

MIXING It Up

Developing slot floor strategies for emerging markets

By Andrew Klebanow and Jeff Jordan

Casinos continue to expand into new markets around the world. Development of new casinos in emerging markets has never been easy, as rarely does one cookie-cutter approach work in every new market. As the authors of this article work on new projects around the world, they always ask an important question: How does the slot mix meet the needs of the anticipated customer segments?

In their experience, addressing this question as early as when breaking ground will enhance the operator's decision-making in acquiring their slot product. The purchase of slot machines is like any other long-term capital investment, requiring a degree of research, analysis, and intuition to execute well.

Properly done, it will lead the operator to make the best decisions possible regarding which product strategies to pursue, which slot manufacturers to work with, and what tactics to pursue in collaboration with the slot manufacturers. It is rare to have the scale of capital purchases for slot products associated with a new opening. Leveraging that scale requires the operator to act with vision and articulate said vision to the slot manufacturers, who in turn help deliver the slot machines and game content needed to be successful.

Asian Influences

As Thailand and Japan move forward with the development of integrated casino resorts, albeit on different timelines, developers will need to begin planning how to address this question. They will need to determine how much space to allocate to slot machines, what type of slot machines to offer, and which manufacturers should provide those slot machines.

Additionally, market and product analysis will have to identify if the slot machines currently in the market or in adjacent markets are appropriate to meet the desires of the market segments that the casino hopes to attract.

Thailand and Japan are unique and vastly different markets, and it would be dangerous to assume that the same kinds of slot machines would have equal appeal in both countries. Since these nations do not have legal casino gaming today, understanding what types of slot machine or electronic gaming devices players will gravitate to five years from now when those casinos begin to open requires considerable research.

Research should focus on understanding what kinds of electronic gaming are found in comparable markets today and how consumers respond to



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those products. Examining where gamblers play and what types of slot machines they find appealing is the first step in a rigorous review of markets and products. Additional work is also required to understand how the market structure developed over time, examining the push and pull as suppliers provide products, operators buy those products, and consumers gamble on those devices.

For Thailand, one can start by visiting the casinos in Cambodia, notably the properties across the border in Poipet. The problem is that one is relying on the purchasing decisions of slot directors who may not have had the budget to buy the machines with the most significant probability of success. They may also be relying on slot directors who may have picked machines based on price or selected product without doing the legwork to understand what is offered in competing markets.

Looking only at what seems to work in those markets today may not be the best strategy. Therefore, one must take into account the context of how the market was developed and how it compares and contrasts with other markets. Without context, future operators in Thailand may only



Rendering of MGM Grand Osaka that will open in 2030

perpetuate underperformance because it relies on a strategy that may not be best for a new market.

One can also try to walk through the illegal casinos within Thailand, but that approach is fraught with challenges since those casinos tend to be table game-centric. They are also illegal, and any non-Thai will be looked on with a great degree of suspicion or simply not allowed entry. The operators of underground casinos may also be reluctant to invest in slot machines because those valuable assets could wind up being confiscated in a raid. Electronic games of chance may not exist in these casinos simply because of that reason alone.

ETG Growth

Another approach may be to look at the kinds of electronic games Thais play on their mobile devices or in online social casinos as a starting point to understanding what types of games they will find appealing five years from now. For any casino operator fortunate enough to earn the right to operate a casino in the Kingdom of Thailand, getting the slot product right will take a considerable amount of research.

Understanding the kinds of slot machines that will appeal to Japanese slot players is far easier, but not without its challenges. Japan's culture has long embraced a wide range of electronic entertainment. Put quite simply, Japanese love putting money into machines, whether to buy a beverage, a hot meal or for some form of entertainment. For example, Japan has about 5.5 million vending machines, one for every 23 people living in the country.



Casinos in Japan will have to consider that Japanese slot players already are customers at pachinko parlors where pachislots are very popular.

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Then there are the electronic games of amusement. Starting at a very young age, Japanese pre-teens are exposed to all sorts of electronic amusement games, beginning with the ubiquitous “claw” machines in arcades. Teenagers have access to some of the world's most entertaining arcade games and play them passionately. All of these games for pre-teens, teens, and adults are often housed in large entertainment complexes that feature movie theaters, a variety of arcades tailored to different age groups, and multiple dining outlets.

