

QLD GMDC 2021 Future of Systems and Digital

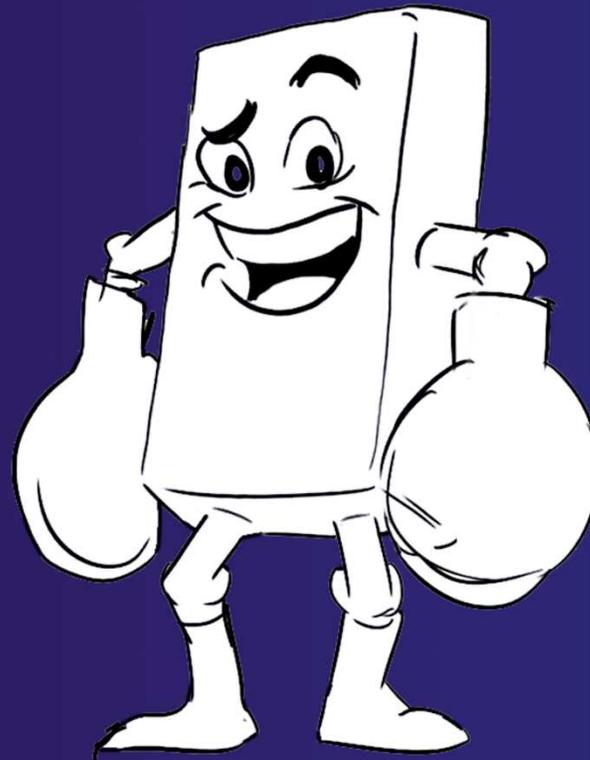
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AGENDA

The Future of Systems and Digital Wallet

- Why a system?
- Our target audience defined
- BAU market and industry headwinds
- Gaming system evolution
- Digital disruption to watch out for?



Why do we even need one of those system things?



Millennials/Gen Z

Millennials - also known as Gen Y, Echo Boomers, and Digital Natives, were born from approximately 1977 to 1995

Gen Z - anyone born from 1997 onward is part of a new generation



<https://www.pewresearch.org/fact-tank/2019/01/17/where-millennials-end-and-generation-z-begins/>

Are they worth the effort?



“Millennials and Gen Zs are set to become the most important customer group for most banks and credit unions over the next decade, as nearly **\$70 trillion in wealth transfers to them from their parents**. But, as our research shows, what worked for mom and dad will not be enough to win and keep this younger demographic as a customer,” said **Jake Tyler**, CEO at Finn AI.

<https://thefintechtimes.com/80-percent-of-gen-z-and-millennials-use-money-transfer-apps/>

What about them?

Generational Differences in Banking Habits: Only 47% of Gen Z respondents claimed to have an account with a traditional bank, credit union, neobank or technology company.

Millennials now face twice the HECS debt of their predecessors, at HECS \$19,000

1. More financially astute
2. More debt averse/aware
3. Well researched and less inclined to follow status quo
4. They favour experience over possession
5. Driving increased tech adoption/digital natives

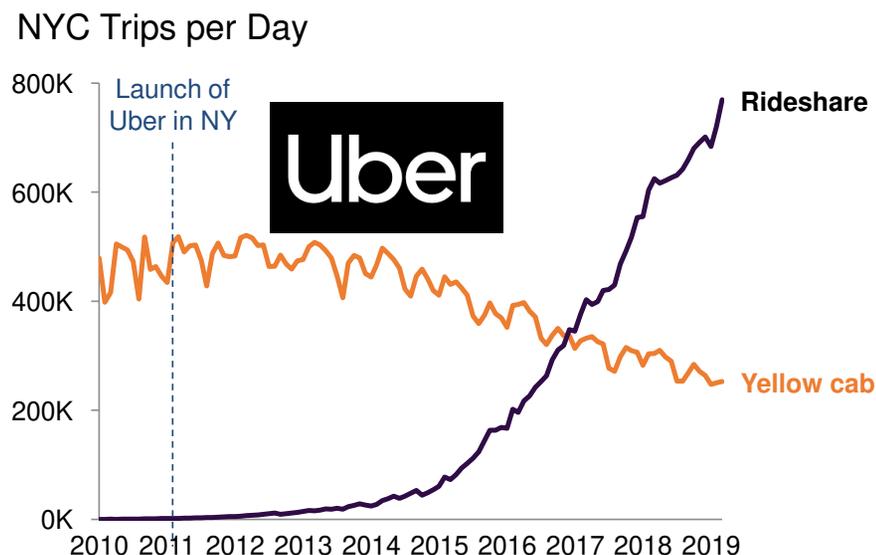
According to the [Harris Report](#), “72% of millennials prefer to spend money on **experiences** than on material things.” Instead of prioritizing fancy cars, designer handbags, and suburban McMansions, millennials are instead spending their money on mini weekend getaways, trendy brunches, and Coachella-style open air concerts.

DISRUPTION



Regulation is not always a barrier to change

- Regulation aims to protect the consumer and ensure that gaming business are responsibly managed
- Once established, it can take a significant period of time before changes can be implemented, resulting in steady profits for the incumbents
- Regulation in most democratic economies eventually adapt to consumer demand
- When that happens disruption can happen before incumbents can respond effectively



Since Uber launched in 2011, the number of daily trips in yellow taxis in NY has **decreased by more than 50%** while ride-sharing apps have **quadrupled in past 3 years**

Disruption isn't looming, its EVERYWHERE

- The US customer base of Afterpay is similar to the Australian and New Zealand user base, which is heavily weighted towards Millennials.
- About 70 per cent of the 2.5 million Australians who use Afterpay are below the age of 34.
- The average age of a customer using Afterpay in the US is 33, which fits the Millennial definition of being born between 1981 and 1996.
- In Australia **the average age of an Afterpay user has increased because the younger generation has educated others about the product**, according to sources close to the company.



“Our vision is a world that delivers fairness and financial freedom for all”

Afterpay Global customer base hit 11.2 million, up 98% on the year to the end of September 2021

Traditional credit card “industry revenue is expected to decline at an annualized 7.9% over the five years through 2021-22

“But nothing will happen to us clubs...what's this bald bloke talking about?”



