



**First off, you've been named as this year's Casino Marketing Lifetime Achievement Award winner by our partners, Raving Consulting. How much of an honor is this for you personally?**

It's intimidating, but it's also really nice. It's a big honor and it's nice to have other people look back at your life and think that you've accomplished something—especially when you look at the other people who have received this award. It's quite an honor.

**You've been described in many circles as the father of modern day player tracking for the gaming industry. How do you feel things like player tracking panels and the prevalence of things like customer databases, data warehouses and even some of the CRM technology we're seeing today have helped the industry as a whole?**

I think the important thing to start with is that gambling is really not about gambling. It's about making the player feel special. And part of the way they feel special is by the wins and losses they experience on the game. But another part of the way they feel special is by the relationship they enjoy or regret with the casino in which they're gambling. We've always seen in the high rollers how important it is to treat people with extra respect, to make them like they're one in a million and exceptionally important. That's where things like private jets and things like that come into play. When we come down to slot machines, there's not the money to provide those kinds of amenities to players, so we need a lower-cost way to help people feel special. All of the technologies you mentioned are simply tools to help people feel special.

I think a real significant point is that those tools—whether it's player tracking or CRM or data warehouses—are absolutely worthless if they're not used in a way that makes the player feel better, and improves the relationship. What really matters is that relationship and its furtherance. These tools can be a great way to lower the cost of establishing and maintaining that relationship. They can also be horribly dangerous—and we've all seen this—in that we think that because we have a data warehouse, or because we have a CRM program, or because we reward points to players, that we have a great relationship. And that's not true. Those can be elements of a good relationship, but by themselves they mean nothing.

**More specifically, how has technology helped marketing departments in casinos?**

First of all, it makes you aware of who your best players are. We've always had the rule that I see in looking at player databases, which is the 5-50 rule. Five percent of the players account for 50 percent of the play. These tools help us identify that particular 5 percent and the next 5 percent and the next 5 percent. They help us to focus on the customers that are most meaningful to us. They also give us the personal information we need to establish a relationship with those people—to understand their extracurricular interests like sports or parties, etc., and be able to offer those things to people that appreciate them. But the other thing these tools are good for is to understand just what players play. Which particular combination of games do people enjoy?

I remember—and this is going back 15 or 20 years—when we first started putting in player tracking systems, the belief was that dollar players always played dollar machines and nickel players always played nickel machines. But when we started looking at the data for particular players, we saw that people would go through a variety of denominations and machines. We didn't realize that they enjoyed such a varied experience on each trip. We pigeon-holed them into our observations and said 'Oh, Mary Jane comes in, plays the dollars and then she goes home.' The reality is that Mary would come in and play dollars and when her budget was going low, she'd go to nickels or quarters, and when she felt like she was doing well again, she'd go back to dollars. That became a revelation to us. I'm not sure we quite use it completely yet, but those insights are incredibly important.

**Has that helped shape the movement of new games and game designs in the industry?**

Not so much. I think that's one of the places where we have huge opportunity. I think our

industry has been so focused on growth—just open the doors to a new place, and once those doors are open, doubling the floor space behind those doors. We haven't really done a good job of going to the manufacturers and saying, 'You know, this is the kind machine I need,' or 'This is the kind of floor experience I need to offer to my players.' I don't think we've gotten there yet, but it's going to be amazingly important over the next 10 years as we see the supply of gambling machines start to grow up to meet the demand for gambling opportunities.

**Has this concern been brought up to manufacturers themselves? And if so, what has been their take?**

I think that everyone has an academic interest in it. But practically speaking, because casino operators have been more traditionally concerned about opening the next property, therefore the game manufacturers have been concerned about increasing their ability to manufacture what already exists. There's just huge opportunities in the next 10 years to tune those offerings to match player desires. It's quantity versus quality (my words).

**You made a name for yourself in the industry through innovative ideas and products. For the benefit of our readers, take me through your entire career. Did you get your start in gaming and is what you envisioned years ago?**

I actually got into gaming by accident. My wife and I got married right after she graduated from high school. I was a year older. I was 18. She was 17. And I was in the Air Force. We were stationed at Nellis Air Force Base. I grew up in Elwood, Ind. (central Indiana), and the night we got married, we headed off on the trip to Las Vegas. My parents were wondering where we could possibly buy groceries since the town had nothing but casinos in it. Really Las Vegas was nothing more than a mysterious name on a map that no one that I knew from Indiana had ever been to. So we got there and found out that there were indeed places to live and places to buy groceries. But on Air Force pay, there wasn't enough money to do either. So I started working in a casino part time to make some extra money. I found it to be absolutely fascinating. I worked for a couple of years at Mr. Sy's Casino (on the Las Vegas Strip) for a guy named Norman Little (general manager). The one thing I really learned from Norman was that games should be built from the outside in not from the inside out. What he meant by that is that you should start with the player and what they want and build a game that matches that instead of starting with a handful of components and seeing what you can make of it.

