

SLOVENIA SPECIAL

LEAVING THE 'GREY' BEHIND

Elektroncek took a bold step four years ago

"ELEKTRONCEK? They're everywhere...", commented one of their rivals on our tour of Slovenia. I had reported seeing an Elektroncek booth the previous week at a trade show in Taipei. But it would be wrong to refer to the company as active in ALL markets.

Elektroncek - or perhaps better-known under its Interblock brand name - is certainly the most active of Slovenia's automated table game makers, but a major policy change two years ago is removing the company from the widest market.

"Four years ago our strategy took a different path from all of our competitors," said CEO Tomaz Zvipelj. "At that time we took a decision not to enter any market which was not regulated.

"We left 'grey' markets to others and instead addressed our attentions to the heavily regulated countries like the US, Canada, Australia and Macau, the markets which are hard to enter because of testing procedures. Around the same time eastern Europe began to fall under stricter regimes and Russia ceased to be a market at all and the differences between ourselves and the other companies became even more transparent because they were faced with trying to find replacement markets."

But it was perhaps a western European country which was to trigger much of the rapid escalation in Elektroncek's fortunes. Initially, Elam in the Netherlands, now a distributor, initiated the first major order for Elektroncek from western Europe. The emergence of a strong market in Spain was an open door for Elektroncek, despite the 17 separate licensing procedures necessary to gain entry to each of its 17 provinces. An early alliance with Majorca-based Dosniha and distribution through Barcelona's MGA, has seen hundreds of Interblock machines enter the Spanish market, making up by far the majority of the 1,000-plus automated tables in the country.

It was initiatives like this and the boldness of Elektroncek's 'regulated only' policy, which was to elevate the company into one of the sector's most respected suppliers.

Competitive edge is keen in the automated tables business, but Zvipelj is one of the first to welcome competition. "It's good for everyone; it's what drives us."

He sees a number of factors as critical to the early

successes of his company, which is based at Menges, close to Ljubljana. "We had our intellectual property rights tied up from the start so no-one could copy us. Most of our competitors were splits between former partners, or chief technical engineers who decided to go it alone. We were a separate start-up, protected our rights and survived that period when there were 13 or 14 companies all scrambling for the same niche market. Many of them went out of business and there's perhaps four or five really serious suppliers now."

Of those, Elektroncek is by far the largest and the most widely spread in terms of international coverage. Wherever there is a legitimate jurisdiction, Elektroncek is seeking a licence. "We have been five years in the processes of licensing for Macau and for the regulated markets in the US and Australia. Only two weeks ago (beginning of May, 2008) we had Nevada investigators here making checks and a positive outcome should emerge by the end of the year."

Elektroncek now has licences for 36 US jurisdictions and three Canadian provinces, British Columbia, Alberta and Ontario, and it is just finishing the processes in Quebec.

"It has taken in excess of \$3m in investment just to get through the licensing procedures in Nevada; we have seven people working permanently in our compliance department. This is a major investment strategy - but it is paying off," said Zvipelj.

The early use of GLI standards at Elektroncek in the automated table games sector was critical. Zvipelj's colleague, Ales Zupancic, head of R and D at Elektroncek, said: "That investment with GLI meant, for example, that we could prove that our roulette wheel is totally random, which guarantees protection for the players and the casinos."

Around 90 per cent of Elektroncek's business is within Europe and predominantly with the street market, with the strongest markets in Spain, the Netherlands, the Czech Republic and Macau. The absence of street markets in the US, Australia and Asia means that most of its business there is in casinos. Overall, the sales are split 65 to 35 per cent in favour of the street market globally. "Once we are in Nevada and more US jurisdictions, we anticipate the percentages to switch around," said Zvipelj. The company is already strong in some US states and also



Elektroncek CEO Tomaz Zvipelj

"Only two weeks ago (beginning of May, 2008) we had Nevada investigators here making checks and a positive outcome should emerge by the end of the year"

SLOVENIA SPECIAL

in New South Wales, in Australia.

"Elektroncek was first to get into Monte Carlo and now we are in every casino there. It indicates that there are elements to automated tables which add value to every location. It should be emphasised that we believe that live tables are essential to casinos which want to retain the traditional casino elements. It is a sad reflection, however, that generally casinos lose money on live tables and make their money on slots and automated tables."

