

Convergence of the
slot machine with the
arcade experience

FUN & GAMES

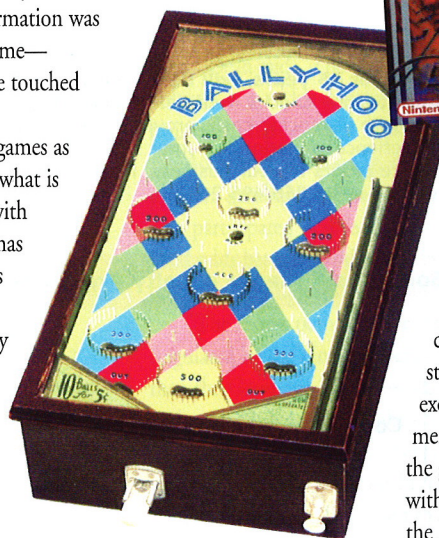
BY ROB RUSSELL



The evolution of the traditional arcade coin-operated video game and the casino-style slot machine industries are at a new point in history. Slot machine manufacturers have been seeking to incorporate new and exciting themes, game formats and graphics that attract and keep players, and the traditional arcade coin-operated video gaming industry is facing similar pressures. In addition, the most recent technological advances in the types of slot machines and systems being developed are allowing for more and different ways to bridge new technological offerings. At the same time, the electronic game device composition of the gaming floor continues to grow and drive revenue to the casino's bottom-line. Therefore, a question looms as to whether it is likely that we will see an increased convergence of the two industries.

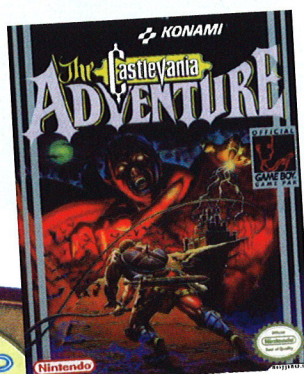
ARCADES TO SLOTS

The history of Bally Technologies Inc. provides a very interesting look into the evolution of a game development company. It is commonly known that Bally's initial formation was the result of the creation of a pinball game—Ballyhoo. In addition, most people were touched by Bally's former subsidiary Midway Manufacturing, which developed such games as Space Invaders and PacMan. However, what is less known is that Bally's involvement with the traditional arcade gaming industry has continued to evolve as the company has changed size, focus and its name. Although Bally Technologies is currently focused on a product line that includes slot machines, cash monitoring, table management, marketing, promotional and bonusing capabilities that enable casino operators to provide their customers with a unique gam-



ing experience, the company's involvement with the traditional arcade industry has existed throughout its history.

Although Konami Corporation's history as being part of the casino slot machine industry is far shorter than the 75-year history of Bally Technologies, its emergence onto the scene is one of note. Konami Corporation is a Japanese game development company that entered the traditional slot machine industry in the late 1990s. Konami's beginnings date back to the early 1970s when the company was predominately involved in the rental and repair of music jukeboxes. However, the company is known for the software game titles it created for Nintendo in the 1980s—Skate or Die, Contra, Metal Gear and Castlevania. Konami Corporation's success in its software development and gaming products allowed it to dive full-bore into the slot machine industry—an exercise that most smaller companies cannot do because of the enormous barriers to entry—licensing costs, technological understanding, etc.



PURE SLOTS

The largest and most successful slot machine company in the United States, International Game Technology, did not evolve from an arcade gaming company, but it did enter the gaming stage at a time when the slot machine was changing the casino floor. During the 1980s, casino operators saw a dramatic change in their revenues from slot machines at a time when IGT was gaining a stronghold. IGT has since pushed the creative envelope and developed new and exciting game themes that have changed slot machines into a complete entertainment experience. IGT's reinvestment into new technologies has helped to advance the gaming industry, and as the U.S.-based industry gets position to move forward with server-based gaming, the next phase of the evolutionary process is likely to be the most exciting one yet.

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The advances in game content, server-based technology and game function that have been developed by companies like Aristocrat, Atronic, Mikohn, Shuffle Master, WMS Gaming and Cybervue cannot be overlooked either. In addition, because of the key role that regulators play in the types of games that reach the casino floors in the United States, it takes a partnership with the industry and the regulators to keep technological advances occurring.

The largest difference between arcade games and slot machines is the presence of skill in the function of the game and how the skill of a player can impact the outcome of the gaming experience. Additionally, the key variables of consideration and prize are inherent in a slot machine experience, and largely restricted or prohibited in arcade gaming. Although the laws governing amusement arcade gaming vary by jurisdiction, they are generally designed to prohibit and/or limit wagering on an outcome of the game. While the goal of arcade gaming is to provide an experience from the playing of the game itself, slot machine gaming is about giving its players a fair wagering experience where the outcome has historically been left up to chance.

POINTS OR UNITS?

When looking at the convergence of the arcade experience with the traditional casino-style slot machine, a recent game title has caught a lot of attention, Bally's Pong. The 1970s Atari game was first shown at a casino trade show a couple years ago. However, following its approval by Michigan's Gaming Control Board, which oversees and regulates the three Detroit casinos—Greektown, MotorCity and MGM Grand Detroit—and the introduction of the game at the Mohegan Sun, a Native American casino in Connecticut, it has been a game at the center of the debate.