After working for Norman for a couple of years, we moved back to Indiana and I got my degree in computer science. I worked for General Motors for about a year and then worked for Hewlett Packard for about a year. But they were never much fun as compared to the casino experience. The whole central Indiana thing was centered around cars. There were lots of divisions of General Motors, Ford and Chrysler there. That was the ideal job at the time. That's why we had moved back—hey let's get one of those automotive jobs. But I found that after a couple of years, and compared to the casino, it was incredibly boring. So in 1981, we moved back to Vegas as I started EDT (Electronic Display Technology). EDT originally was called ACR Consulting. I just took the first three initials of my last name and put the word consulting after it. I did some sound system designs for a couple of small casinos, along with a little bit of this and a little bit of that. The guy who I originally worked for, Norman Little, had been to a presentation where some guys from California were talking about a progressive jackpot system. There were just a few progressives in the town at the time. These guys had an idea for how to do it. I listened to it and thought I could do it better. I told that to Norman and he said, 'well, then you should start a company.' So I started EDT and made a progressive jackpot system that became pretty popular. At the time, most casinos did not have a progressive jackpot system in them. I created this set of displays and a little computer to run it that would connect to slot machines and calculate what a jackpot should be and reset it and all that stuff. The thing to remember about the early 1980s was that the market was pretty darn small, so I didn't have that much marketing means. I had a four-inch display that meant the digits were four inches high, and a six-inch display that meant the digits were six inches high, etc. There really weren't any trade shows at the time and you could meet everyone in a few days. When I first started, I just literally carried one of my sample displays up and down the Las Vegas Strip and just walked in the slot managers' doors and did a little demo right there on the spot. I sold a few and one of the places I knocked on the door was Golden Nugget. They didn't like the idea too much the first time I showed them. But a couple months later I got a call from a guy when I was sitting in my office—my office was literally about 150 square feet and I had

no employees—and this guy says ‘hi, this is Steve Wynn. I’d like to speak to Mr. Acres.’ He was extremely nice and we started a conversation and he said, ‘look, I heard about your progressives and I want you to do something in Atlantic City.’ It was a fairly new territory and I said I didn’t have a license there. He said he’d get me a license. He ended up doing everything possible to make it so we could build progressives there. Indeed, we put about six links in Atlantic City and they were extremely successful because Steve started them at very high values. When I set them up, I asked him where he wanted starting values to be. He said, ‘I want this one to be \$500,000 and this one to be \$600,000 and this one to be \$800,000.’ I said, ‘geez, what do you do if one of these things hit?’ Because the largest jackpot at the time was \$250,000 and most were in the \$10,000 range. He said, ‘that’s what I’m hoping for. When it hits, I’m going to get a lot of publicity.’ Sure enough, about two months later, one hit for \$1 million, and it was on the CBS Evening News because that was back at a time when \$1 million was a huge jackpot. The machines got incredible play and all of a sudden we had orders coming in from everywhere. Everybody wanted to put in our progressives.

Later, I ended up selling part of the company to IGT and I hired some people and came up with the idea of the player tracking system. That ended up being a pretty good product all on its own. I eventually sold all of ownership of EDT to IGT and they took the company public. I went off and started Mikohn Gaming with a friend of mine named Mike Stone. Mikohn means Mike and John. We did a new kind of progressive with multi-colored displays. We sold that to Dave Thompson in 1989 and then in 1992 I started Acres Gaming, where I had the idea for doing bonuses. That turned out pretty well. It wound up going public and we sold the company to IGT in 2003.

Now, I’m starting this new company with a friend and partner of mine, Rich Fiore. It’s called Acres-Fiore. We’re looking to address the problem you referred to, which is to help manufacturers better tie their games into what players find more compelling as a wagering opportunity. Our goal is to not found a new slot manufacturing company—because the problem isn’t in manufacturing boxes and putting electronics inside—but the opportunity lies with creating new content that is more appealing to players. We want to create that content and then test it ourselves in casinos. When we have a successful game, then license that back to manufacturers for production.

