



Ryan Reddy,
Vice President Systems and
Payment Products, IGT

The Cashless Advantage

Cashless has been a much debated topic for gaming operators and suppliers for decades, but the coronavirus pandemic has stirred the player base into action, propelling the demand for contactless play and frictionless payment solutions.

A leader in the field of cashless gaming, as demonstrated with the recent introduction of cashless gaming in Sweden with IGTPay technology, G3 interviews IGT's Ryan Reddy, VP Systems and Payment Products, about the shifting dynamics surrounding cashless solutions and what this means for gaming's post-lockdown future.

What is cashless – there have been so many different solutions and interpretations?

I agree. There are multiple historical names for cashless combined with multiple different iterations of cashless that makes the nomenclature pretty difficult. Clarity is important, not just because this is a hot-topic for operators at this current time, but with regulators too, which is why we chose to redefine the different cashless phases into three distinct parts.

Each phase sits within a spectrum of physical contacts and interactions. As much as possible we tried to be generic with our terminology, describing the first phase as Carded Cashless; in which the operator has fewer interactions with cash, but still utilises physical player cards. The second step, Cardless Cashless, involves replacing the physical player's card with one that's virtual, on a player's mobile device, which removes a further touch point from the equation. And the final step, IGTPay, is external funds transfer, in which we remove the need to visit a kiosk or ATM, as the player is able to access their bank account through their mobile device.

In conversation with operators, there are those looking to phase across the stages, while others want to jump straight to the third step, as options one and two don't move the needle enough for them. Phase one reduces contact points, but not materially. Step two does

present a material reduction, but three – being able to transfer funds on a phone and dispensing with queuing for an ATM or kiosk – that's where they want to be right now.

I'd say we're at a tipping point right now, where operators are saying that this is no longer a solution that's being imposed onto consumers, but rather it's players that are looking for a safer playing experience, which means fewer contact points and greater amounts of social distancing.

Does cashless mean 'no-cash'? And can you only achieve maximum efficiency by ceasing to support cash?

Operators want to keep legacy forms of payments alive. They are not going to remove cash from floors, but rather want to provide options for cashless solutions. The goal is to organically transition players away from cash

The three steps to Cashless

Step 1. Carded Cashless

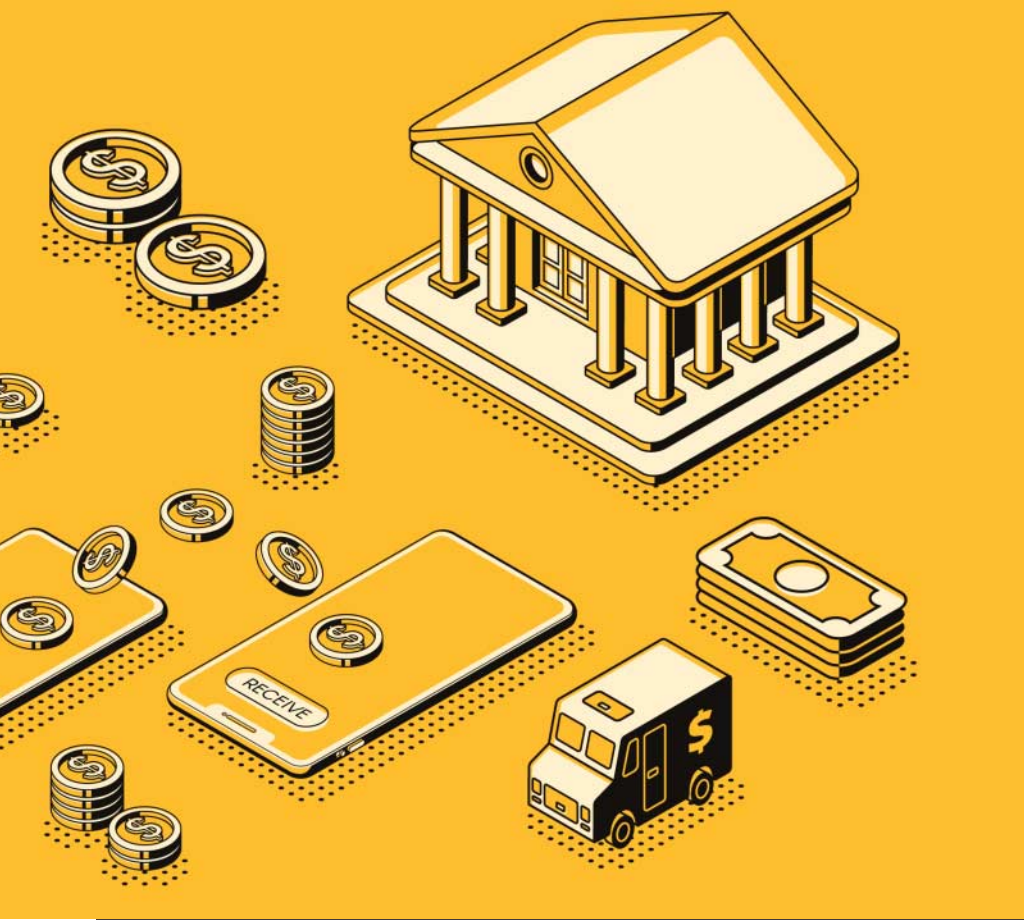
Customer uses physical player card account. Deposits and withdrawals limited to age and slot machines

