



Eschewing the World of Entertainment exhibition in Prague, Synot hosts a series of Open Day events in Czech and Slovakia

The video AWP debate continues to rumble on across Europe. Key markets open to video have seen varying levels of adoption. Germany, open to video AWP's since 2006, has seen a rapid switch-over to video from mechanical reels as major operator/manufacturers such as the Gauselmann Group, have promoted video in favour of stepper devices. Spain, which is slowly but surely adopting video laws across its many jurisdictions, has seen hybrids (video and mechanical reels) take an early slice of the market in an effort to 'educate' players in the move from reels to video.

Pure video has had a more cautious reception, while at the recent Malaga Gaming exhibition, mechanical reels proved to be the format of choice for operators above all other platforms. In Spain, a few large operators govern the market, each with thousands upon thousands of mechanical reel AWP's on site. To swap over the 150,000 mechanical reel machines to video isn't just a question of following what the players want, it's a matter of whether the financials can support such a switchover.

One of the markets in Europe that is acting as a melting pot for games and gaming influences is the Czech Republic. The country's gaming law is due for an overhaul in the next two years, though whether the government initiates this before it joins the single currency, no one yet has a handle upon. In the meantime, this legal market has a greater variety of games, platforms and eager players than just about any other in Europe.

Synot is Open

Mechanical reel AWP's are widespread, video AWP's are strong in certain areas and casino machines, unlike in several markets, are not dominated by a single brand. There's sports-betting, both in LBO's and via terminals and mobile phones, and the Czech market is one of the few in Europe to present video lottery gaming in a competitive environment, where the machines must compete with every other device on the market. One of the largest companies in the gaming industry in the Czech market is Synot, a company with over 43 individual companies spanning industries as diverse as IT, real-estate and publishing. However, Synot made its name in gaming, having established a long-term

distribution partnership with UK-based JPM International, Synot and JPM's games have dominated the Czech gaming market for over a decade.

Such is Synot's influence on the market that it's recent decision to withdraw from the World of Entertainment exhibition in Prague created a snowball effect, with every major exhibitor abandoning the event in April. Synot instead chose to host several Open Days across the Czech Republic and Slovakia for its customers and its distribution partners. G3 visited the Synot Open Day in the company's home town of Uherske Hradiste to meet with the company and its partners in this 'gaming melting pot.'



for business

BLOWN IN A NEW DIRECTION

Every year, JPM International produces a handful of new games for the Czech Republic that challenge, excite and attract the traditional Czech street player. There's no set formula for success, just cooperation between JPM and Synot, dedication and over 35 years experience in this sector. However, at the Synot Open Day in Uherske Hradiste, JPM showed the market a radically new product, a multi-game video AWP machine titled Cyclone.

Cyclone is a compendium of video-based games, 11 in total, all three reelers, five reelers and poker games, with win-dash and other features all familiar to traditional mechanical reel slot players.



The new Royal AWP. (Top right) The JPM International management team.



is not a casino machine scaled down for street locations. Instead we've taken our reel-machine knowledge of the street market and applied this to our video product. Players will find this to be a new and yet familiar machine."

The proof of this strategy will be in the testing, but JPM is emphasising the point that this is a different approach to the street video market than that taken by other machine developers. "We've chosen a route from mechanical reel to video AWP, keeping as many of the same elements in the game as possible for the players to recognise," said Mr. Walker. "Reels have been around for many years and we've not seen a really dramatic shift in Czech or anywhere else in Europe for that matter towards video. We believe that's because the majority of those games are so different. Our goal is to persuade traditional reel players to try a new product, giving them the incentive to play by using reel-based techniques and proven profiles combined with sophisticated graphics to help the games to really stand out."

JPM is convinced that the move to video AWP is a natural progression for the player and the company itself. Having successfully produced many SWP games in the past, the move to video AWP wasn't the tortuous leap it's been for many traditional reel-based manufacturers. However, Mr. Walker does admit that the learning curve has been steep. In launching the Cyclone and its casino counterpart, the Tornado, the company has had to get to grips with a new Linux platform and a new shell, while at the same time designing and developing new video content alongside the new the cabinet.