#### **What led you to sell Acres Gaming to IGT?**

When you come up with something new—like player tracking for example—it’s not instantly recognized as a good idea. We had lots of people that said players would never go for it, they’ll never carry a card, it’s too expensive or it’s too complicated. Even in the early 1990s, Station Casinos was advertising itself as the ‘no club casino.’ They used to have billboards with a picture of a player card on it with that big, red circle with a line through it. Bonusing was the same way. It was a long, hard slog. We were involved in a pretty significant patent lawsuit with IGT and we were hurting. They ended up buying the company, in my view, as a way to settle that lawsuit. But the larger answer is that when we step back and look at ourselves, we’re a bundle of abilities and limitations—each of us are. You’ve got to recognize what those are. For me, I have the ability to come up with new ideas and make them reality. What I’m not so good at is showing up for work every day on time, all the time, forever. Once the excitement of creating an idea is done, I’m not so good at managing that idea and its growth. I’m more of a creative person than a caretaker person. There’s great skill in being that caretaker, don’t misunderstand. There’s tremendous skill, and I don’t have it. But I like to do the new things, and that typically works best with fresh companies and fresh sheets of paper.

#### **So it’s safe to say you’re more of a free spirit than a corporate type of guy.**

Absolutely. When I worked at General Motors and Hewlett Packard, I could not stand it. I can’t stand to be a part of a very large organization. My thing is, when there’s two people, 10 people, even 15 or 20 people, it feels really great. When it gets to be 100 people, I start to feel oppressed. It takes too much to communicate with everyone and keep everybody on the same page. That’s called management, and I’m not a manager.

#### **Do you ever sit back and smile sometimes knowing that a lot of your creativity is now playing a significant role in today’s gaming industry?**

I get a great thrill in knowing that the stuff that I’ve created or helped to create is in everyday use in just about every casino in the world. Player tracking, for example, I don’t know that there’s any casino of any significant size that doesn’t do player tracking, and do it in much the way that we did our very first one back in 1983. It’s the same thing with

progressives. I can still walk in to place and see displays that are 20 years old and still running, and other displays that mimic exactly what we did at Mikohn and EDT. That feels good. It also feels good to see bonuses do so well and to see players like them and respond to them. It's all the sweeter because I can remember the time when a lot of people didn't think these types of things would work. There's something special, for me anyway, about having an idea and swimming against the current to prove that idea and see it come true and being right about it, and having it be successful. To me, those ideas are like children and it's just great to see them grow up and stand on their own, whether you have an economic interest in them anymore or not. I think the greatest joy I get is that those ideas improve the entertainment experience they get when they go to the casinos. That's what it's all about—can we do something more for the players to give them a richer, more emotional experience, and in turn, charge them a fee for that joy. That's what the business is about. It's not us versus them where we're trying to get their money and they're trying to get our money. It's giving players this chance to play for the chance to win money, but also the experience that surrounds that. My whole mantra is that players don't play to win money. They play to have winning experiences and they'll pay for the experience.

**How would you describe your relationship with IGT today?**

I think IGT has done some fantastic things for the industry. They're obviously a well-managed company, and they didn't get to have the dominate market share by not doing things right. That said, I think that the largest guys on the block—by definition, the bureaucracy that grows—tends to try to throw their weight around. I think IGT sometimes does that. Whether they mean to or not, when you're as big as an elephant, sometimes you step on things. I certainly think there are a whole lot of people at IGT that individually I admire, and there have certainly been times when I've been partners with IGT in business and strategic partners in projects, and I would do that again. But it's also fun to use them as a target. I love to shoot at them and say I can do this better. On any given day, I will get up in the morning trying to think of how I can do it better than them; how can I beat them for this order; how can I beat them in this marketplace. But it's not a personal hatred or animosity. It's a competitive endeavor. At the end of the day, I think (retired Chairman and CEO) Chuck Mathewson is a brilliant guy. (Current Chairman and CEO) T.J. Matthews grew up in the house behind mine. He worked for us at Mikohn doing assembly work during the summers when he was home from college. He got his start in the gaming business with Mikohn and he's done a brilliant job. The guy is just very capable and a wonderful manager.

**So it's almost like a back-handed compliment to IGT from you because of the competitive nature that exists between you and the "big boys."**

Absolutely. Certainly, there's emotion involved, and I've been their adversary in lawsuits and competition alike where I felt like I was right and they felt like they were right. But at the end of the day, I don't have any personal hatred for anyone or any company. I still want to take business away from them, though.

**Let's talk about some of the more recent things you've been involved with. You sit on the board of directors for GameLogic. What potential do you see in that company?**

I came across GameLogic when I decided to get back into gaming about a year and a half ago. I was looking around to see what was different from a few years before that—the 2002-2003 timeframe. I quickly came across GameLogic. They had a connection with the Internet that I thought was really important. I've always believed it's important to reach out to players and get them to come back to visit the casino again—that's what bonuses were all about. But I saw in GameLogic an opportunity to use the Internet to reach into the homes of players—not with an absolute gambling activity where they spend money—but I encouraged GameLogic to alter their offering so that players could play free games at home on their computer and win free play or free buffets that they could redeem by revisiting the casinos. It's using the Internet as a way to entice people to come back to a particular casino, to further reach out and enhance that bond of loyalty between a known player in a casino or offer free games to people that maybe haven't been introduced to a particular casino and be able to start a relationship with them.