Step 2. Cardless Cashless

Customer uses either physical player card or virtual player card with EZ Pay cashless wagering account via Cardless Connect. Deposits and withdrawals limited to cage and slot machine.

Step 3. IGTPay

Full service cashless wagering. The cashless wagering account can be directly funded (deposits and withdrawals) using a bank, credit/debit card, and/or eWallet via IGTPay.



towards at least phase 1-2, if not all the way to phase 3. There is such a broad consumer base of players that we're not going to see immediate universal adoption, be that through a desire for anonymity, or reluctance to adopt new technology. There will, of course, be consumers that see the value of cashless, create a demand and choose between Casino A or Casino B, depending upon the provision of cashless.

In regards to the efficiency of cashless; I don't think operators will enjoy the full benefits until the majority of players have migrated to cashless play, which will take time as those legacy forms of payment will remain viable options in the gaming environment.

Could you describe the current landscape; from the current position of the operators (1), the regulations in place and forthcoming (2), any compliance issues (3) and the acceptance of players (4).

Firstly, everything has to be considered in the context of the pandemic. Covid-19 is a disruption point for this technology in the gaming industry. We saw progressive operators moving towards cashless gaming, but what we're seeing now is a gigantic pull from the industry that didn't exist pre-Covid-19. I don't think there's going to be blanket adoption, but while many of the Las Vegas Strip properties are looking to move immediately to step three as it makes the most sense for their consumers, some of the regional players want to go step-by-step as

part of a process towards external funds.

Depending on the operator, their consumer base and their market, there are varying degrees of willingness along the path from step one to step three. The install base of IGT's cashless solutions across the globe, shows Carded Cashless is commonplace in APAC countries. We have a lot of APAC customers already at stage one with loyalty cards connected to an account, which has been a solution in the market for many years. Culturally, we know that APAC customers are prepared to accept cashless step one.

In the US, to date, MotorCity adopted Carded Cashless technology several years ago. However, we haven't seen the same degree of penetration as in APAC. Moving to Cardless Cashless, we see installations, California with tribal gaming operators that are progressive and forward-leaning from a technology perspective, and both installed in 2019. The third step, IGTPay, which is external funds pay, has seen lottery customers and digital customers, such as Penn National, and most recently Svenska Spel in Sweden, which has 4,000-plus VLTs, make the move to VGM and mobile full cashless with external funds transfer.

In answer to the second point regarding regulators, we have had multiple conversations with the Nevada Gaming Control Board (NGCB), in which we see a similar level of excitement and enthusiasm towards cashless that's comparable to the

operators. The Emergency Directive issued by the Governor of Nevada in response to the pandemic, specifically addressed retail stores (not casinos) and the encouragement of card payments to effectively go cashless. We are now seeing that while the original intent was solely for retailers, we are seeing the same push and enthusiasm from casino operators, with regulators wanting to be forward-looking and progressive too. I think that Nevada is seeking to be pioneering in this respect. We also work with the American Gaming Association (AGA), which has identified a number of potential states in the US that are looking to be the leaders in this space.

