

# REFLEX - RESPONDING TO MARKET STIMULUS

UK games developer, Reflex Gaming, is flexing its muscles in the big leagues, as one of the major games supplier in the UK gaming market

If you're reading this magazine anywhere outside the UK, it's unlikely that you'll have heard of Reflex Gaming. Even in its domestic market the Newark-based firm has kept a low profile since set-up in 2004, but all that came to an end last year. Reflex Gaming is currently the largest producer of gaming machines for the UK market. Through the second half of 2012 company supplied more Category C games to operations than any other company, domestic or international.

Reflex has seized an opportunity in the UK market that arose as existing suppliers exited traditional market models, specifically Barcrest shifting to digital-only production and the introduction of a dongle-only policy by Bell Fruit Games. As a result there were few entities remaining to pick up the baton in the UK high-tech AWP sector and it was Reflex that took a huge share of the marketplace, putting companies such as Bell Fruit Games firmly into second place.

There are those in the UK gaming industry that will tell you that Reflex Gaming's success is borne of these external factors, but the problem with this view is that to be in the right place, at the right time with the right product, isn't about luck. While the UK street gaming sector continued along a path of ever diminishing returns with infrastructures that had failed to adapt to the changes taking place around them, Reflex Gaming right-sized its business from the start.

Reflex's Quentin Stott and Simon Dawson formerly worked for Bell Fruit Games and established its subsidiary QPS. The company they created in the British Midlands is a lean, fit-for-purpose and capable gaming machine developer that has quietly gone about its business producing great games. As the shifting market in the UK stripped away the profitability of the major AWP manufacturers, Reflex has conversely grown stronger. Having traditionally rebuilt cabinets from the industry giants, this year Reflex is to launch its own cabinet and platform, unveil its own digital gaming offer and has already



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launched its first App for iPad and iPhone.

Since the launch of Alice's Wonderland mid-2012, Reflex Gaming has been consolidating its position as the leading supplier of Category C machines in the UK market. The company is now producing up to 200 machines a week, a capacity which equates to over two-thirds of the total weekly machine volume sales in the UK. "Market volumes for Cat C machines are just under 300 a week, so we now have the lion's share of that, thanks to the support of our customers," states Mr. Stott. "We are intent on continuing to supply market-leading games and we have the resources to do so. We have proved categorically that we are gaining real momentum in the pub retail sector. We have ramped up production significantly in order to keep up with current demand, as well as making sure we have the capacity to drive out new and exciting products. In fact, the current levels of effort and success have meant that we already have provisions in place to be able to increase our production levels to new heights in 2013," says Mr. Stott.