"I have to thank Synot for the huge amount of cooperation and input into the design meetings, through the rough concepts, right the way through to complete development and feedback from tests," commented Mr. Walker. "Synot's help with the creation of

"The Czech arcades market is our target," explained JPM CEO, Charles Walker.

"Multi-games are becoming increasingly popular in the Czech market and so it was important to launch a video AWP machine that presented a variety of games on the Cyclone platform." Europe-wide, JPM is to present both multi-game and single game formats, depending on the market, but the element that will remain the same is the company's approach to the games themselves. "We've been very successful with our mechanical reel games across Europe and in particular in the Czech Republic," stated Mr. Walker. "Our strategy, therefore, has been to take this reel approach to the video AWP market. This



SYNOT TIP

The majority of the sports-betting offer in the Czech Republic consists of licensed betting offices (LBOs). However, Synot Tip has taken a very different approach to this sector, with a special solution that centres around a terminal that can be placed anywhere, in pubs, petrol stations, shops etc. "It is the future of betting," stated Synot Tip's Zdenek Brazdil. "Customers can bet on anything they like, wherever they like. I think this is the best solution on offer right now." The terminal certainly looks futuristic using a design from Italy's Olivetti to present a stylish orange go-anywhere cabinet that's connected to a networked system. Mr. Brazdil is at pains to explain that Synot Tip terminals are connected to a central server in Prague and not to the Internet. Internet gaming in the Czech Republic remains illegal, though this is primarily ignored by the public who circumnavigate the law. In neighbouring Slovakia Internet gaming is legal, and so with a Slovakian bank account Czech players can play on the Internet with impunity for both players and providers and of course, a loss of taxes for the Czech government.

Currently, Synot Tip has 800 terminals in the market, with a further 200 expected to be installed in July. This follows the announcement in July 2006 in which the Czech Ministry of Finance allowed Synot Tip to use 'benefit cards.' Before this date, if you wanted to place a bet on the sports-betting terminal, players had to call an attendant to register the bet. "Our employees had to confirm the bet as part of the statutory requirements," explained Mr. Brazdil. "However, with the benefit cards our clients sign a contract with us in which their age is verified as part of



the terms and conditions. The customer can then use their card to play the terminals without supervision. It has been a huge lift for us." Due to this change the Synot Tip terminal is now self-service, with card carrying players having no need to call the attendant, which until then had been a real barrier to play. So far there are 11,000 cards in existence, with new cards being added every day. Synot began TV advertising to promote the card system in December 2006, when the uptake of the card was at 5,000 holders. Since running the adverts the company has more than doubled the number of cards in circulation.

The card itself is a chip card requiring a PIN code for access. The card allows clients to place their bets via two channels, their mobile phone or the Synot Tip terminal and grants access to their account through the card. There's no money held on the card itself, instead it grants access to a separate account. Clients play from this account to which they must add credit from their bank account. Wins and losses are automatically credited to and from the account. Key to the whole system is the ease with which

players can sign up to the card system. Using the Internet clients can sign on and set-up their account, but it's the postal service in the Czech Republic that carries out the final check, asking players for verification of their age before delivering their benefit card to them. "We expect to have 25,000 cards in the market by the end of the year," stated Mr. Brazdil. "We are the only sports-betting company in the country to have set-up a sports-betting network using terminals." Tip Sport, Fortuna and Chance are the biggest companies in the market, with 15 years experience in this sector. Each operates from dedicated betting shops across the Czech Republic. "We are the biggest of the new companies in the market," stated Mr. Brazdil. "Our competitors offer the same product, since 95 per cent of the market is betting shops. We are appealing to a younger audience, competing with the betting shops in alternate locations. The terminals are our USP as we consider ourselves product technology leader in the market."

Synot Tip offers a solution to a younger more modern audience that's Internet and mobile-phone savvy. It's self-service system is working especially well in Czech sports bars, where customers place a bet before the game, and then once started can continue to bet on the next period of the game. "The player is actually placing a bet on the central system located in Prague from their mobile or from the terminal," said Mr. Brazdil. "The rest of the competition is either offline or only providing a partial online service."