**We're starting to see a lot of operators beginning to pick up on this trend now...places like Dover Downs.**

Yes, Dover Downs is having great early success. (GameLogic has) done some stuff with a casino in New Mexico. They have a number of projects with casinos that are potentially

underway with properties in Northern California and one or more of the east coast casinos. When I saw what GameLogic was doing, I didn't see the product the way that they saw it, but I saw how it could be used to enhance loyalty. I went out last year and met with them—CEO John Taylor and founder Steven Kane—and described to them what I thought could be done. They liked it well enough that they've altered the course of the company to head there. They had a product called PlayAway, which was kind of like gambling at home, and with the fears everyone has about getting handcuffed for Internet gambling, that product died a quick death. I'm not sure it was the best use of the Internet anyway. But this marketing concept everyone liked and with their expertise with the Internet and reaching people at home it's a great marriage. There are so many casinos now with so many machines that we're now, for the first time, are going to have to start thinking about developing players—actively developing new customers. We haven't really had that before because legislation has made gambling illegal and therefore supply was artificially constrained as compared to the pent up demand. But in this next 10 years we're going to see that change, and we're going to have to start really working to market our products.

**What are your feelings about the current state of online gambling in the United States? Are we missing the boat of opportunity?**

The boat will still be there. I think in 10 years, there will absolutely be legal Internet gambling. This whole thing is really going to be solved by figuring out how to tax and regulate it. Where is the nexus of the casino resort? Where are the servers located or where are the players located? And who gets that money? Is it the state that the players are in? Is the state the servers are in? Or is it the federal government? I think a lot of the federal government's opposition will be solved by some sort of federal tax. The one thing that makes government feel good about gambling is taxable income. We see it in every state. They don't legalize gambling because they've suddenly gotten a burst of libertarianism. They legalize it as a source of new revenue. Our population has come to accept it more and entertainment more than ever before as well. And that makes it palatable. But government's goal is to get revenue, and I think that as soon as the taxation is figured out with Internet gambling, it will be there. It won't replace casinos. It will be an adjunct to it. I think playing poker on the Internet—if it's a safe, honest environment—can be a fantastic entertainment value as long as it's done in moderation.

That's the interesting thing about our business: we do have an offering that appeals to some deep-seeded psychology of people. And some people can't handle that so well. The other part of our future is that we need to get more proactive about addressing the problem gambling issue. It's just bad for business to have people hurt themselves. Forget about morality issues, it's just bad for business. We have to find ways to help people regulate themselves. We're going to come up with technologies where people can set limits on how much they can spend or allow self-banishment, or governments' or families' banishments of certain individuals. We need to get out in front of that problem. It's a small percentage of the population that has that problem, but those problems are real and they may have a domino effect on everybody around them.

**It's a huge perception issue as well...**

Huge perception issue, yes. There couldn't be a worse PR issue than this. And if our industry has any single challenge, this is it. Just as we've seen technology help us market to people, I think that we'll be able to take our technology and use it to help build some protective barriers. At the end of the day, it comes down to personal responsibility, but our society has already decided that we don't believe in absolute personal responsibility. We require people to wear helmets when they ride a motorcycle, or seat belts when they drive a car. We tell people where they can and can't smoke. I've got to show people my driver's license and sign a paper just to buy cold medicine now because it could be used for drug production. So society is saying to us that we have to do more, and if we want to market to this society, then we'd better do it.

**You're also staying quite active yourself. Tell me about both Acres Concepts and your partnership with Rich Fiore. What sort of things are you working on today?**

Acres Concepts is merging with Rich Fiore. Rich had a company called Rich Fiore & Associates (RFA). The new combined company will be called Acres-Fiore.