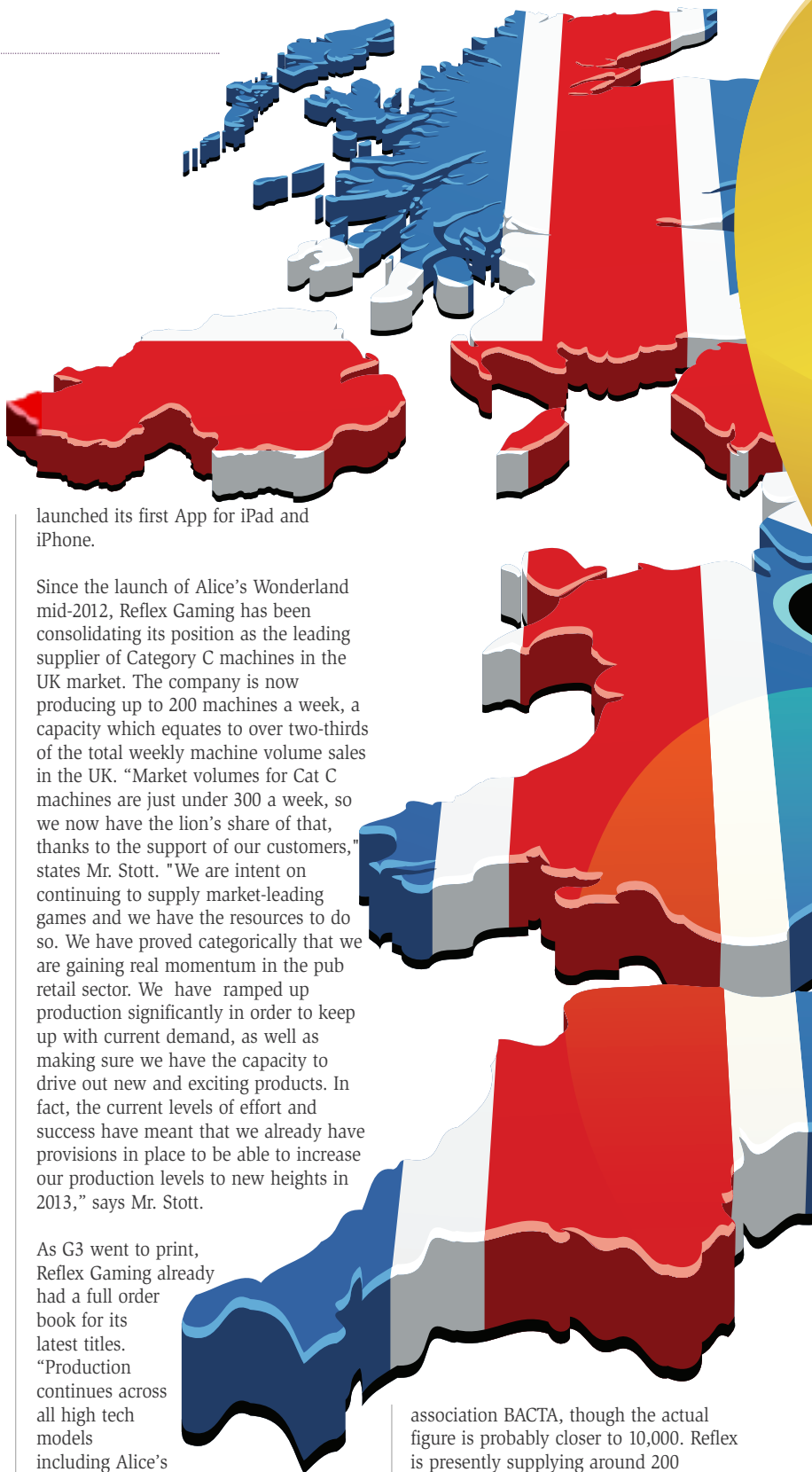
As G3 went to print, Reflex Gaming already had a full order book for its latest titles. "Production continues across all high tech models including Alice's Wonderland, Lady Luck Double Take and Chops & Change," continues Mr. Stott. "Double Agent and The PayMaker are off to a flying start on test sites and we are poised for these games to continue our sales drive into February and March," he adds. Reflex is keeping the pressure up, as a further two new test models are already lined up for the start of 2013.

### THE UK MARKET

Annualised machine sales in the UK are between 12-13,000 according to UK trade

association BACTA, though the actual figure is probably closer to 10,000. Reflex is presently supplying around 200 machines per week into the market including pub, club, arcade and bingo, with the vast majority going into single sites. These figures put Reflex squarely in the driving seat in the UK with BFG/Astra in second spot, then Electrocoin and JPM (the Gauselmann Group announced last year that Blueprint will commence machine production in 2013).

The exit of many of the big players from the analogue high tech sector in the UK created a product vacuum, but it was the introduction of the dongle that has really





stirred things up in the marketplace. Charging £12 per week for a dongle has raised the price to market of each machine and retailer/operator response has been to support a competing product. "The dongle scenario is the biggest threat to the UK gaming sector for a long, long time," states Mr. Stott. "Our conversations direct with retailers and operators show that they are looking to have the dongle situation contained. Closures, the selling of properties and community pubs, has all impacted the street sector in the UK. The view of Reflex from the operators' and retailers' perspective is that we are independent. And that's a great position to be in, but there's pressure too. We know that we need to keep coming out with great games as our customers need us to step up to the plate. Our standing in the industry in the last 12 months has rocketed. We are on the gaming map in

the UK with established reel-based gaming and new digital product that will take us to the next level."