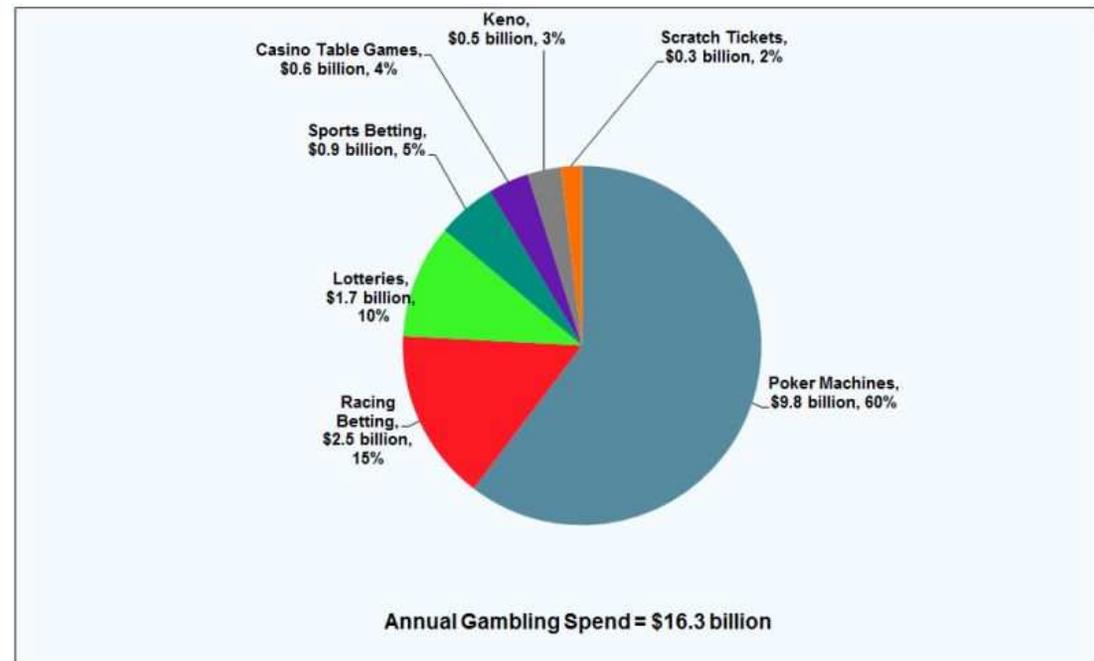
The ANZ gaming market current size

- Australia was estimated to have 192,800 machines installed in 2019, a reduction of 3501 machines from 2018 (this equates to 2.59% of the worlds total electronic gaming machines).
- Australian has one gaming machine per 114 Australians.



The ANZ gaming market Current Market Economic Value

- Poker machine expenditure in Australia accounted for over 60% of total gambling spend in 2017 (Roy Morgan)
- Australians are the biggest gamblers in the world, losing \$23 billion a year of which \$14 billion goes through the pokies (Australian Ethical, 2019).
- The Australian electronic gaming machine industry contributes \$5.5bn in taxation revenue per year (Toscano, 2018)



Emerging Industry Headwinds

Poker machines are becoming less popular

- Poker machine play declined by **12%** from 2008 to 2018



- Emerging younger generations have shown by far the biggest decline in gaming machine play in the past decade (**26.1%**)

Emerging Industry Headwinds

Problem Gambling Concerns Impacting the Industry

- The 2010 Productivity Commission estimated that a greater proportion of EGM players—around 15 per cent of all adults who play EGMs weekly or more often—were problem gamblers (Thomas, 2020).
- Millennials are showing signs that they are averse to historically strong gambling habits due to the negative impacts associated with them.
- “(Millennials) have had the convenience of the Internet and smartphones to get information they needed instantly, at the push of a button....**only 21% of millennials considered gambling as “important in their list of activities”** (Yale Tribune, 2018).

Spending more on the pokies than you wanted?

Free, confidential, 24/7 support & counselling on 1800 858 858
gamblinghelponline.org.au

Thanks to the New South Wales Gambling and Liquor Production Agency for their permission to use their material.

Responsible Gambling Education and Research Foundation | aHa|sa | SIXTINS ENTERTAINMENT GROUP | Department of Health Australia

Emerging Industry Headwinds **Money Laundering Is The New Threat To The Gaming Industry**

- In 2021 the NSW state government published the Casino Enquiry Report (the Bergin Enquiry) under section 143 of the Casino Control Act 1992 (NSW) in response to growing concerns around suspicious and unethical behaviours by the operators.
- The Bergin inquiry examined numerous instances of suspected money laundering at a large Australian casino, including the infamous “blue cooler bag” footage that showed huge bundles of \$50 notes being exchanged for gambling chips in one of the properties' VIP gaming rooms (Hatch, 2021).
- In 2016, Chinese police arrested 19 Australian casino staff in coordinated raids for illegally promoting gambling in that country.



Emerging Industry Headwinds

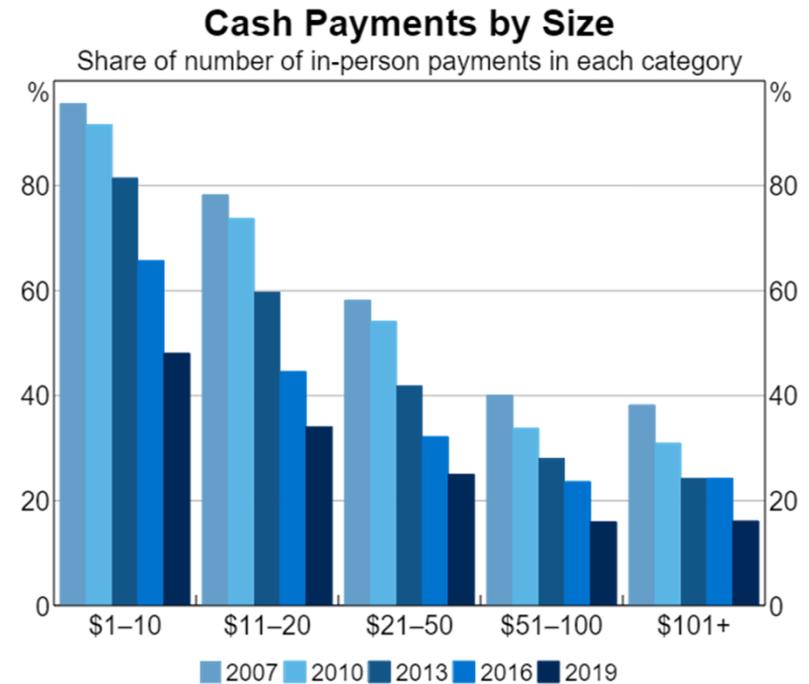
Sustainable gaming is not an option, it's the only option

- The 6th edition of the Sustainable Gambling Conference took place on 5 October 2021. Concluding with a broad consensus that the industry's profitability, even its very existence, is contingent on becoming sustainable.
- **Collaboration** is key for the industry's future, **transparency** is essential for collaboration.
- A closer dialogue between operators and regulators can help avoid counterproductive policies and improve channelization.



Macro Socio-Economic Trends **cash is disappearing**

- Over the course of the last decade, cash has gone from being the dominant form of payment to now being used for less than 25% of transactions Australia-wide (Bambora, 2021).
- Driven by these trends, Australia is predicted to be cashless by 2024.
- The big 4 Banks reduced ATM numbers in Australia by 19% in 2021 with the number of branches reducing by 9% in the same period (Ritchie, 2021).