Looking specifically at Nevada, all three of the steps - 1. carded, 2. cardless and 3. external funds transfer - are legal, compliant and allowed within current regulations. There has been trailblazing in Nevada that has propelled the step change to a cashless as both wagering accounts and funds transfer exist in both the regulations and the law. What we're now compelled to prove is the technology in field trials, but we're no longer forced to advocate for new regulations, as the regulators have already provided the framework.

In terms of compliance, your third point, lottery markets are worthy of a distinction unto themselves, because within these markets the lottery is effectively the regulator. They rely on external testing bodies, but in terms of oversight and regulation, this comes from the lottery itself. And, as per tradition, Northern European lotteries continue to be forward-looking and several steps ahead of the industry.

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The move to IGT Pay for Svenska Spel has been in their plans for a while, probably a few years. We've partnered with them on this goal to move to external funds transfer and it was an iterative process to facilitate their vision. The process is collaborative. Our compliance team are experts in this field, but operators are just as knowledgeable. We look at existing regulations, how cashless is defined within the regulations in a market such as Sweden or Nevada, and then we work with operators to describe exactly how our products fit within the criteria.

The next question to be answered, and to your fourth point, is how do you get your consumers to adopt this technology so that it's a differentiator between the choice to play at

Casino A or Casino B? The willingness is there from the regulators and from the operators who are both adopting and progressive in how they're looking at this technology.

The last time we conducted research into cashless with focus groups was pre-Covid. However, even then, as we brought in local players, the majority were open and interested in cashless forms of gaming. If the majority was open to cashless pre-Covid, then right now we think this has become the vast majority of players.

Is there a particular demographic that's most accepting of cashless?

At IGT, we don't get involved with how operators

demographically market to their players, but in conversations with operators they have not made a demographic distinction in regards to cashless, but they did highlight player type. Operators want to go full floor, but the first priority is the high limit room, due to the large sums of money and high volume of cash involved.

Emerging from lockdown we're entering a global recession with great pressure on capital expenditure - why is now the right time to be investing in cashless?

The simple answer is that operators come to the equation of prioritisation themselves. What we're doing is answering to their demand. We're here to answer the questions: how do introduce



cashless, what are the steps I need to take, how does this fit into my regulatory portfolio, etc? Operators are very sophisticated in terms of balancing their capital expenditure and prioritisation, and so for IGT right now, we are responding to demand.

Why hasn't cashless been adopted already?

I think the shift from push to pull has changed the equation so dramatically that the historical precedent, whatever existed before, is irrelevant. Covid-19 is a disruptor that's changed cashless from an operator push to a consumer pull. What's changed is the desire on behalf of the consumers to choose reduced contact points as part of the gaming experience - that's been the catalyst.

Do you see the change happening rapidly?

I believe adoption of cashless is going to happen quickly, because the demand is so strong right now. However, the phasing out of legacy forms of payments, such as cash, is a huge 'To-Be-Decided'. I don't see casinos looking to go fully cashless as they reopen. They want cashless as an option, but also want to keep cash within the overall offer. And while I don't see cash being phased out as an imminent change, I see adding cashless as an option happening very quickly.

We already have operators with a variant of cashless up and running for their reopenings, dependant on their regulatory environment. Nevada requires a field trial, which we are

starting ASAP, before we can launch the product live on casino floors. However, in California, we are answering demand for carded cashless in the immediate future.

TiTo was an intermediary step that's been around for 20-plus years. Is cashless the final step or is there an evolution beyond this?

Cashless is part of IGT's DNA. We were the leaders in the TiTo revolution and we have always invested in technology and intellectual property in this field. We are heavily invested in cashless and it's a major focus for the whole company. I think step one-to-three is going to happen very quickly and become commonplace on casino floors both this year and next year.