Industry veteran John Bonner made an investment in Reflex back in 2008. John sold his original company BWB to Barcrest in 1990 before becoming a shareholder in the Bell Fruit Group with Gauselmann until its sale to Danoptra in 2004. "I worked with Quentin and Simon for a number of years and always believed that they would be successful with Reflex. They have developed a lean, reactive team that has all the technical ability and market experience it needs to react to market changes as and when they arise, particularly in the UK. The ascendancy of Reflex in the UK pub market has been a classic example of its ability to rapidly take advantage of an opportunity and my firm belief is that

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there is much more to come as the company invests for the future and embraces new media for game delivery."

Testing figures for Reflex's titles are matching the major suppliers, though as Mr. Stott points out, the figures are skewed by the fact that dongle machines must index higher because of the additional cost of the dongle. "If you look at the dongle as a means to extract more money from a manufacturing perspective, then the rationale stacks up," he says. "At £12 per week for 10,000 machines - that's a big number." It's not just that the market demand for machines has changed, there are now fewer pubs in the UK (4,500 pubs have closed since 2008 in England, Scotland and Wales), which means there are less pub companies with their own machine divisions. In some instances there's also been a fall in the focus on injection of newly approved machines and several pub companies are no longer ensuring they get their full allocation.

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As a result, retailers are further squeezing operators on price and operators are looking to sweat their assets for longer. At the same time, with so much consolidation in the market, the distribution side of the UK market, which tied together all the small-medium sized operators across the country, now have less customers to chase. Operators demanding 5-10 machines per month are in such low numbers that this type of distribution model is becoming less viable. In addition, the consolidation of customers and their suppliers means that companies such as Reflex know all the relevant buyers directly. Fast to react and with a great portfolio of games, Reflex is quick on its feet to adapt to changes in the marketplace, which haven't all been negative. Retailers and operators are currently more forgiving with time scales than in the past, and that's across the whole supply chain in general. Distributors continue to distribute Reflex product and have a role to play, especially in offering finance or part exchange deals, but the where direct sales were relatively few and far between in the UK market in

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# Focus

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the past, today the situation is reversed.

One of the most important changes that has swept the UK is the cutting of ties between game development and manufacturing. The mega-factories owned and operated by gaming houses have all but disappeared. Reflex's sustainable and scaleable business model insulates the company from the peaks and troughs of the gaming cycle. Simon Dawson explains: "We concentrate upon our R&D and have tried to take as much of the market as we can while making sure to not over-extend ourselves. We sub-contract out some of our machine production and have two build houses that we work with and are on track to double that number into 2013. If volumes drop, we just reduce the numbers with each of the build houses. All this development has been self-funded, we haven't borrowed to expand and always kept cash in the business. We've managed to survive the really tough times and should the market suddenly slow, we're well placed to ride out whatever comes our way."

### SUPPORTING EACH OTHER

Alice's Wonderland was the Category C (pub machine) break-through title for Reflex Gaming, not just because it drove cashbox earnings, but because it stayed on site longer - some retailers doubled their top band injection period for the model compared to traditional high performing AWP's. "The introduction of the BFG dongle helped us to gain traction with retailers and operators," says Mr. Stott, "but it's the performance of our games that have kept us there. Lady Luck Double Take created a groundswell of support, interest and a following for our games. We followed that success with Chops & Change with an injection just before Christmas that has out-performed pretty much everything else. All of these games have taken just a few months to conceive and place in the market."

Reflex is currently launching one new pub game per month, a figure unthinkable just 12 months ago for the company. "If you look at the strategy towards the used-market, the big suppliers are currently either not releasing used machines or even crushing their cabinets and destroying boards in response to the demand for rebuilds," outlines Mr. Stott. Having created rebuilds for the marketplace in the UK for over eight years, Reflex knows that the demand for BFG/Barcrest bases will eventually outstrip supply. "As we are gathering momentum, while the numbers of Bell Fruit Eclipse cabinets and Barcrest Horizon cabinets are finite and so we are developing our own technology, our own cabinet to be completely self-sufficient,"

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explains Mr. Stott. "In addition to recycling BFG and Barcrest cabinets, our own cabinet means that we will become completely self-sufficient - though we will continue to recycle BFG and Barcrest cabinets while the supply continues. The new cabinet means that we become a one-stop-shop in terms of ability. It also insulates us from external sources looking to influence the supply of bases in the market. The new cabinet will change the market perception that Reflex is simply a 'rebuild house'. A lot of our competitors are using Pluto technology, but we are future-proofing ours with network compatibility. The Nemesis platform technology provides us with a serious level of performance and features."