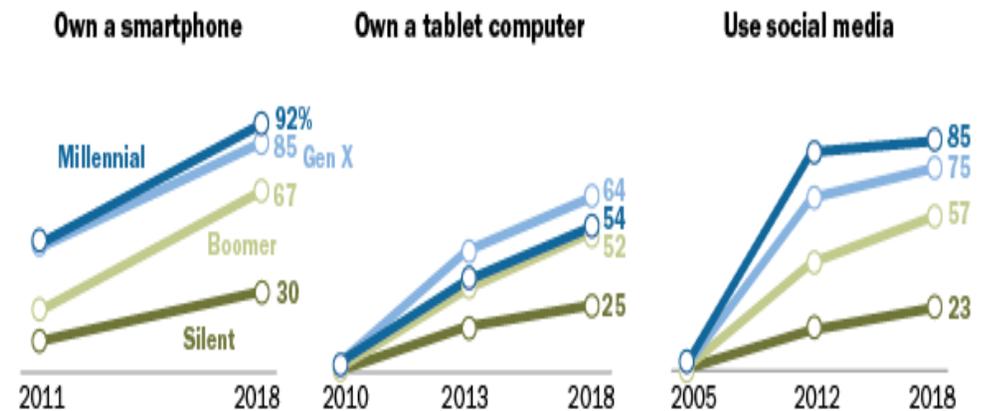


Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research

Macro Socio-Economic Trends Digital adoption provides the new opportunity to engage customer

- In 2017, 75.8 percent of the Australian population used a smartphone, and the share was estimated to reach around **80.1 percent by 2025** (Granwal, 2020).
- Millennials are driving this adoption with 93% of those who turn 23 to 38 this year owning smartphones, compared with 90% of Gen Xers (those ages 39 to 54 this year) and only 40% of the Silent Generation (74 to 91) (Vogels, 2019).
- Several high-profile brand loyalty programs have been underpinned by mobile. In 2011, Starbucks launched the Starbucks Card mobile app, enabling mobile payment.
 - By 2019, 71% of Starbucks app users were visiting a store at least once a week.
 - app users were 5.6 times more likely to visit a Starbucks every day.
 - Such frequency of use and familiarity eases the adoption of other retail apps (Pearson, 2020).

% of U.S. adults in each generation who say they ...



Source: Survey conducted Jan. 3-10, 2018. Trend data are from previous Pew Research Center surveys.

Pew Research Center 

Macro Socio-Economic Trends Mobile Payments are revolutionizing retail

- The global digital payments market is expected to grow from \$5058.96 billion in 2020 to \$5872.89 billion in 2021 at a compound annual growth rate (CAGR) of 16.1% (Businesswire, 2021).
- An estimated 4.4 billion global consumers will shop with a digital wallet by 2023, accounting for 52% of ecommerce payments globally (Bready, 2021).
- "In March 2020, there was a shift in how consumers paid. For the first time ever, card-not-present transaction volume surpassed card-present" (Henckel, 2021).



**“good grief, the industry must be
doomed right?”**



GAMING EXPERIENCE EVOLUTION

Can systems actually be the savior?

Impact of Systems

- Frictionless patron experience evolving
- Players want more volatility, have less time and expect better
- We are processing players faster
- Increasing audit and security requirements
- Loyalty program opportunity
- Technology adoption by the player



What good venues do well

- Wholistic offering
- F & B is a thing
- Secure & Friendly
- Interaction & People
- Technology



How some venues have been left behind

- Think about consumer experience
- Technology & Product (egm/signage/supporting infrastructure)
- People
- F & B – (ask me about Rosehill)
- Customer Journey





THE ROLE OF A GAMING SYSTEM

TM

Systems

- Reduce friction
- Speed of service
- Self-sufficiency
- Data – egm/player/competitor
- Compliance/risk/security
- Cash reduction via systems
- Loyalty and engagement



Systems opportunities

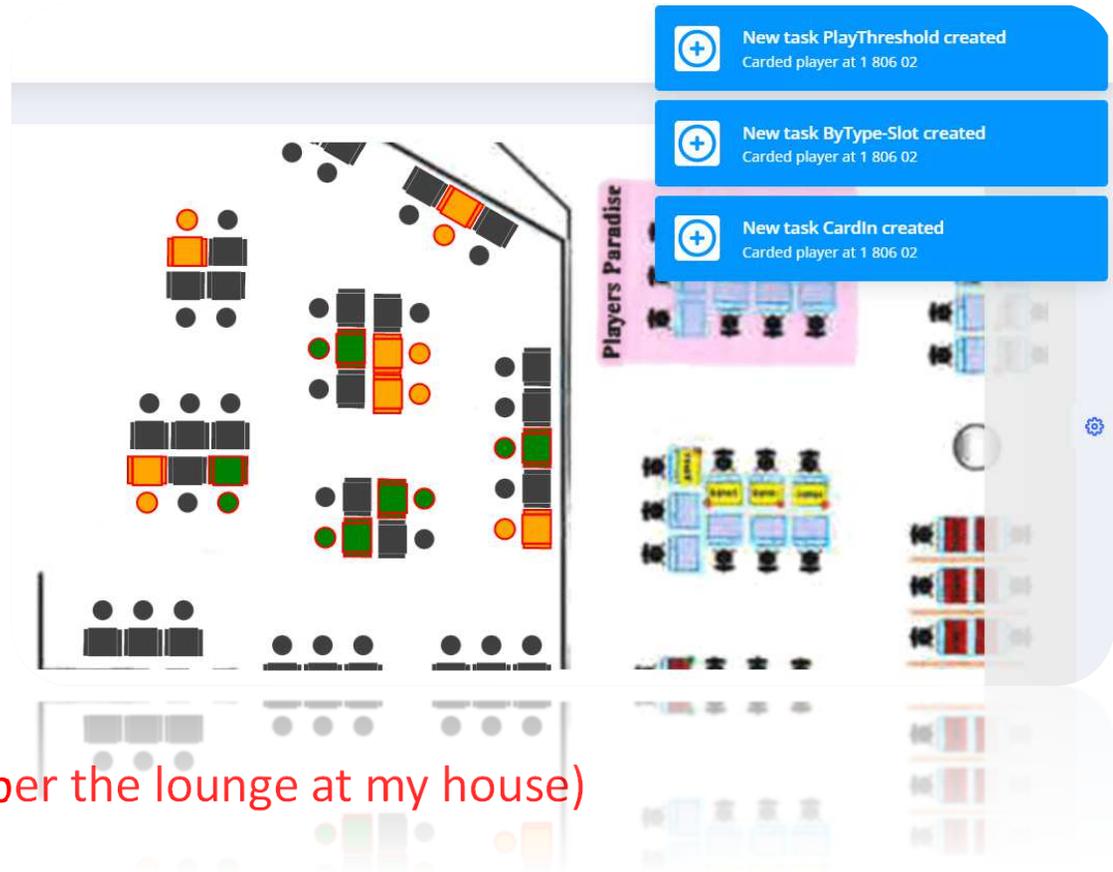
- The Great Loyalty Debate
- The trade-off between privacy and convenience
- Emerging generations, emerging trends
- Digital natives = digital opportunities



Systems provide...