Synot Tip is due to switch to Finsoft software during the summer with the official switchover for its customers on January 1, 2008.



SYNOT LOTTO

The volume and variety of gaming within the Czech Republic has dampened down the enthusiasm for video lottery terminals in the country. Three years ago the national lottery company, Sazka, predicted that it would install 10,000 VLTs across the country by 2007. The date has been reached, but the company has an installed base of 700 machines, not 10,000. In the markets in which VLTs are successful, the lack of competition from other gaming devices is a major factor in their success. Monopoly-status appears to be the best environment for VLT success, but in Czech, where there's every variety of game on offer, the market for VLT games has been slow to take off.

There are now 10 licence holders across the country, including Sazka, Synot Lotto, Comax/Project and Play & Win. Synot Lotto has around 450 Synot Lotto terminals installed and onsite in the market, there's 700 installed by Sazka and with the other licence holders there's around 3,000 in the market in total. Synot believes that the country's new gaming law will favour the expansion of VLTs in the market due to the transparent nature of the devices and accuracy of accounting systems. As a VLT operator, Synot operates its own machines in the market. "We don't sell the machines, since this is illegal according to the law in the

Czech Republic," explained Synot Sales Director Pavel Michalcio.

"Operators of VLTs must continue to own the terminals and every part of the system, from server to terminal. We believe in the future of our VLT project. The gaming law is changing in the Czech Republic and where the VLT system controls all aspects of the game, with a full accounting system, we can see the new law requiring these elements as part of its next set of demands," he stated. Mr. Michalcio continued: "We expect the law to become stricter with the probable introduction of a monitoring system to check AWP machines, as in Italy, and with licence holders expected to pay much higher deposits for their licences. We expect that the government will allow within this business only those companies that have the means to resolve all financial problems that could possibly arise in the future. It's hard to say what exactly the new law will include at this stage, but a reduction in the number of operators and licence holders in the market is definitely expected."

As law becomes stricter Synot also expect the introduction of increased taxes across the gaming sector. This could adversely affect the market, however, perhaps the number of 600 operational licences in the market right now should be decreased?

> Cyclone has been invaluable."

HERITAGE PROJECTS

"The plan has been to take our heritage in reel-based games and almost port it across into a video offer," explained JPM's Sales and Marketing Director, Simon McCarthy of the development of Cyclone and Tornado. "We've taken a multi-game approach with Cyclone in Czech, but in other markets it's a single game, or hybrid or it's Tornado, with its casino games." JPM is already testing its casino games in both the UK and Ireland and plans a further roll-out in the Ukraine in the near future. "We've product for the UK casino sector, B2-B3 product, category B4 and C machines," stated Mr. McCarthy. "Presently, we have strong performing club machines under the Crystal brand and the only manufacturer to offer a new club machine in the Linear cabinet for the UK market. We have a

successful hybrid product in Spain and the launch of Cyclone in the Czech market is going very well. There's a lot happening in Europe right now."

While the remaining AWP manufacturers in the UK continue to struggle under market conditions, JPM decided to concentrate instead on B2-B3 product and specifically its B3 and category C offer. As a result, JPM has not suffered in the same way as its competitors. "We concentrated on the markets in which we were successful within Eastern Europe, leaving behind the volatile six-week AWP product for the UK," said Mr. McCarthy. "As a result, JPM is now a stronger company for that decision, having played to our strengths."