**And this new company is working chiefly with intellectual property and new game concepts and ideas, correct?**

Yeah, you pretty much have to these days. Twenty years ago, I never would have thought

to apply for a patent. Back in 1993, Danny Jones, who came up with the idea of Caribbean Stud Poker, put a progressive jackpot on a table game. We had done that at EDT years before. Now, he applied for a patent and got one. I hadn't really paid much attention to it until he sued me over it. We thought the fact that we could bring in slot managers to testify that they had seen that before would carry the day, but it didn't. We lost and were found guilty of infringing on his patents. The interesting thing was that our damages for that case were about \$35,000, but our attorney fees were over \$800,000. Going into that lawsuit, by feeling was, "well, we're going to learn something here—either we're going to learn we were right not to pay any attention to patents, or we're going to learn that we better start patenting things." So with that outcome, we started patenting things. I think we got over 30 patents issued at Acres Gaming and we're certainly applying for a whole lot of patents now. This whole intellectual property thing is a huge battleground. I think WMS has something like 750 pending patents. IGT has over 1,000, Bally has hundreds and Aristocrat has hundreds. And in the next five or six years, we're all going to be tripping over each other on these patents. What I think will happen in the long, long-term is that we'll reach this kind of truce across licensing like we see in every other mature industry, where there are a few things that are truly unique that some companies will protect, but other things that aren't will be cross-licensed. There was a recent Supreme Court ruling that will help a lot too. It lowers the barriers to what is obvious, like taking two known ideas and combining them into a third idea. I think that will help clean up a lot of stuff too.

### **So what sort of ideas or concepts is Acres-Fiore working on now?**

The whole goal is to walk into the casino and say, "What is it that the players sitting there want?" Even though I worked for Norman in the early 1970s, I kind of lost the plot of that a little bit. I used to go into a casino and look at which games were successful. "Oh my gosh, people are playing this game. Now what it is about that game that they like." One day, I started flipping that around and asking, "What is that players are getting from that game, and what is it that they're not getting?" The first thing I figured out is that all players are not the same. We have to start segmenting our player base. We can't just say, "players want..." We have to say, "This segment of our player base wants..."

But the one thing that kind of underlines everyone's emotional desire is the winning experience. The interesting thing about winning is that it can't happen all the time, or it's not winning. If every time you put a dollar into a slot machine you got back \$1.20, you would be winning. But pretty soon, you'd only be going to the casino when you needed the money. It would be like a very slot ATM machine and you would hate it. People would say, "Oh, I have to go to the casino, my rent's due." And they would go in there for a few hours until they finally managed to get enough money and then they'd be out of there. But the interesting thing that happens in human psychology is that as soon as you make a lot of events non-winning events, where the outcome is unpredictable and you never know what's around the next corner, that becomes entertainment. You can pay out a lot less and have people spending their money to come in. They'll save up their money for a vacation to Las Vegas. They'll spend their whole Friday night gambling, chasing the chance to win—to overcome all of those losses, just to experience a win.

So the first thing I tried to do was look at how we could enhance the drama of that gamble. One of my thing was to start looking at progressives again. I've done that before and I realize that while a progressive jackpot has some dramatic impact because it's value is constantly building as people play it, and they are really competing with one another trying to win it before someone else does, winning the event itself is pretty anti-climactic. All of a sudden, bam, you've won. Here's the money, and you're done. So I started thinking, along with Rich—and Rich is a very talented designer and he has really good insights into player psychology as well—about how we improve that experience without paying money to the player?

One of my sons is involved in his own gambling business, James. He'd done some work for Spirit Mountain Casino, and he was there one night when a man won a \$7,000 progressive jackpot. When he won, this bell went off. The guy was really excited, so he whips out his cell phone and calls his wife and tries to get her to guess what happened and he's said, "listen to this." And he goes to put his cell phone up to the bell, and the bell stops. The jackpot had been reset and they were there with his check. He was so disappointed that his wife didn't get to hear that bell, that she could not share that winning experience with him. Now, the \$7,000 check wasn't as meaningful to him. Indeed, what we realize at that moment is that we could have given him a \$5,000 check

and left that bell ringing for a minute longer, and we could have had a happier customer.

So how do we do that? Our first thought is to let's tell people that a win is getting closer. Take Wheel of Fortune: what happens? Oh, I won the wheel. What's the next question? How much did I win? Let's spin the wheel and see. So you have this drama of "oh my gosh, I've won this higher award, I wonder how much it is?" You also have this great community event of everyone else watching you spin this wheel. Not only does that make you feel more important because everyone else is watching you, but it makes them (the other players) more dedicated to continuing to play the game because they know that wins can be had. They're reminded that wins are out there and you have to keep pursuing them. We get this great synergy for no money.

So when we came up with what we call Spin Star, the idea was, "well, let's make a wheel, but let's make it be triggered by an event other than the base slot machine. So you can have a winning event without winning. That's was always important in mystery jackpot progressives. So if you have the lucky coin in, you get to spin this wheel. We pick a random number in a range and then whoever drops in the coin that causes number to hit, wins. Every time you drop in a coin, that counter goes up. For example, let's say I want the wheel to occur once every 80 games on average. I'll pick a number randomly between a range of one and 160. The average of that is about 80. The player doesn't know when exactly he's going to win, but every coin-in is another chance to win. The thing of it is, is that we know how close he's getting to the win. So we decided to put this crown of color around this (wheel) to show people that they're getting closer and closer—to enhance that drama.