Key Metrics To Consider

- Spend per head
- Visitation
- Associated non-gaming spend
- Trend analysis
- Profit/player distribution
- Real-time actionable insights (remember the lounge at my house)



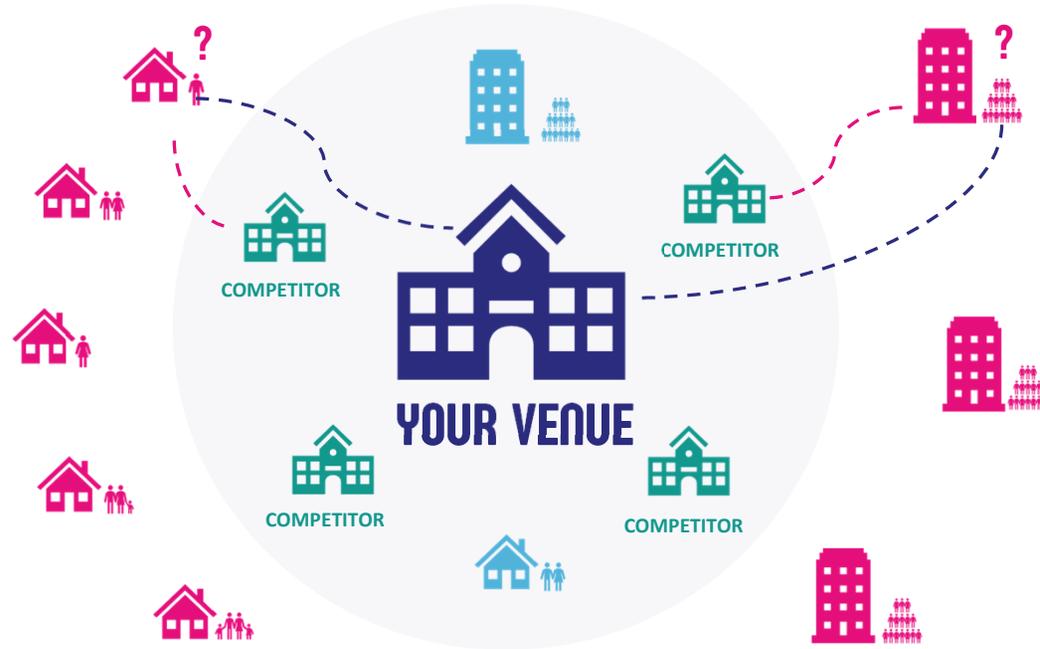
Technology has changed the game

- Consumers are inundated with choices
- Your venue competes against clubs, hotels, restaurants, online games, online gaming, Uber Eats, Netflix, Stan and on and on
- Consumers want frictionless experiences



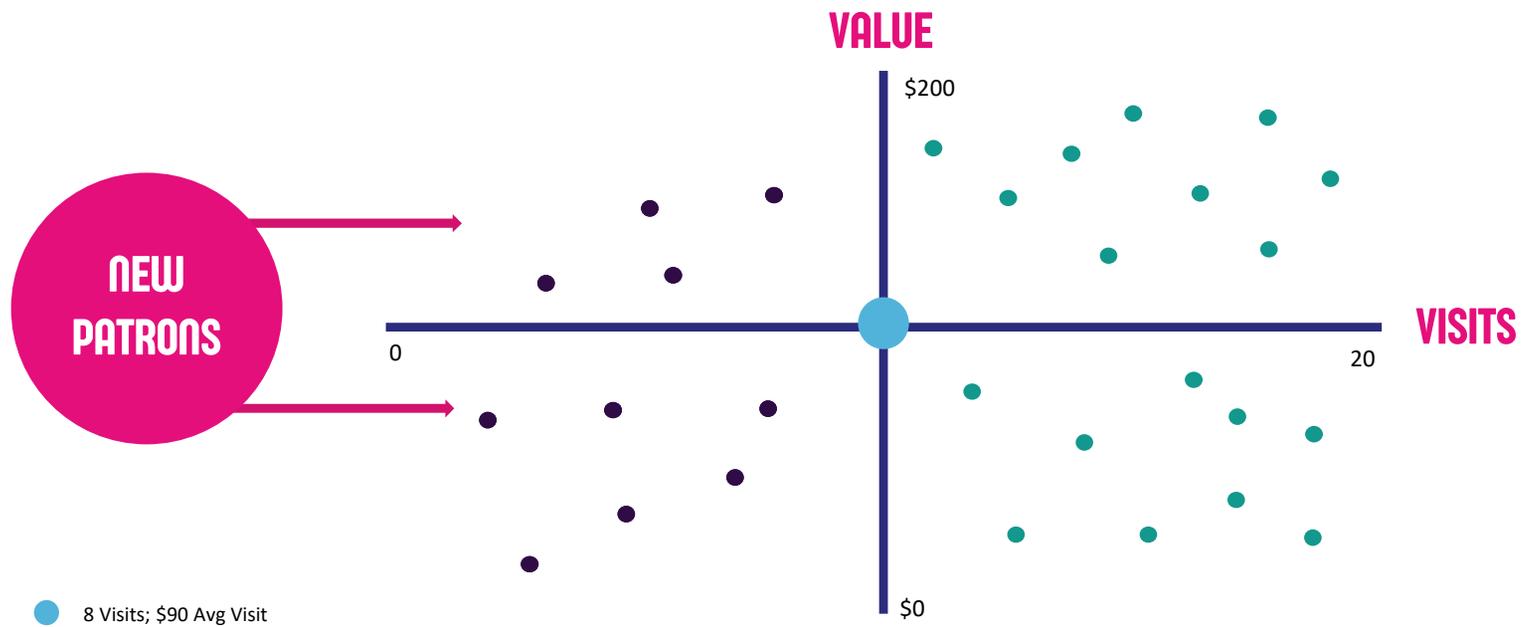
COMPETITIVE LANDSCAPE

10KM MUST WIN



WHAT'S THE VALUE/ROI?

Value of Returned Members



Are the player engagement tools of today enough?

Machine Engagement



In Venue Engagement



In & Out of Venue Engagement



“But what about in 5yrs? You said young people don’t dig pokies?”

What does that mean for you?