As those teenagers become adults, they gravitate to pachislot facilities, many of which house over a thousand devices. Pachislots have a very short shelf life, as players constantly seek out new game titles. It is not unusual for machines to be changed out every six months.

Given this population's proclivity towards machine-based entertainment coupled with the popularity of pachislots, one can expect that Japan's integrated casino resorts will have slot floors that will perform at very high volumes.

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City of Dreams in Cyprus has to compete with casinos in the northern part of the island which now pay lower taxes and offer a greater variety of games enjoyed by Eastern Europeans.

an integrated resort. With table games expected to account for up to half the gaming floor, slot floor strategists will have to focus on slot floor efficiency.

Not only must they fit as many machine cabinets on the floor as is physically possible, they must offer game titles that will resonate well with players, and they will probably have to change out those game titles frequently to best meet player preferences. For this, the Eastern European approach may offer a better solution.

Eastern vs. Western Europe as An Example

Eastern Europe, defined as Eastern and Northern Europe, offers a different type of slot product to meet the demands of its customers than the casinos in Western Europe and the United States. Eastern European operators select slot machines that might look like those found in Western Europe but are fundamentally different on closer inspection.

Eastern European slot machines have many more game titles on a single slot machine cabinet than their Western European counterparts, who operate primarily with a single game on a single slot machine cabinet. As observed by the authors, multi-game slot machines have as many as 60 game titles on a single cabinet, offering players significant control over what they play on the slot machine they have selected.

This slot strategy lets players quickly find their preferred game title by gravitating to a particular manufacturer's machine cabinet. For example, a gambler who would like to play "Book of Ra" need only find a cabinet manufactured by Novomatic, and he/she will most probably find their favored game amid a library of 60 game titles.

These multi-game slot machines also have features not readily found in Western Europe or the United States, including game speed selection, double-up features, and auto-play. The content and player experience also differ from Western-style games, which offer richer animations, sophisticated bonus rounds, and immersive sounds.

An example of this challenge in slot floor design can be found at City of Dreams Mediterranean in the Republic of Cyprus. Slot floor designers had to make hard choices when designing their slot mix. How many Western versus Eastern European slot machines would they need to meet the expectations of all their customer segments?

Across the Mediterranean, one will find markets in Bulgaria and Mace-

donia operating Eastern European-style slots. Even a short drive away in the Turkish Republic of Northern Cyprus, one finds casinos with a completely different concentration of products than those seen in Italy, Spain, France and Greece.

International Flavor

If a slot director leans towards a Western European slot floor design, they would procure slot machines from manufacturers such as Aristocrat, IGT and Light & Wonder, which also have a significant presence in North America. Alternatively, if an operator leans towards Eastern European slot floor design, they would procure machines from EGT, Merkur Gaming and Novomatic.

Western European manufacturers have taken notice, and have begun to deploy products that feature multi-game offerings to more effectively compete in Eastern Europe. For example, IGT has launched its Quick Draw multi-game platform.

City of Dreams Mediterranean opened with an estimated 15 percent-20 percent of their slot floor filled with Eastern European-style multi-game cabinets. Their floor looks similar to several casinos the authors visited in Greece, where casinos operate with a similar percentage of Eastern European-style slot machines. The casinos in Northern Cyprus, which represent a significant market on the same island as City of Dreams Mediterranean, operate with an estimated 75 percent to 80 percent of their floors filled with Eastern European multi-game cabinets. Only time will tell if City of Dreams Mediterranean opened with the right mix. It is, nevertheless, illustrative of how challenging these decisions are in emerging markets.

Getting the slot mix right can lead to meaningful returns on investment. Getting the mix wrong can lead to difficult decisions about what is not working. The negative loop of underperformance can cause a period of experimentation and additional capital outlays as the operator rotates underperforming slot machines from their mix.

Meanwhile, their customers are confused regarding their electronic gaming experiences, and they may not return if they cannot find the games/cabinets that they have grown accustomed to playing in other markets. Getting the slot floor right has never been more challenging.

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