#### **So it encourages people to play longer too...**

It does encourage people to play longer. Our goal is to get a person to reach into their pocket and pull out one more \$20 bill because this color starts off as an icy blue when you're far away (from hitting) and it turns into a cherry red when you're really close. When it's there, that thing is just too close to walk away from and I've got to keep going until I win.

#### **And it's based on coin-in, not the base play of the game, correct?**

Right, so in this game, you could actually win on the wheel and win a separate jackpot on the base game on the same play. On Wheel of Fortune, for example, you have a losing outcome on the base game in order to play the wheel. Here you could have both at the same time.

One of the other things we looked at when we watched players was that when Rich and I would go into casinos, we'd see lots of players with, for lack of a better word, systems. They push the "bet one" button, "bet one" button, "bet one" button, then spin. Then they'd push the "bet max" button and spin. Then they'd pull the handle. Like variations would somehow change their luck on the machine.

#### **Superstitions a lot of time dictate that.**

Yes, that's true. And while we don't want to stand up and say if you do this, or that, or the other it's going to improve your odds—because that would be a lie—people like to have those theories. Benny Binion had a great saying: "People hate to be fooled, but they love to have the chance to fool themselves."

So on this game (Spin Star), we wanted to give players the chance to make choices. Instead of having the spin button up there, we have five of them, each one a different color. And each one of the spin buttons will result in a different outcome of the wheel. There's no skill involved, you just have to make a choice. And the choice affects how much you get paid. That adds one more element of drama. One more element of choice. One more chance for the player to instill their system and feel like they're having an influence over the outcome. That adds to the entertainment value. It doesn't cost a penny more, the payout percentage doesn't go up, but the entertainment value does. And that's what we want.

At Acres-Fiore, we look around for what it is that is going to be emotionally gratifying to players, and provide games that deliver that. The emotional gratification from gambling machines has to come in a different venue that it does on the Xbox 360 or other home video games. It's an entirely different experience. I think manufacturers kind of got lost on the rich graphics and complex sounds. It's like having a movie with great special

effects and no plot. We've seen ourselves get lost in that a little bit. We have to go back to the basic plot of this proposition. That plot is, "Am I going to win?"

**In general, what technology developments in the past couple of years in the gaming industry do you see as being the most innovative or productive?**

There's technical innovation and product innovation. Let's take technical innovation and let's look at server-based gaming. Now we have to ask ourselves, "Is that really innovation?" All it is, is a network of computers. Well, we've had that for 20 years. Oh gee, you're going to go out to a central server and download a program. That doesn't sound so new. Businesses do that all the time. Granted, there's a layer of security that goes on top of it, but no different than the security that is on ATM machines and other networks that handle money. So I'm going to stand up and say to those that are pushing server-based gaming and say, "duh, where's the innovation here?" I don't think putting a bill validator on a slot machine was terribly technically innovative. Now it was a great innovation for casinos because it greatly improved player convenience—the ability to wager higher volumes of money. But a lot of what we consider to be technical innovation in our industry, it isn't. It is simply moving existing technologies from other areas into the gambling arena, and getting through all the regulatory processes.

I remember going to a gaming commission hearing back in the mid-1990s where Silicon Gaming, a company that IGT eventually bought, was applying for approval to not have their program codes stored in EPROMs or ROMs on the board, but rather being able to grab it from a hard disk in the machine. Essentially, they wanted to put a personal computer in the slot machine. There was big controversy over that. I remember Steve Weiss and the guys at CDS saying, "don't do that, it might not be safe," or "if you're going to allow it, put a two-year moratorium on it so that all the rest of us can get caught up with it." I had my turn to speak, and I said, "You know what? I never knew these gaming regulations were here to protect the manufacturers from each other. I thought the regulations were here to protect the players and make sure they got a fair deal. Just because Silicon Gaming developed this idea ahead of all of us, why should they be denied the use of it right now? Aren't we supposed to reward innovation?" Really, server-based gaming is just an extension of that, and it's 10- to 15-years old.

**Are there any areas that you see gaming technology taking a wrong direction?**

I think at the moment, we're all lost in themes and raw technical improvements rather than improvements for the player. Let's go back to server-based gaming. And I'm just stating my opinion, but to me, there's nothing more boring than giving a player a list of choices about which game to play. If I go into a restaurant and I want to feel special...well, if I go to a restaurant, I get a menu and I have to make my choice. So I'll choose the filet mignon. But what makes me feel more special is if I go to a restaurant that I've been to before and they say, "Hi John, how are you? Say, would you like to have the filet tonight? And would you like me to get you a drink? And do you still like it cooked medium rare?" I like my needs to be anticipated. That makes me feel important.