“Do we all agree that our venues don’t operate in siloes and therefore consumer change in the external environment has the potential to impact YOU?”



Digital Convergence



PLAY NOW ON YOUR MOBILE DEVICE

Available on the App Store

ANDROID APP ON Google play

ARISTOCRAT

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product madness

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The prizes are intended for an adult audience. The games do not offer "real money gambling" or an opportunity to win real money or prizes. Practice or



ARISTOCRAT
GAMING

What does that mean for venues?

1. Seamless patron experience online to in-venue is expected
2. Personalized loyalty experience has value
3. Innovation around loyalty, gamification and shared gaming experiences is an opportunity
4. Competition is everywhere, including the home
5. Contactless is the new customer service
6. We may need to challenge established business models and our own thinking

Will traditional loyalty compromise RTP or AEMP?

#4 HOLD DETERIORATION - regardless of the argument brought forward about rising revenues, venues will mostly default to a complaint about falling holds. Using data from Treasury (18/19 is the latest), the complaint on hold deterioration is well founded. 1997 is the year MTGMs were introduced into NSW and Hotels were granted the right to operate spinning reel games. In this period, NSW hold has declined by 20%, Queensland nearly 40% and Victoria has been stable.

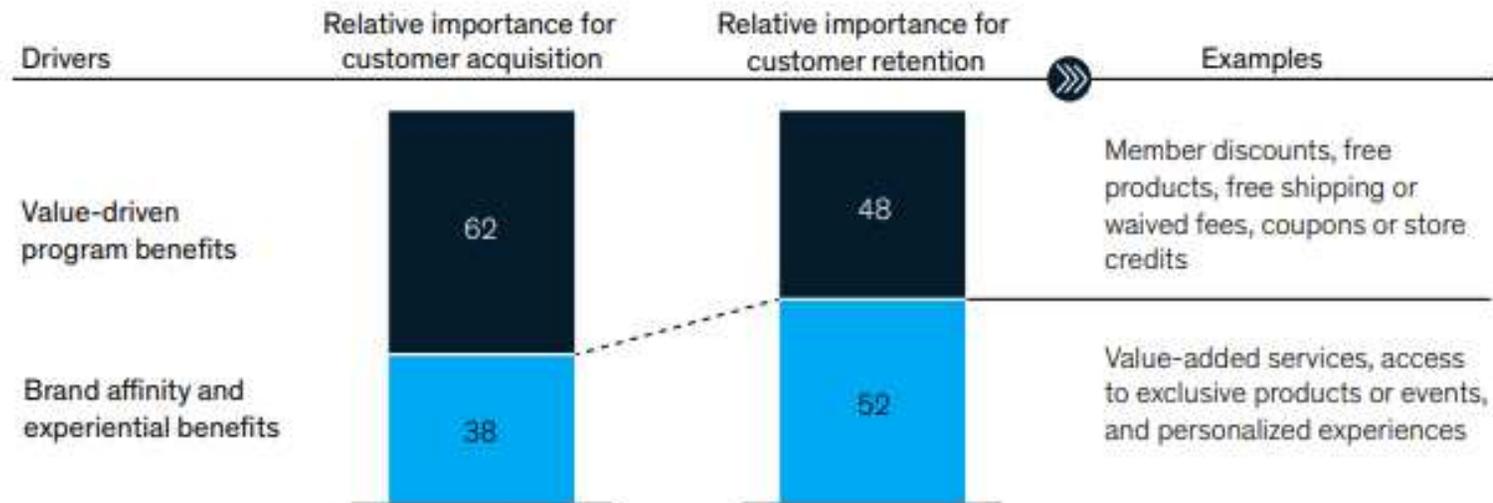
NSW	Vic			Qld			SA			ACT			NT					
Period	TO (\$m)	Net (\$m)	N-Hold	TO (\$m)	Net (\$m)	V-Hold	TO (\$m)	Net (\$m)	Q-Hold	TO (\$m)	Net (\$m)	S-Hold	TO (\$m)	Net (\$m)	A-Hold	TO (\$m)	Net (\$m)	A-Hold
1996-97	26,001	2,484	9.55%	15,894	1,456	9.16%	3,505	519	14.81%	5,149	364	7.07%	1,160	118	10.13%	308	15	4.98%
1997-98	30,540	2,989	9.79%	18,098	1,711	9.46%	4,058	602	14.84%	5,606	395	7.04%	1,249	119	9.52%	396	20	4.99%
1998-99	34,522	3,487	10.10%	20,544	1,954	9.51%	5,214	757	14.53%	6,267	442	7.06%	1,420	127	8.96%	438	24	5.55%
1999-00	38,822	3,882	10.00%	22,388	2,171	9.70%	6,348	871	13.73%	6,779	486	7.17%	1,584	147	9.29%	464	26	5.71%
2000-01	38,922	4,119	10.58%	23,890	2,366	9.90%	7,534	1,014	13.46%	7,200	543	7.55%	1,693	157	9.27%	462	28	6.06%
2001-02	42,843	4,307	10.05%	25,428	2,563	10.08%	8,545	1,129	13.22%	7,876	607	7.71%	1,855	168	9.03%	505	37	7.30%
2002-03	47,731	4,459	9.34%	23,265	2,334	10.03%	10,038	1,278	12.73%	8,561	669	7.81%	1,980	174	8.81%	515	42	8.17%
2003-04	50,315	4,673	9.29%	23,249	2,291	9.85%	12,176	1,499	12.31%	9,285	724	7.79%	2,077	183	8.79%	562	45	8.01%
2004-05	53,954	4,915	9.11%	23,820	2,393	10.05%	14,394	1,677	11.65%	9,757	749	7.68%	2,040	192	9.40%	636	50	7.85%
2005-06	56,535	5,024	8.89%	24,440	2,472	10.12%	15,962	1,776	11.12%	9,922	751	7.57%	2,164	185	8.56%	717	57	7.93%
2006-07	59,972	5,206	8.68%	25,231	2,543	10.08%	15,361	1,677	10.91%	10,516	793	7.54%	2,152	192	8.92%	790	64	8.06%
2007-08	55,004	4,645	8.44%	26,204	2,612	9.97%	17,142	1,802	10.51%	9,929	758	7.64%	2,111	185	8.75%	887	72	8.12%
2008-09	57,510	4,772	8.30%	27,664	2,707	9.79%	18,190	1,861	10.23%	9,734	751	7.71%	2,085	178	8.53%	948	79	8.30%
2009-10	58,485	4,759	8.14%	26,798	2,597	9.69%	17,721	1,776	10.02%	9,325	729	7.82%	2,078	175	8.43%	824	70	8.45%
2010-11	62,255	4,997	8.03%	27,556	2,651	9.62%	18,856	1,868	9.91%	9,330	745	7.99%	2,192	173	7.91%	716	63	8.73%
2011-12	65,247	5,179	7.94%	27,587	2,681	9.72%	19,896	1,948	9.79%	9,124	743	8.14%	2,215	180	8.14%	707	63	8.86%
2012-13	66,919	5,250	7.85%	25,839	2,490	9.64%	20,716	2,005	9.68%	8,813	731	8.29%	2,225	182	8.16%	682	61	8.96%
2013-14	69,371	5,403	7.79%	26,633	2,504	9.40%	21,502	2,064	9.60%	8,689	731	8.41%	2,176	177	8.14%	767	69	8.97%
2014-15	74,297	5,744	7.73%	27,547	2,572	9.34%	22,909	2,183	9.53%	8,606	726	8.43%	2,016	171	8.46%	930	83	8.89%
2015-16	79,057	6,103	7.72%	28,287	2,617	9.25%	24,186	2,267	9.37%	8,429	719	8.53%	2,048	167	8.18%	982	87	8.87%
2016-17	80,337	6,188	7.70%	28,467	2,610	9.17%	24,770	2,286	9.23%	7,864	680	8.65%	2,065	168	8.16%	1,026	93	9.03%
2017-18	83,174	6,387	7.68%	29,580	2,695	9.11%	26,082	2,379	9.12%	7,698	682	8.86%	2,004	169	8.42%	1,137	103	9.09%
2018-19	86,036	6,531	7.59%	29,916	2,699	9.02%	26,820	2,427	9.05%	7,651	682	8.91%	1,981	168	8.48%	1,160	107	9.21%
			-20.55%			-1.51%			-38.88%			25.95%			-16.29%			84.73%