Zvipelj's R and D colleague Ales Zupancic believes that in time the number of live tables in global casinos will reduce. "This effect will be triggered by the gradual acceptance by more and more players of automated tables. They are becoming more comfortable with the technologies. Am I predicting the death of the live table? No, they have their appeal and because of their traditional value and the ambience they bring, they will remain on the casino floor, but their percentage of the casino floor will decrease. This effect will be accelerated by the patrons themselves. The younger players are not emotionally affected by the presence of live tables and they are familiar with the technologies of computers.

"It is just a question of time. The inexperienced player is happier playing an automated game because a machine does not judge you. You may know the game, but the rules may be different everywhere. If you are newcomer to a casino and there are four or five other players around a live blackjack table, no-one has the patience to guide you and you know it; so you don't even want to start playing. People just graduate to the slots because they won't have to learn the rules."

For Elektroncek the main product remains the roulette game, but for its Asian customers it is sic bo and some craps. In Macau, new stations are being added to the casino floor to maximise the potential of the Elektroncek game. "Five years ago," said Zupancic, "touchscreen technology was a disaster, computer networks were a disaster, but since then the technologies have moved on and improved immensely. Now it is much easier to provide solutions which in 2003 were not available to us."

Another decision taken in 2004 was to evaluate what the company could offer its existing customers to encourage them to become customers again. "There is a finite number of sales available to roulette games," said Zvipelj. "What could we make for casinos and street locations which already had Elektroncek games? We started a replacement programme for products which were over 10 years old. To penetrate the same venue again, you have to offer something new, so we went in two directions.

"To offer a variety within our gaming portfolio we developed a new roulette game, we added a dice game, a bingo game and multiplayer video games, all designed to improve the casino floor revenues. It was a range designed to be modular so that additional stations could be added subsequently. We also wanted the equipment to be flexible. In every casino there are hours or even days during which more roulettes would be used than there are available, or more dice games. So we designed the range so that players

could switch from one game to another, even with live dice and roulette on the same table."

Said Ales Zupancic: "We even made it quite possible for a player to sit at a roulette game and join in a dice game being played on another table in another part of the location."

He sees the current industry passion for server-based gaming as being off-centre. "The real question is that when I have a certain game which is very popular, I need to have a lot of them, but tomorrow another group of people may come who want to play another game. The appeal of downloadable games is that it makes it possible for the player himself to download his favourite game. In essence, it means that the players will personalise the casino floor."

The multigame platform, he says, means that the player can for the first time enjoy an environment in which he can choose his game at the flick of a switch from any offered by the venue. A multigame environment builds revenues for the owner, whether it is a full-scale casino or a small arcade - and most of the European arcades are limited by size rather than by the number of stations which they may be permitted.

The Elektroncek multigame environment is now going into Macau. "I can have one player playing roulette and one playing dice - around the same unit," said Zupancic. "He doesn't move his seat, he moves his game; no-one else can offer that." This facility is now going into both the Sands and Venetian resorts in Macau and an installation of bingo and roulette generators was due to go into Monte Carlo and Spain in June. Portugal was soon to follow. "It is too early to evaluate the response from just a few installations," said Zupancic, "but we anticipate an increase of 22-27 per cent on the revenues from the player positions affected."

Elektroncek tables can last 15 years, but as Tomaz Zvipelj put it: "We compare the automated table business with the motor car industry. You can have a car 10 or 15 years old which functions perfectly well, but you are constantly aware of improvements to that design which are taking place."

The Elektroncek technology is visible in the G4 Organic gaming products under the Interblock brand name.

The development of Elektroncek into a world power in automated table games owes much to the foresight of its president and founder, Joc Pececnik. He has established a framework of senior management equipped to take the kind of bold decision which dictated the major policy changes in 2004 which set the company on its new path. The G4 range, and more particularly, the first glimpses of the incoming G5 thinking, are set to drive the company on to new heights which will be hard for anyone but the most ambitious and adventurous to emulate. ■



"Another decision taken in 2004 was to evaluate what the company could offer its existing customers to encourage them to become customers again"