For me, the real innovation I want to see happen, that I want to help drive, is the marriage of the game and the player tracking system. So when a player identifies himself to the system, the game reconfigures itself to what it thinks the player would most like. Don't give the player the burden of having to make an infinite number of choices. Come up to him and say, "Oh, Mr. Smith, would you like to play 'Double Diamonds' tonight? That's your favorite game, right? Well, we have a new innovation on it. Here it is." And of course, you have the option to choose other things, but let's try to anticipate people's needs and make them feel important. Let's configure the games automatically to serve the players' desires, not count on the player to just push a bunch of buttons.

**Does the difficulty in that lie with—when we do move to server-based games and the devices on the casino floor itself essentially just become boxes—that players will find it hard to find, or be attracted to, any new games?**

That's a good point, and if we go into the understanding of the emotional elements of a game that a person likes, then we can sort of do the "Amazon tour" thing. We know you 'Double Diamonds,' well we think you'll also like this 'Red, White & Blue' game as well. Would you like to try it? And here's \$5 of free play to do so. You wouldn't say that to everyone, but you can truly analyze a player's play patterns and history and try to deduce from that his desires. One of the things that GameLogic brings into this is taking your basic demographic information and going out to other databases and looking for more information to fill in about your personality. It will help us to anticipate your

desires and be to serve you the player better.

### **What's the most important lesson you've learned in developing new concepts and technology in this industry?**

It takes a long time to get everybody to do it. I never would have guessed it would take 10 years for player tracking to be widely accepted. I never would have guessed it would take 10 years for bonusing to be widely accepted, or for progressives to take three or four years. Our industry, understandably, is slow to adapt to new things. That's because there's an income level it already enjoys that it must protect. It has to be very careful it doesn't screw it up by going to the next thing.

### **Have things gotten better in recent years, or is it still the same?**

It's still the same because at the end of the day, the casinos are right. That's their business. They can't risk what they have for more because they are already making a lot of money. Whether they are answering to shareholders on a quarterly basis or they are answering to tribal councils and tribal members, all of these people come to have an expectation of a level of income production they don't want to see threatened. Now against that, if you don't make changes, you're going to die. So what I've learned is that you always have to look for the customer that's hungrier than the next guy—the guy who's in second or third place that wants to be in second or first place. They're the ones that will step out on a limb further. But you also have to allow in your development cycle more time for the market to understand and gain confidence in your ideas. You have to find ways to introduce your products that make it less risky for casinos to try them. It's not a technical lesson, it's not an innovation lesson, it's a reality lesson. If I were the casinos, I'd feel the same way they do. It's our job to adapt to them.

### **How about your funniest or most memorable moment?**

I can tell you the dumbest thought I ever had. That was in the late-1980s. I distinctly remember that I was in a car with a bunch of people. I had some people in from Europe and we were driving down the Strip one night and went past where The Mirage was being built. I looked at that and I said to them, "That's one too many casinos for the Las Vegas Strip." I really believed that at the time and so did a lot of other people. Clearly, I could have not have been more wrong. It shows that we cannot simply connect two dots from the past and project whatever that line's trajectory into the future is and say that's where we're going. Things change. Steve Wynn recognized, for example, that people wanted a higher level of service, a more dramatic experience. And he delivered it. He was willing to spend up front that ungodly amount of money—\$700 million—that would now be the cheapest casino being built today. Nothing significant is under \$1 billion anymore. We've seen other sea changes in Vegas as well. For instance, when Caesars built the Forum Shops—who would have ever thought that shopping could be this big. Or when Sheldon Adelson said, "People will pay \$300 or \$400 a night for great rooms in Las Vegas." And he built the Venetian, and everyone said, "oh, that's not gonna work." And it did. Now, he's a very wealthy man because of that.

### **Those calculated risks can pay off.**

Or sometimes the uncalculated ones too—the guesses about what people are going to want. By definition, when you do these things, there's nothing to calculate them by. It has to be an intuition. There's no prior example to say this has worked before. The lesson there is don't be afraid to fail. You've got to try new things because that's where the future is.