The difference that the Pong game brings to the current casino floor is that the bonus round of the game includes a 45-second game of the popular Pong

game in which the player moves the paddles and tries to keep a ball in play. As with the original arcade game, the pace of the Pong volleys increases the longer the Pong is kept in play.

Chris Adams, the lab manager for the Michigan's Gaming Control Board, explained the board rationale for approving the game.

"Michigan always balances the public's interest when evaluating whether to approve a new type, or form of gambling game," he says.

Adams stated that the rules in Michigan "do not specifically establish where the boundaries are for the types of gambling games that will be approved; rather we look at each submission to the Michigan laboratory individually and try to assure the integrity of gaming."

As it relates to the current game submissions, Adams observed that "Michigan's laboratory has seen a number of submissions where electronic gaming device manufacturers are incorporating elements of skill into the bonus rounds. For example, Bally's Pong game has recently been approved. The payback difference associated with the skill portion in the bonus round was nominal. The overall payback fell within the acceptable range, so we were comfortable with Bally's approach."

At this month's G2E show, Bally is launching its second skill-based game, another video-slot version of a classic Atari amusement game, "Breakout."

Adams said that Michigan's lab "is in the process of evaluating skill-based wagering in order to develop a standardized approach for future submissions. Currently we are looking at each submission on a case by case basis," he said.

"As customers demand new gaming experiences, Michigan will examine these new game concepts with an open mind. We look forward to working with manufacturers to provide their customers with experiences they are looking for, so long as the integrity of the wagering experience in Michigan is not compromised."

Adams states, "As it relates to the future of game development it appears that manufacturers are incorporating improved graphics, and making their offerings more interactive. Therefore, at this point in time games we are reviewing and testing are not a dramatic migration of the arcade gaming experience with the

wagering experience, but we do expect to see an increased number of submissions with these elements."

MEMORIES, NOT SKILL

The convergence of the arcade experience is not solely about the migration of skill into the traditional slot wagering experience; rather, developing games with a common gaming experience is also growing in popularity. IGT has developed several games that have a communal gaming component to their function and play. IGT Vice President of Marketing Ed Rogich stated, "We are seeing an increased demand for communal gaming-themed games, such as Wheel of Fortune Super Spin, which allows nine players to participate in the same bonus round. The interaction of players in the bonus round creates even more excitement for the player, and IGT will continue to find ways to bring added entertainment value to its future slot offerings."

Rogich noted that because of the privileged nature of the casino gaming industry and the fact that suppliers must be licensed to sell their games, "IGT must walk a very fine line with its product innovations, and therefore, although IGT seeks to press the limits with cutting edge technology, we only go as far as the regulations allow us."

"IGT recently partnered with Sega Gaming in the creation of Three Kingdom Wars," he says. "This partnership illustrates that there are ways the traditional arcade gaming industry and the slot machine gaming industry can partner so as to maximize the customer's experience. IGT will continue to look for opportunities where the bridging of the strengths of the traditional arcade industry can benefit the slot machine industry."

SKILL OR GAMBLING?

At the same time the casino gaming industry finds ways to improve its offerings partnering with arcade gaming providers, the arcade industry is finding out what makes the wagering experience different and how it is regulated. In 2006 the popular bar and restaurant arcade game Golden Tee was the subject of a court case in Michigan where it was determined to be a "gambling game."

In the case of *McEntee, et al v Incredible Technologies, Inc.*, an unpublished opinion of the Michigan Court of Appeals, the court was called upon to review the Golden Tee arcade games, and, more specifically, the "Hole-n-Win" contest that was associated with the Golden Tee games. A player who paid to participate in the Golden Tee "Hole-n-Win" contest received a specific sum of money for achieving a hole-in-one on a designated hole.

The plaintiffs in the matter sued Incredible Technologies to recover money lost while playing the Golden Tee "Hole-n-Win" contest pursuant to a provision



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— Ed Rogich, Vice President of Sales
International Game Technology

in Michigan's penal code which expressly provides a civil remedy for a plaintiff who loses money to a defendant through playing or betting on cards, dice or by any other device in the nature of such playing or betting. In rejecting the plaintiff's position, however, the court found that the Golden Tee games which incorporated the "Hole-n-Win" contest were actually "gambling games" which were subject to the exclusive jurisdiction of the Michigan Gaming Control Board.

Although each state's laws on what is a "gambling game" are different,

the above case illustrates how arcade game developers

who seek to incorporate prize, chance and consideration risk creating a gambling game.

Although gaming manufacturers are incorporating arcade-like features into their games, the unique rules that govern casino gaming require all new uses of game technology to be tested to ensure compliance with the laws. In addition because of the privileged licenses that suppliers are required to hold in order to sell these games, any convergence of the arcade gaming experience with the slot machine industry will need to evolve and thus it is very unlikely there will be dramatic revolution in the industry. Rather, what is a sure bet is gaming manufacturers and software providers will continue to find new ways to bring an improved gaming experience with sounds, images, game themes, functions and prize matrixes, and the customers will be the final judge.

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