The leaner, meaner JPM had one of its best ATEI shows in January, as the company used the event to reposition itself back in the UK. "We saw many



The new Criss Cross Cash AWP from JPM.

visitors who didn't realise the depth of our product portfolio for the UK market," said Mr. McCarthy. "The new machine, Around the World, is performing extremely well with key operators right now, the commercials are still tight, but that's part of the nature of the UK." In the final run up to the introduction of the Gaming Act in the UK in September, Mr. McCarthy believes that there will be many new opportunities for JPM in the market. "We've 35 years of experience and know what we should and shouldn't get involved with in every market," he said. "From a technical point of view, the cabinet, platform and multi-games are all new, but they're already proving very reliable and robust on test with Synot. "We've gone through a learning curve with video, but it's certainly helped that we're market leaders in the Czech Republic. It's true that we could continue to just concentrate on

MERKUR GAMING

The Synot Open Day, of course, isn't just a JPM/Synot event. Merkur Gaming established a distribution relationship with Synot over two years ago, while at the same time developing its own gaming locations within the Czech Republic under the Merkur Casino brand. At the Open Day in May, Merkur Gaming and Synot had just started testing Merkur's latest video AWP games for the market. Within its own locations across the country, Merkur Gaming's products are performing in first, second, third and fourth places in its ranking charts. However, that's not the case in locations outside of Merkur's sites, where the games have yet to strike the right formula to attract single site players.

"Czech is a unique market, very different to Slovakia even," explained Merkur Gaming's Axel Pawlas. "To understand each market takes time, one to one-and-a-half years to test and trial within the market to find the right platform. Due to the taxation and licensing structure in this market it's just starting with video. There aren't many video machines right now, as it's basically a mechanical reels market."

To make the investment for operators safer, Merkur Gaming is currently developing multi-games for the Czech market, mixing reel spinning games and pokers on a video platform. However, in its own arcades, Merkur offers a mix of multi-games and single games, with income steady across each style of machine "It is necessary to fine tune all the time," continued Mr. Pawlas. "Each game must adhere to the 'current' requirements of the country, which means that you're working on the next set of games even as this generation is on test."

Merkur is currently creating games that are expected to produce results from every market, with little bespoke game design for individual markets. However, the company's major advantage is that it owns its own locations



within many European markets, as the expansion of the Merkur Casino brand continues at a terrific pace.

"We have our own arcades within which to develop games and test them," stated Mr. Pawlas. "It's a very big advantage to have your own locations within a country. However, it's also very important to incorporate local expertise, to know the 'hidden' aspects of a successful game in Czech. To fine tuning a game you need partners within the target market and we could not ask for a better partner than Synot in the Czech Republic." In addition to new video AWP's, Merkur Gaming also showed its Merkur Roulette multi-player at the Open Day. The company has supplied each of its own large sites with the Czech Republic with between 2-3 multi-roulettes, though again outside these locations installations have been small.

"The Czech market has reached a limit for the number of multi-roulettes that can be installed in the country," pointed out Mr. Pawlas. "We've started selling the Merkur Roulette into the Slovakian market, but in Czech it's saturated. However, where we see opportunities in Czech is with jackpots. Local competition is strong and there are several large and well-run jackpots, with most operations in the market running a jackpot of some sort. We believe, however, that there are opportunities for further innovation in this area. On the whole, we've been impressed, both as operators and as a supplier of product, at the technical and financial awareness of the operators in the Czech market."

In addition to the Merkur Roulette on show at the Open Day, Synot has a special distribution agreement with Gold Club, with around 180 + multi-roulette devices installed across its locations. Synot has also signed a deal with another Slovenian multi-player company, Osmica, to supply the company's stylish and compact multi-roulette into Ukraine, Czech and Slovakia.

> mechanical reels, but we knew that we had to address the video sector and bring a new offering to the marketplace. I believe that JPM is best placed to take advantage of the opportunities presented by video in the markets in which we are already successful," said Mr. McCarthy. JPM's multi-market product approach to its Tornado casino product will see the key focus in Ukraine, Ireland and UK markets. One of the games that has created a great deal of interest and excitement from customers is Blackjack Switch, a modern take on the traditional live game in a crystal clear video format.

"It's something different and is fundamental in that it demonstrates that JPM is capable of delivering a successful casino product going forward," described Mr. McCarthy of JPM's Blackjack Switch

game on the Tornado platform. "We are very clear about the machines we need to develop before moving into the next market and also clear from a design concept point of view," he said. "We received a great reaction from ATEI for both the Cyclone and Tornado. Everyone knows JPM, but this is the first time our portfolio has included: SWP, reels, video and casino products."