### WELCOME TO THE NEW AGE

It would be simple to pigeon-hole Reflex if the sum of its talents lay solely in analogue AWP production, but that's far from the case. Reflex Gaming's DigiSlots digital platform is currently going through its testing phase, but utilising Quixant technology to drive two 23 ins . high definition monitors, the shift from reel-based to digital isn't restricted to the realms of the big manufacturers. Reflex is producing a bespoke digital products for

the pub, club, arcade and bingo market in the UK. What makes the new cabinet special, aside from its HD monitors, tricolour LED lighting, attract mode, and Cat. C games all conforming to the new technical standards - are additions such as 'happy hour' games, which can be set by the operator to be programmable at certain times of day.

Reflex is seeking to create extra revenue during quiet periods and attract not just core players to DigiSlots, but utilise simple game styles to attract a wider player base demographic. "We are using the technology to drive additional revenues," explains Mr. Stott. "The system includes a full back-office with which operators are able to view all the data from the game, the game performance, percentage of use per terminal etc. In addition, and subject to licensing, we will be able to remotely download new game content and software directly to the platform. This will enable operators to remove game X and download game Y directly to a machine on site."

DigiSlots represents 15 months of development for Reflex Gaming. During that time the company has worked in





## BROAD PORTFOLIO

While success in Category C has dominated the news from Reflex, the company continues to support each of the different machine sectors in the UK, with club machines and B3 arcade/bingo product also topping the charts, though sales of these games are at significantly lower volumes. "We are a major supplier of machines purchased in the bingo sector, currently No.1 in club operations and we are working with major arcade operators in Cat D-C and B3," states Mr. Stott. "We have a bespoke bingo product for Mecca Bingo running on 13,000 tablets and exclusive MegaSlots B3 product for Gala Bingo. We have established strong relationships and cover a wide geographical area - we don't just cater to the UK pub market, but have a complete portfolio of product across all the sectors."

The politics and commercial models that so dominated the UK market in the past have also changed. The cost of failure simply rose too high for manufacturers to effectively supply the market. The former models by which manufacturers needed 100 machines to test, and up to a year to see a return, have been consigned to history. There has been a realisation that if this model had continued it would have killed off the market completely - though it very nearly did. "Retailers are more flexible," admits Mr. Stott, "but everything is still measured by the cashbox. If licensed games were the only driver of the cashbox then we would have to follow that path. However, we have shown that we can engage players purely

The great thing, however, is that people in the marketplace will be the ones owning the capital and they'll work with us to get the best from the product. The customers that have committed to DigiSlots have invested in their own futures. They are not just sitting back and waiting for this product to 'materialise.' They have taken the initiative and sought out the product they want. We don't see digital as a replacement product for analogue, but rather a complementary product that will grow the player base and increase the cashbox at the same time."

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through gameplay and operators and retailers have been willing to take that chance. If you look back at the last 15 years of gaming heritage in the UK, with JPM, Bell Fruit Games, Maygay, Barcrest, etc., each had their own profiles and game house styles that have been pretty much whittled down to a single brand - Deal Or No Deal."

"It's been said that Reflex's product takes money simply because it doesn't have Noel Edmunds' face on it," says Mr. Dawson, referring to the multiple versions and iterations of the successful and seemingly omnipotent DOND brand. "What's true is that we are producing something different that's standing out from the rest. Alice and Jailbreak are not licensed games, which means there's a greater margin for all concerned. It's also a refreshing change as the market was getting close to being so reliant on brands that there was a mode of thinking that only branded product would be successful in the UK. We've shown that's not the case"