### **How many times would you say you've failed at something?**

Oh my gosh, way more than success. From product ideas that didn't work to companies that didn't work. I remember in between EDT and Mikohn, I started another company called JFA Enterprises in which I was building replacement circuits for slot machine hoppers. It was a time when the hoppers were all electromechanical and they were always getting out of alignment and paying out a couple of coins too many or a couple of coins too few. I spent about a year developing an electronic circuit that would solve that problem. I made it so that you could buy this circuit for \$200 and slide it into a slot machine. But in the meantime, manufacturers like IGT were building entirely new electronic slot machines. By the time I got my circuit done, there was no market for it. People would say, "I don't want to buy that, I'll just buy a whole new slot machine." I got whacked.

One of the things I learned from that is not to chase your competitors because you want

to have original ideas, but you want to be aware of what they're doing and how that might impact you perceive as being an innovation.

A lot of times you can use failure as a great lesson. But to some extent, too, any new project or new business is a little like pulling a handle on a slot machine. You can pull the handle perfectly well and sometimes it just doesn't come up with a winning outcome. You've got to be willing to put in more money and pull the handle again.

**Your interests expand beyond the gaming industry as well. You were involved with a bicycle company for a bit, correct?**

Yes, I was really burned out from Acres Gaming and the lawsuit and the stress of trying to get people to adapt to bonuses and all that stuff. So when I sold out of Acres Gaming, I was living in Corvallis, Ore., where we still live. There was this local company, BigHa that made bicycles and I invested in that. They continued to have trouble, so I invested more along with a friend. Before we knew it, we were in it pretty deep. We thought we could make a real go of it by making a high-end bike with lots of technology on it, and we were wrong. We made a great bike and we had a couple thousand customers and they liked it. But in the scheme of things, we could not stand up to the low price of Chinese labor (used by competitors) and to their ability to make a high-quality product for very little money. The bike and bicycle company still exists today as a great example of what I think is a product achievement that has not been a profitable one.

**What other interests do you have?**

I do some stuff in astronomy. I was bigger into that a couple years ago than now because of time. In fact, the same company that is the bicycle company, we made a binocular chair for observing stars at night. It's motorized and tilts back and you can look at look at most anything you want. But one of the things we found people had a hard time with was getting the binoculars pointed at the place they wanted them pointed at. It's not as easy as it looks. So we ended up putting a green laser on top of the binoculars. The nice thing about a green laser is that it just looks like a little line pointed into the sky, so you could just point the binoculars until that line touched the object you wanted to look at. The laser business has become a nice little business that my other son, Miller, runs now. He just sells thousands of lasers.

Do you remember a couple of years ago when there was that big commotion about the guy pointing a laser at an airplane? Well that was ours. I remember I was home one morning and the phone rang. It was 6:00 a.m. and the guy said, "I'd like to speak to John Acres. I'm so and so from the New York Times, do you have any comment on this laser incident?"

**You didn't know what was going on, did you?**

No, I didn't know. I asked what he was talking about and he said, "Well, the FBI has identified the product used as being bought from you, and what is your comment on it?" I was like, uh oh, this isn't good. So we thought about it for the day and wound up putting out a press release that night saying green laser pointers will not melt the wings off of airplanes. It was pretty cool because we didn't go a whole lot of press releases. In fact, that was the first one I'd done outside the gambling industry. The next day, I wound up being on Neil Cavuto's show on FOX News talking about lasers and after that I did about 30 different television interviews and 40 different radio interviews and we were in literally thousands of newspapers about this stuff. Our green laser business went through the roof. Our server crashed for days on end after that. It was incredible. You hear people talk about there being no such thing as bad publicity, well that was a great example. The other thing I did is, I was out with my wife and a laser one night and were pointing out different stars. She asked what this star was or that one, and I said I couldn't remember them all. It was then I thought to myself that it would be really cool if you just had something that could tell you what you're looking at. I ended up spending about a year on making a device where we have a magnetic compass that gives what direction you're pointed in and another device that gives the angle you're pointed at and then you know what time it is and what location it is, and it can tell you what object you're looking at. A little voice comes on and says, "This is Sirius," and can tell you about the legend that constellations have around them and stuff. I ended up licensing that patent just a few weeks ago to Mead Instruments. They're the biggest consumer telescope company around. They're going to make the product. They've got a nice little twist on it in that you'll be able to point a laser at an object and it will tell you what it is, but they also have a little video screen on there, and it will also pull up a little Hubble Telescope picture of

what it would look like if you could see it up close.

**Is there anything you'd change about your experience in the gaming industry?**

No, I've had a great time. I mean certainly you can always be more efficient with what you did. But I think you're a product of all your experiences—good and bad, successes and failures. I just can't imagine a better way to spend the last 30 years of my life. I guess the best way I can describe my satisfaction with this business is that I'm certainly encouraging my kids to go into this business. I think it's a fantastic business. You get to please a lot of people, there's good profit margins and it's a young business where you have a chance to make a difference.

—*Andy Holtmann*

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