A ROYAL WELCOME

At the Synot Open Day in Uherske Hradiste, it was the Cyclone that attracted all the attention, with demonstrations and performances from cabaret acts (a popular staple in this part of the world), directing operators to the new games. However, JPM and Synot also launched three new games at the Open Day, including: Royal – new game in Linear



The Cyclone cabinet.

cabinet, Criss-Cross Cash for Electra cabinet and Lucky Star for Heritage cabinet. And while interest was high in the new Cyclone, it was clear that operators were visiting the Open Day to buy these mechanical reel games. "We haven't made a switch to video, we're developing reels and video at the same time," said Mr. McCarthy. "And for that matter we're also producing a hybrid game, Arabian Nights for the Spanish market, so we're covering all bases."

Whether JPM can convert success in Czech with the Cyclone to success in the UK, regardless of positive test results, is another matter. JPM's success with its Linear cabinet in the Czech market has been in stark contrast to the UK, where operators loved its looks, but were not prepared to pay for them. "In

> terms of market development, we'd love to be back in the UK selling Cyclone," stated Charles Walker. "The UK market is certainly more receptive to video post Section 16/21, and one of the huge advantages of JPM is that the company is owned by its three directors, enabling us react quickly to market opportunities.

Asked if the market can support a high-end product such as the new Cyclone product from JPM, Synot Sales Director Pavel Michalcio is optimistic about the new machine's future. "When we launched the Linear we were afraid that the high price would dissuade our customers. However, Synot does not just sell games, we operate too and I believe this is part of the reason for the success of Linear in the Czech market. We believe in the games. We also believe that operators will buy if that game makes money. They bought into Linear because it made them lots of money."

"Unfortunately, JPM does not operate machines in the UK themselves, and so could not show other operators the benefits of these games. Customers just saw the price, not the benefits. The Czech market is different in that respect. Cyclone is the new machine and we're currently testing and waiting for results, again based upon experience from our own operations," said Mr. Michalcio. He continued: "From a hardware standpoint, the machines work perfectly after six weeks in the market. We test for three months in our own locations before testing for three months in the locations of our customers. After this testing period we then make a decision on the machine – yes or no, or still to improve."

Video AWP's, as mentioned at the very beginning of this article, have had a slow start in the Czech market. Where distributor/operators such as Synot own a large slice of the market, which is predominantly mechanical reels – then why change? "If video product made twice as much money as reels, then we would only sell and operate video," confirmed Mr. Michalcio. "However, since the performance of reels remains comparable to that of video, we have no need to switch over to video immediately. What the market needs we supply. 85 per cent of the market is currently reels and the rest of the Czech market is video. Our share of the market has stayed the same while the total number of machine in operations is still increasing. There were 50,000 machines in the market three years ago and now that number has increased to 55,000 today. The share of that market in terms of Synot sales in the three years has remained at 50 per cent."



The highs and the WOE's

Empty exhibition booth and a lack of visitors and exhibitors alike is usually the sign of a failing market and is generally a worrying indicator for a country's gaming industry. The World Of Entertainment (WOE) show held in Prague in April suffered from each of these complaints, but not as a result of a sick market. The woes suffered by WOE were the direct result of one of the Czech gaming industries largest companies pulling out of the event, as in turn each of the major suppliers in the market followed suit and withdrew from the show.



Synot chose to drop the WOE event from its calendar at the start of the year, investing instead in its extensive series of Open Days. "We have staged Open Days for many years and so this is not a reaction to the withdrawal of the company from World of Entertainment in Prague this year," stated Synot Sales Director Pavel Michalcio. "We have been holding Open Days at our offices in Uherske Hradiste, Prague and in Slovakia for six years, and that's twice a year too. We hold the Open Day before the main sales windows in the market, which occur twice a year. The tradition behind these Open Days

was established long before our decision to withdraw from WOE. For us it is much better to take care of our customers at our own location, in which they are not distracted by competitor stands and products in the exhibition," he added with a smile. "Instead, we are able to provide our customers with a complete offering in one location." This offer includes mechanical reel and video AWP's, VLT's, sports-betting and multi-player devices, though it's not just about business. Synot serves food and drink, providing entertainment and staging a true social event at the same time.