Source: Australian Gambling Statistics. Treasury. Non Casino gaming machine data.

Does deterioration of hold mean we need to challenge method of loyalty spend?

Members Price vs Members Only

While hard-value benefits drive signups, experiential benefits are more important in driving retention.



Source: McKinsey Consumer Paid Loyalty 2020 Survey

Will VAS, exclusivity and personalized become the new loyalty tiers of tomorrow?

Do you compete with the home economy or enter it?

Americans are changing how they spend their time at home Americans are spending more of their at-home time on domestic activities, media, and news. Intent to eat more at home post-COVID-19 has strengthened significantly over the past three months.

Usage of popular online entertainment platforms has skyrocketed. (The popular video game Fortnite recently hosted a concert that was “attended” by 12.3 million users.)

Investment in at-home fitness through equipment purchases and online activity is growing.

Consumers still expect to spend more time on at-home activities, even in less restricted regions.



Will Cashless will be the new clean?



Technologies that enhance hygiene, particularly contactless activities such as food and grocery delivery and curbside pickup, are taking off.

In a US survey 79 percent of consumers intend to continue or increase their usage of self-checkout in retail after COVID19. Millennials and Gen Z are the widest adopters of contactless activities.

Key Points

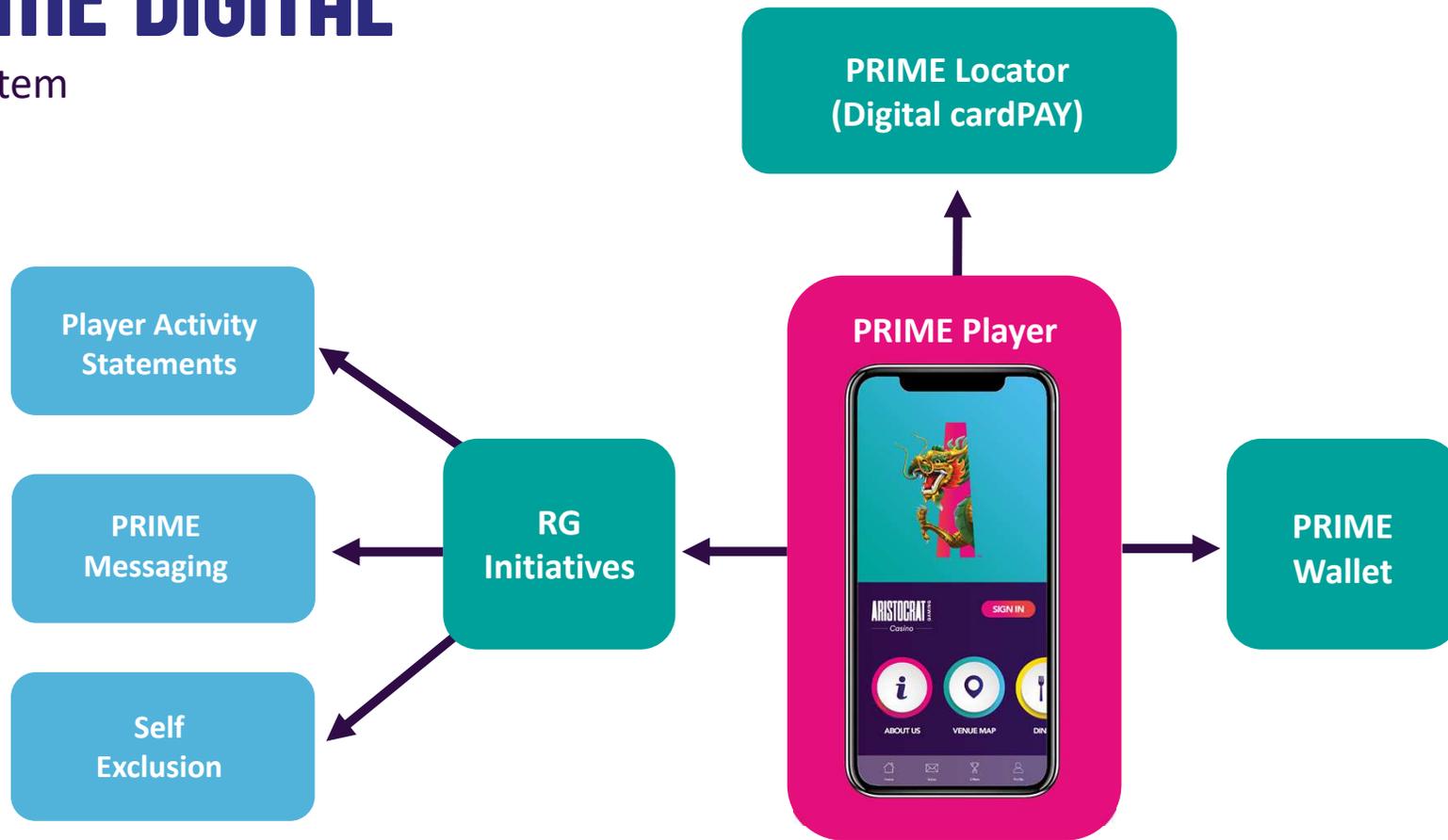
What will digital wallet achieve?

