



## Tangling in the streets

The gaming ban in Ukraine has intensified the focus of suppliers on countries such as Romania and Italy where fortunes rest in the street/VLT gaming sector

There was an air of frustration about the Synot stand at the BEGE expo in Sofia. In a market split down the middle, with Casino Technology holding 40 per cent and EGT holding an equivalent share, breaking into the Bulgarian slots sector is no mean feat. Synot continues to wait for certification of its machines for the country, which has proved lengthy and convoluted. However, the Czech-based company is determined to stick it out in this market, as it believes Bulgarian operations need the variety of games that Synot has to offer. "While it's difficult to obtain specific information about the market, we believe that we have a highly competitive product that is not only performing well in the Czech market, but in each of the countries in which we



Pavel Michalcio, Synot.

**"We want to be a significant player in each of the markets we enter, and you can't do that by entering too many markets at the same time."**

operate," explained Synot's International Sales Manager, Roland Andrysek.

### MARKET ENTRANCE

Adding to its ever widening reach in Europe, Synot also entered the Romanian market just a few months back and already reports very satisfactory results, despite the recent changes in the country's gaming legislation. "We have proven the quality of the product in many different markets," underlined Mr. Andrysek. "In Romania we have offered a slightly different product than for the Czech market, which is today almost singularly focused on the VLT sector. Any new market is important in terms of growth and both Romania and Bulgaria are important potential markets for us."

Not so much a company that's orientated to the east, Synot describes itself as one focused on 'middle' Europe. This is especially true now that Ukraine, a major market for the company in terms of machine sales and operations, has followed Russia in instigating a gaming ban. "We've learned a lot from the Ukraine experience. It is important to follow legislation in every market, in every country. We now have to be more conscious than ever as we seek to enter new markets to spread the level of risk into other countries. To concentrate on any one market is particularly dangerous right now. Recent history has taught us that," stated Mr. Andrysek.

In today's market, many companies have pulled focus from Russia and Ukraine to concentrate on countries such as Romania. Synot is conscious that it needs to spread its business into new markets, but is aware that it can't enter all markets at the same time. "We remain open to the possibilities that new markets present," stated Synot's David Mixa. "Italy is currently a market that is progressing





towards VLT gaming, a product that we have a great deal of experience with in the Czech market. We believe that we will have something to offer in terms of terminals, games and experience in the Italian market. However, we are also aware that before we enter a market it is crucial that we get the message right. It might take us longer to enter a market, but step-by-step is the surest way to be successful in the present climate."

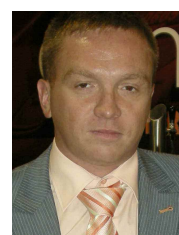
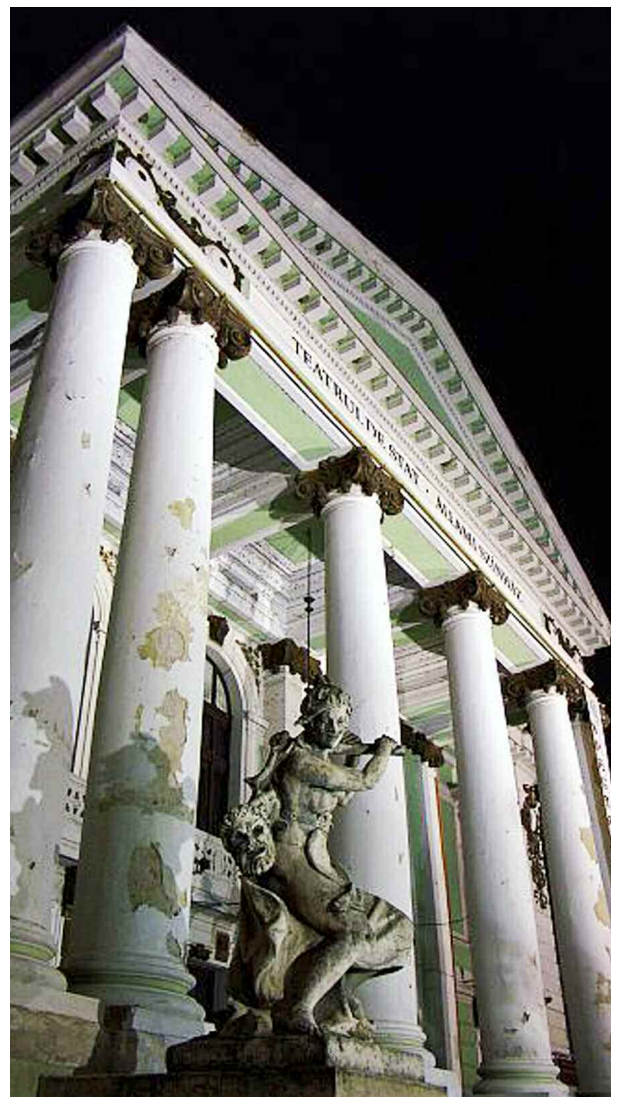
Having entered four new markets in 2009, Synot continues to access speed of growth in relation to the potential of new markets. "Our strategy is not to sell 100 machines into one country and a further 100 into another," stated Synot's Pavel Michalcio. "We want to be a significant player in each of the markets we enter, and you can't do that by entering too many markets at the same time. You have to build the product and the brand over time. Our goal is to be market-leader in each of the markets we choose to enter."