"We also give the customers the opportunity to visit our factory, our office and view our complete business for themselves," explained Mr. Michalcio. The Open Day gives us the opportunity to show our customers how we are growing our business with them. They have an opportunity to tour the site and see that everything is transparent, as it's hugely important that society considers gaming as a legitimate business. Our customers see the accounting, servicing, sales department, manufacturing, stock, etc. as a normal company operating under normal trading conditions. We believe that this is the right way to go, which is borne out by the fact that other Czech companies are staging similar events this year too." Of course, customers also visit the Open Days to purchase



machines. There's little window-showing at these events and between the two Open Days taking place in the Czech Republic, almost two-thirds of all the possible licence holders in the market visit one or both events. "We believe this has a great potential," said Mr. Michalcio. "70 per cent of our customers in one place has to be a good thing."

As a result, it seems that Synot is in no hurry to be part of World of Entertainment in the future. However, the company has committed to support the Forbes show in October, which is again hosted in Prague. "Forbes is enough for the market at present," said Mr. Michalcio. "The timing of WOE is very poor, that is all. It has no reflection on the Czech market. The market is not changing as a whole. All the important people knew about our decision not to exhibit at WOE a long time in advance. The market is not changing itself, and this is not an indicator that the Czech market is failing and cannot support WOE. It is just a fact that Synot does not want to support WOE."

In terms of growth, at present Synot is not considering increasing its territories and is happy with the markets in which it distributes and operates to date. However, that said the company will always consider good opportunities, but with the new gaming law coming in the next two years, it's hard to plan too far ahead. "Whatever happens, we want to stay at the forefront of technological innovation," stated Mr.

Michalcio. "Digital TV is coming to the Czech Republic and we want to be the first to utilise this channel for gaming. The market already has many operational companies for sale across the country and in the future we predict that there'll be further acquisitions and consolidation. It's happening now and will increase in the future."

In the markets outside its home territory, Synot has developed strong distribution and operational networks in many European countries. "Growth in Poland is very slow, much slower than anyone could have expected," commented Mr. Michalcio. "There are currently 22,000 legal machines in Poland in a market of 40 million people (with approximately 100,000 illegal machines also in the market). Compare those figures with the Czech Republic's 10 million people and 55,000 machines and you realise that there's still a lot of potential in the Polish market. However, to operate you must have legal finance behind you as there continues to be a lot of illegal money in the country. There's also a great deal of administration. When an operator buys machines it takes three months before those machines can be put on site. Operators must approve every single machine (it's irrelevant if there are banks of the same machines within an order), which means that operators are unable to recoup their outlay for several months."

Slovakia is obviously very similar to Czech, but

it's not overwhelmed by machines as is the Czech market, which is why several Czech companies are predicting growth in this market.

"There's still growth potential in Slovakia," stated Mr. Michalcio. "The players and the operators are similar to Czech in that the country has 4-500 roulettes compared to 1,080 in Czech." Ukraine and Latvia are further markets in which Synot has interests, though without a gaming law in Ukraine, Mr. Michalcio is reticent about predicting the future for the company in the country. "It's very hard for us to forecast and even invest in Ukraine when it is unstable and without a gaming law. The whole market could change in a single day. A new law is expected, though it has been in this state for many years. We must be active and a part of the process to keep the changes positive. This was the scenario in the Latvian market. We were not affected by the changes brought in by the new Gaming Law on January 1, 2007," said Mr. Michalcio.

"Anticipating these changes, all our sites have been developed to adhere to the new law. We had been considering the changes to be made for a long time. Every large company within Latvia was well prepared, it's been the small operators that were affected the most, with many having now left the market. The market is much better now that the requirements are clear, but the changes in themselves have not made a big difference to the potential of the market in Latvia."