- Frictionless patron experience
- Innovation platform to re-shape customer engagement
- Empowering the player for a sustainable gaming experience



PRIME DIGITAL

Ecosystem



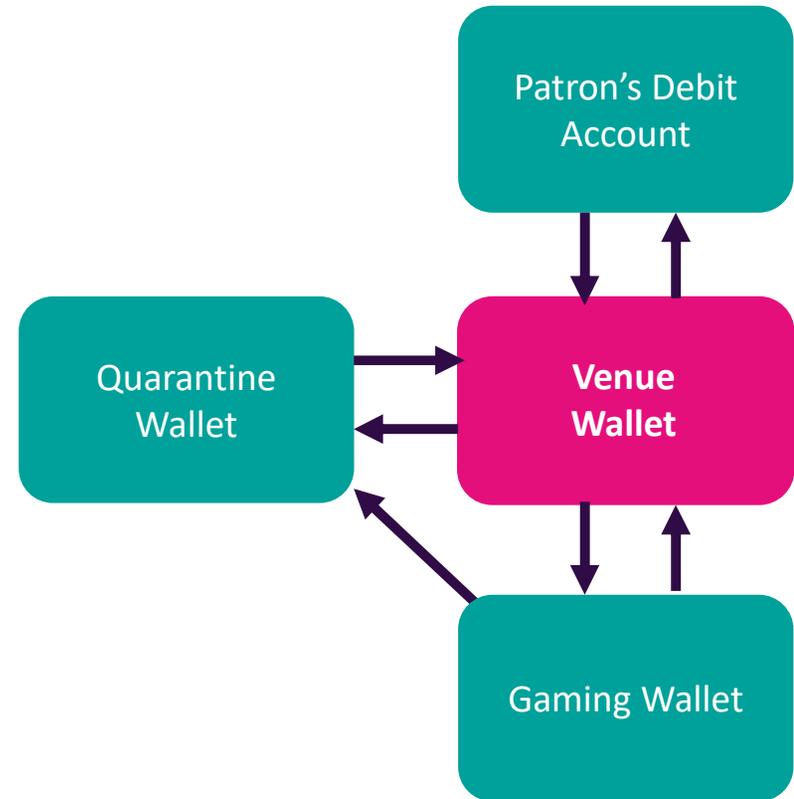
PRIME WALLET

What is PRIME Wallet?

PRIME Wallet is a term given to the digital banking system that contains three individual *wallets*.

These are:

- Venue Wallet: facilitates funds transfers to and from the banking system and Point of Sale (POS).
- Gaming Wallet: facilitates funds transfers to and from the Gaming Machine (EGM).
- Quarantine Wallet: replaces cheques/EFT
 - When transfers from EGMs exceed \$5,000, the amount over \$5,000 is automatically transferred to quarantine
 - quarantined funds restricted from being used for gaming or external bank transfers for 24 hours
 - Quarantined funds are available for POS transactions.



PRIME MESSAGING

PRIME Messaging Empowering the Player

Session Length

Session Length

Time Duration* 00 : 02

MESSAGE CHOICES:*

The Session Length you have set has been reached. ✓

Hey, just letting you know you have reached your set time limit.

Repeat notification

Notify venue

Cancel Save

Duration of a single session

Frequency of Play

Frequency of play

Number of Visits* 0

Number of Days* 7 Days

VENUE OPTIONS*

All Venues

Select Specific Venue

Simulator

Aristocrat

Aristocrat II

Aristocrat III

Mobile

Mobile2

MESSAGE CHOICES:*

The Frequency of Play you have set has been reached. ✓

Hey, just letting you know you've reached your visit limit.

Repeat notification

Cancel Save

Venue Visits

Amount Spent

Amount Spent

Loss limit* \$ 0

CHOICE OF PERIOD:*

Current session

Current trading day

Last 7 trading days

Last 28 trading days

Current trading month

Current trading year

MESSAGE CHOICES:*

The Amount Spent you have set has been reached. ✓

Hey, just letting you know you've reached your spend limit.

Repeat notification

Notify venue

Cancel Save

Net Loss

Total Bet

Total Bet

Total Bets* \$ 0

CHOICE OF PERIOD:*

Current session

Current trading day

Last 7 trading days

Last 28 trading days

Current trading month

Current trading year

MESSAGE CHOICES:*

The Total Bets you have set has been reached. ✓

Hey, just letting you know your total bets have been reached.

Repeat notification

Notify venue

Cancel Save

Turnover

Max Bet

Max Bet

Average bet amount* \$ 0

Time period (minutes)* 0

MESSAGE CHOICES:*

The Max Bet you have set has been reached. ✓

Hey, just letting you know you've reached your average bet limit.

Repeat notification

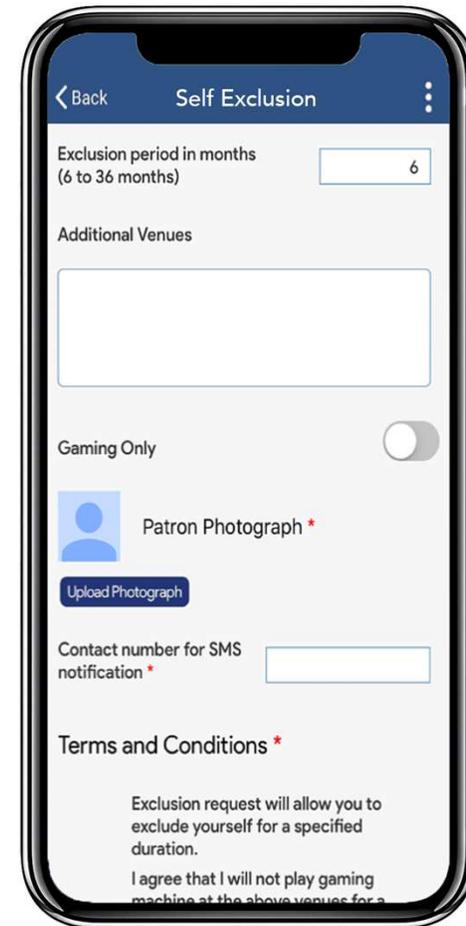
Notify venue

Cancel Save

Average Bet

SELF-EXCLUSION

- Self-exclusion is a sub app of PRIME Player.
- A member can self-exclude from multiple venues; even venues not attached to the app.
- A member can decide to self-exclude from the entire venue or just the gaming areas.
- Once the member completes the digital self-exclusion form, these details are sent to the venue staff via PRIME Membership.

