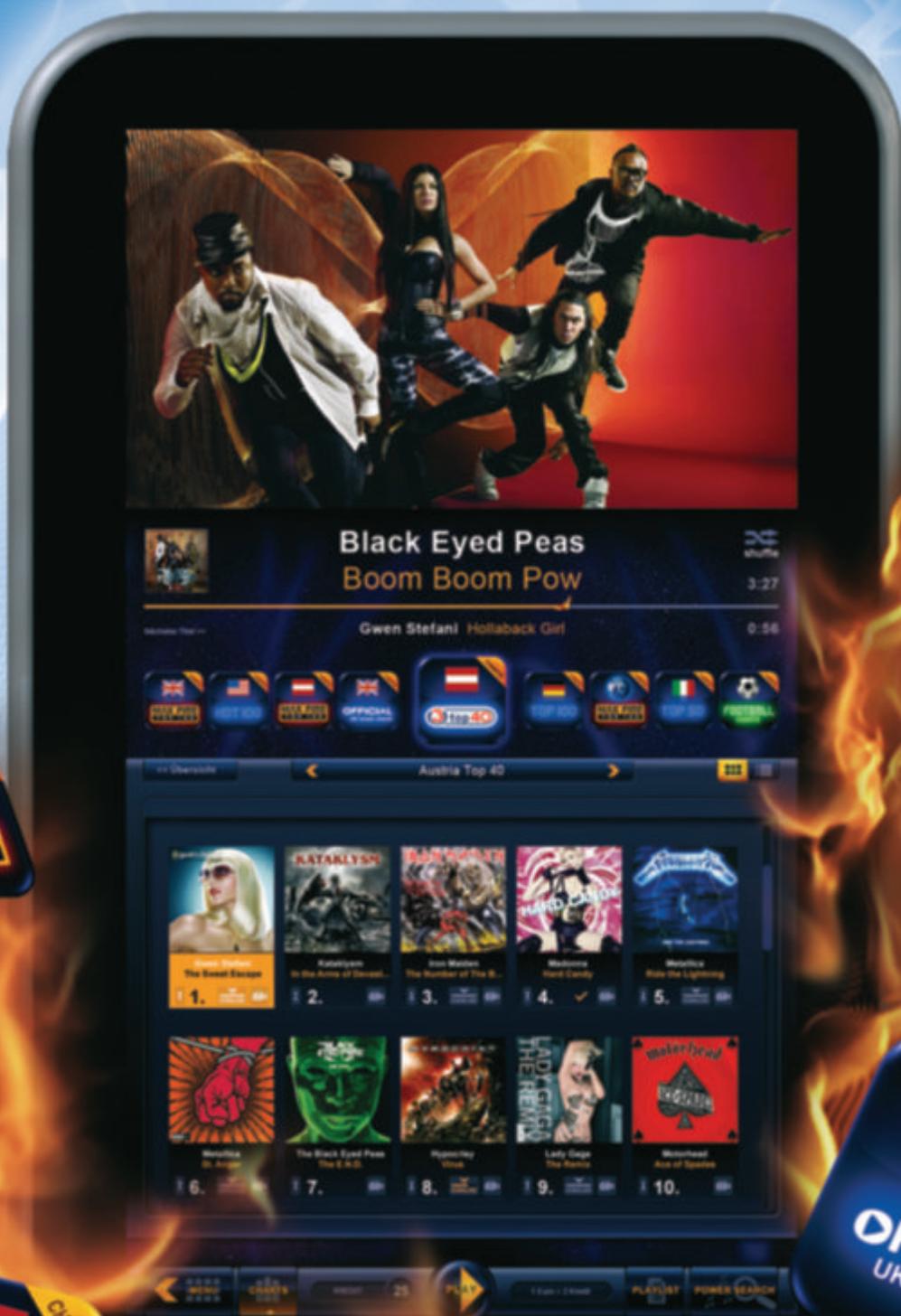


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