It sounds like a distant goal, to enter a new market and conquer it as a foreign

games supplier, but with 10,000 VLTs already installed in both the Czech and Slovak markets, either operated by Synot or through licence, the company is at the forefront of gaming technology at a time in which the whole of Europe is looking towards VLT gaming. Synot is unusual too in that its product is one of the most expensive in its sector, but as Mr. Michalcio underlines, each and every Synot product generates money.

## REEL CHANGE

Undoubtedly VLTs are the number one gaming devices in the Czech Republic, with the country becoming a very specialised single product market. However, Synot emphasises the fact that there remains a huge number of players still playing reel-spinning machines, with innovative new products from JPM and Synot, including Max Power, a triangular configuration of three interconnected gaming machines, proving that by adding spice to the sector, players will still bite at the reel-spinning offer. However, as Mr. Michalcio also makes clear, it's becoming demanding in terms of maintaining such



David Mixa, Synot.

**"We have partners in this business, not distributors, which enables us to control and keep an eye on the changes taking place at every level of the business."**

a diverse portfolio, even if it does allow greater flexibility in external markets. "We believe that our product base next year will focus upon VLTs and Max Power," stated Mr. Michalcio. "There continues to be markets in which online connectivity continues to provide significant challenges for VLT operations. However, we see a greater number of opportunities in countries such as Italy, not just from a product perspective, but in terms of setting up the correct business model and mindset in terms of payment. Synot has a lot to offer as an experienced and established VLT provider."

## THE CZECH VLT CRUCIBLE

Synot has a clear conviction in a VLT future for the European gaming market. The level of comfort and control that VLTs offer governments stacks the odds in favour of server-based terminal products. The Czech market has also been a crucible for the development of a competitive VLT model, one very different to the set-up in the monopoly structured Norwegian model. There has been a degree of consolidation of manufacturers



and operators in the Czech market as a result of the shift towards VLT gaming, but Synot insists that most of the major players have remained and that they are offering competing VLT games in much the same way as they did in the AWP sector in the past. Mr. Michalcio does recognise, however, that there has been a reluctance from foreign gaming providers to tailor their product so specifically for the Czech VLT sector, but states that most now realise that this is their only option if they're interested in any kind of a slice of the market. He also believes it stands these companies in good stead in regards future developments in Europe.

"In certain markets, where there are no limits to stakes and prizes; the introduction of VLT gaming would make no impact on the market," commented Mr. Michalcio. "However, where the model favours VLTs in terms of stakes, taxes and prizes, the changeover is relatively straightforward as the government proves to be a key driver in the development of a transparent gaming model. Government agencies love the clarity, while operators are won over not only by the high performing games, but by the ability to send new games to all their terminals at the press of just one button."

#### PUSH-ME, PULL-YOU MARKET

It's all a question of pull-strategy, versus push. If a government creates an uneven playing field between VLTs and AWP, the market will quickly adopt VLT gaming. However, in markets in which the two compete on equal terms, AWP continue to find favour among operators, though again, Mr. Michalcio believes even this is changing. "Providing the same regulations for AWP and VLTs, I believe the operator will be inclined towards VLTs in regards to the function of money and long-term investments," said Mr. Michalcio. "New laws, however, provide the obvious drivers for expansion."

The changes in Romania have brought a great deal of nervousness to the market. Current legislation favours the major operators in the country. In the last three months the number of operators in Romania has fallen from 1,000 to less than 700, with a third of the market disappearing. At the same time, a large number of arcades have also closed, many of these some of the most popular venues in Romania, though with just 10-15 machines, they fall below the 20 machine per site threshold. "The law has not only changed in regards to the number of machines an operator must operate per location and a minimum machine estate (50), but taxation has also increased," said Mr. Andrysek. "The fees for the operation of gaming machine is



now a fixed fee, rather than a percentage based upon game revenue. This has put a lot of pressure on operators of low quality, low margin machines, as it is unprofitable to operate such a large number of poor performing games."

Synot believes the changes in Romania will ultimately be good for its business in the country. As operators start to look for machine efficiency in a forced drive to ensure each machine is profitable, Synot believes this will result in the removal of a large number of old, inefficient machines. The replacement market should be a strong one and the government is incentivising through taxation the renewal of the machine base in Romania. However, as Mr. Andrysek explained, the turnaround won't necessarily be a swift one. "We're looking at least six months ahead before top performing games really hit their stride in the Romanian market," warned Mr. Andrysek. "There will be a market bounce back, but it will take time for operators to recover from the changes to the legislation. Cashflow is currently a

**"We've learned a lot from the Ukraine experience. It is important to follow legislation in every market, in every country. We now have to be more conscious than ever as we seek to enter new markets to spread the level of risk into other countries. To concentrate on any one market is particularly dangerous right now. Recent history has taught us that."**  
Roland Andrysek,  
Synot.

massive problem, whereby they're having to pay money in advance for their existing machine stock, close smaller locations, invest in new machines and pay additional taxes. All this is taking place in the midst of the financial global crisis. This isn't bad legislation by any means - but it is truly awful timing."

A portion of the replacement machines in Romania will provide Synot with a good long-term market in the country. The company sees a lot of potential in the changing legislation in the long-term. "The transformation period is very demanding upon us and our partners," explained Mr. Mixa. "Our view is to support them in these situations by re-evaluating payment and business conditions. We have partners in this business, not distributors, which enables us to control and keep an eye on the changes taking place at every level of the business. We are not just manufacturers, we are producers, suppliers and operators, which gives us a key advantage in understanding the needs of our customers in every market that we enter."