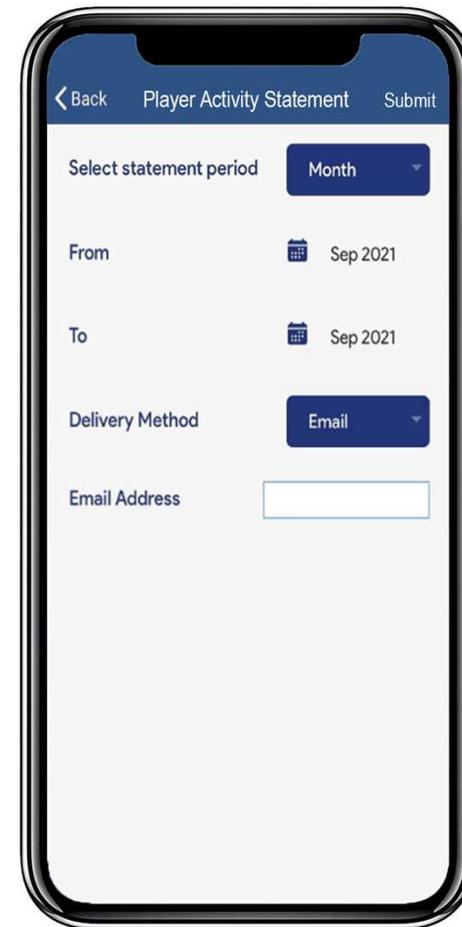


The image shows a smartphone screen displaying a 'Self Exclusion' form. The form is titled 'Self Exclusion' and has a 'Back' button in the top left corner. The form contains the following fields and options:

- Exclusion period in months (6 to 36 months):** A text input field containing the number '6'.
- Additional Venues:** A large empty text area for listing venues.
- Gaming Only:** A toggle switch that is currently turned off.
- Patron Photograph *:** A section with a blue person icon, a text input field, and a blue 'Upload Photograph' button.
- Contact number for SMS notification *:** A text input field.
- Terms and Conditions *:** A section with a heading and a paragraph of text: 'Exclusion request will allow you to exclude yourself for a specified duration. I agree that I will not play gaming machine at the above venues for a'.

PLAYER ACTIVITY STATEMENTS

- Members can request their Player Activity Statements via the PRIME Player app. This is located under the Profile tab.
- The statement period is either a record of the Month, Quarter or Year.
- The member can choose to have the statement delivered by Email, Mail or In-app:
 - In-app: the statement is immediate.
 - Email or Mail: this request is fulfilled by venue staff via PRIME Membership so it will take longer to process.



The screenshot shows a mobile app interface for requesting a Player Activity Statement. At the top, there is a navigation bar with a back arrow, the title "Player Activity Statement", and a "Submit" button. Below the navigation bar, the form consists of several fields:

- "Select statement period" with a dropdown menu currently set to "Month".
- "From" with a calendar icon and the text "Sep 2021".
- "To" with a calendar icon and the text "Sep 2021".
- "Delivery Method" with a dropdown menu currently set to "Email".
- "Email Address" with an empty text input field.

What could the future hold?

Once we have digital wallet, we are in
the customers palm and with them 24/7

- Frictionless patron experience
- Omni-channel connectivity
- 24/7 data
- Privacy vs convenience trade

Reimagining the game

Estimates made in August suggest that over 20 million people still play Fortnite daily. The game also made **over \$1.8 billion in 2019**, which is a drop from the game's \$2.4 billion in revenue in 2018 but is still better than the vast majority of free-to-play games



Reimagining the wager

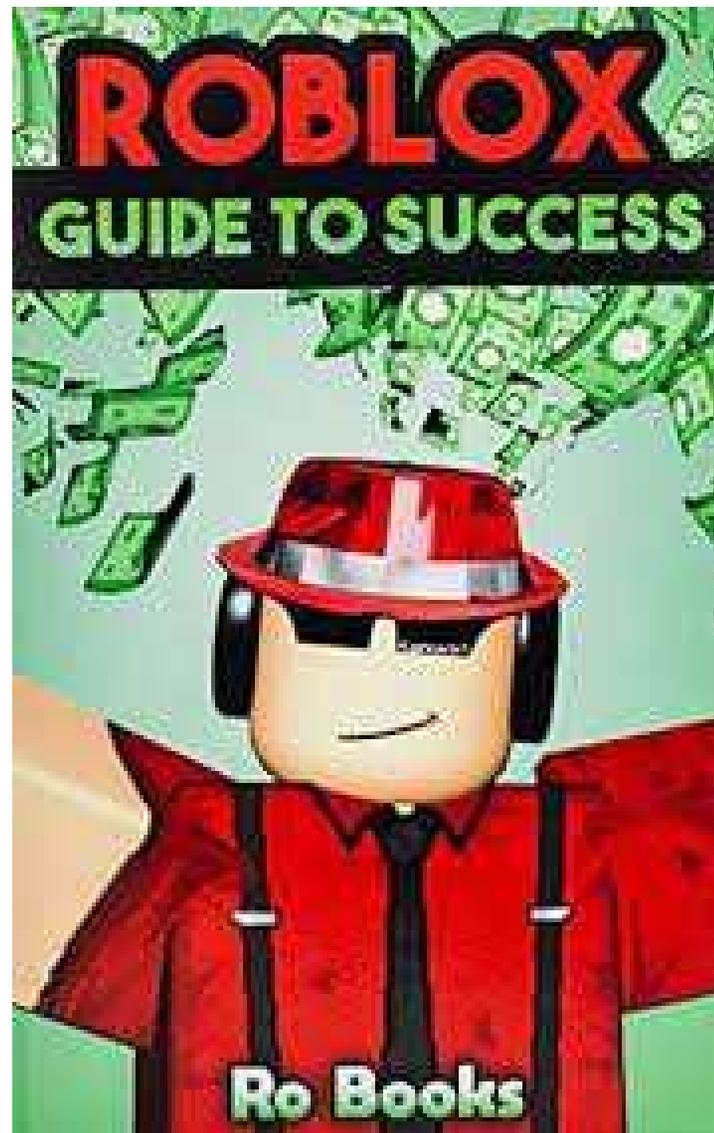
ZED's popularity has soared to such highs that newly "launched" rare horses can sell for as much as €12,000. One horse recently sold for over \$125,000 (€103,000) and this is expected to escalate even further as the rising value of NFTs redefines our way of experiencing tech.

<https://www.euronews.com/green/2021/04/23/why-people-are-paying-100-000-to-breed-digital-horses-online>



Reimagining the player

Roblox ([RBLX](#) -3.56%) has been offering a platform that brings millions of people together in a virtual space since its founding in 2004. The platform is different from many others because it is free to play, and relies on games created by a community of developers, as well as purchases of Robux, its platform-specific virtual currency.



Reimagining the venue limits

The O'Farrell report into illegal online gambling stated that the market is Australia is calculated to be worth approx. \$1bn per year, the regulation and taxing of such a market would be worth as much as \$400mil per annum to Australia's government (O'Farrell Report, 2015).



QUESTIONS?