Having whet the market's appetite for Reflex's content, extending its pipeline of games has been incredibly important to maintain momentum. When Reflex first came to market the company could complete a new model every two months; six in total per year. Extra software and graphics personnel and more play testers since then have meant that Reflex has upscaled to one new pub model every month utilising almost identical resources. "We could increase to two per month if

partnership with operators who have been asked to commit to the development of DigiSlots. The company already has five operators onboard, which has totally justified the development of the platform. It's the perfect push-pull model in practice. However, the measure for digital has to be different than for analogue, warns Mr. Stott. "You can't measure digital against analogue site averages. You need to look for the site average to grow as a result of the introduction of digital," says Mr. Stott. "We can see the release being a gradual one as it's proved that there's a backlash if you try to force this kind of product on the market. The great thing, however, is that people in the marketplace will be the ones owning the capital and they'll work with us to get the best from the product. The customers that have committed to DigiSlots have invested in their own futures. They are not just sitting back and waiting for this product to 'materialise.' They have taken the initiative and sought out the product they want. We don't see digital as a replacement product for analogue, but rather a complementary product that will grow the player base and increase the cashbox at the same time."

# Focus

## REFLEX GAMING

necessary and as the market demands," says Mr. Dawson. "Our background of using multiple platforms, shared code and a modular plug-n-go approach means that we're really efficient at producing new games for a range of different categories."

### **NEXT GENERATION GAMING**

One of the new categories that Reflex is exploring is social gaming. Reflex is taking its street-level presence onto iOS devices with the launch of App games with exactly the same gaming experience as their real-world counterparts. "One of the advantages for the retailer of a social gaming solution is the familiarity players have with the games and the brand," explains Mr. Stott of Reflex's move into mobile gaming. "The aim is to attract the social generation of players to the reel-based (digital or mechanical) type of games offered by Reflex Gaming. The level of value in this approach alone we believe is worthy of investment." The games themselves incentivise players to reach achievements, which acts not only as a teaching tool for core players to see all the features, but allows the non-player to explore the game's mechanics. It's a soft entry point into credit play and play at the retail point.



**Now you can have your cake and eat it.**

The launch on the App store is the first step for Reflex into a sector that is currently being developed by household names in the digital gaming sector. What sets Reflex apart and puts the company in an incredibly strong position is its connection with the player base in the UK. "Our skill set is UK centric, explained Mr. Stott. "Our games are the highest performers in their categories in this market and we are taking that expertise into new digital spaces. The first App release from Reflex is a fully functional version of the incredibly successful Alice's Wonderland Category C machine, playing exactly the same as the Category C version with the same feature packed game enjoyed by 1,000s of players in hundreds of pubs and arcade locations up and down the country. Players can play on either 25, 50 or 100 credit stake and win up to 7,000 credits in a single game. The App is available at <https://itunes.apple.com/us/app/alices-wonderland-uk-arcade/>

"The initial response to the new App has been amazing," says Mr. Stott. "In its first three days since release, it has had over 1,500 downloads and over 6,000 in the following week. Social gaming has

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become a phenomenon and there are a lot of fruit machine style products available as Apps. However, they often lack the sophistication and realism of a real land-based machine. We feel that the fact that players can play the same games online as they do in the pub sets our offering apart." In-App credit purchases are booming in the social gaming sector and tapping into this market in the UK fruit machine player base, Reflex is looking to explore the relatively undeveloped market. "The focus to date has been on casino type games, where amusement product has been over-looked," comments Mr. Dawson. "Reflex is moving to take its success in the physical fruit machine sector and capitalise on this momentum in digital formats.

**FINAL COMMENTS**

Reflex Gaming is still building its brand and presence in the gaming sector, both in the UK and at the international level, but the industry is starting to realise the breadth of development and core strengths of the different products offered by the company. "Reflex in the past was known for its solid reputation, but no one really noticed us," states Mr. Dawson. "Now we are getting international

recognition. Moving into the No.1 position in the UK AWP market has changed everything for us. We weren't formerly recognised at the international level, but we have a proven track record and though some have underestimated the company, that's no reflection on the pedigree of the people driving this business, or the rapid take up of the product line. We know that we can match the expectations of the market and we're working to exceed them."

"We have proved that we can be trusted for the longevity of our product and that we have the capability to maintain this pace for the long-term," comments Mr. Stott. "Our investment in the new Category C cabinet, increased games production, solid sector support, DigiSlots, online games and iPad Apps is testament to the fact and that we are investing in new revenue streams and giving our customers what they want. We believe that being No.1 means that you have to drive both the market and new opportunities forward. The new cabinet will be ready by the end of the first quarter 2013 and we are looking forward to showing DigiSlots at the ICE show for the first time."

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