

■ WHAT EFFECT DOES THE PRESENT ECONOMY HAVE ON HOLD PERCENTAGE?

By Bill Zender



One problem crops up when using table game hold percentages for determining game performance; it's based on two separate variables, table drop and win, that have a very weak link with each other. To establish win, we need to subtract the table chip float shortfall during the period of calculation from the money dropped by the dealer into the box. Then we must divide the amount of table win by the drop to determine what percentage of the player's money is kept by the casino during the wagering process.

For instance, if the players buy-in for more money than they are willing to place in gambling jeopardy, the hold percentage will drop regardless of the game diligence of the floor supervisor or how well the dealer handles his game. Hold percentage is influenced by a number of gaming variables. Several of the more important and tangible variables are as follows:

- Percentage of the customer's buy-in they wish to place in jeopardy
- How much time the customer allocates for play in the casino
- The game pace achieved by the dealer
- The time it takes to shuffle the cards
- The frequency of the shuffle process
- In blackjack, the deck penetration of the shoe or deck
- The degree of customer service exhibited by the employees
- The mathematical house advantage of the game
- The playing knowledge of the customers (blackjack and alternative games)
- The effect on time regarding procedures such as fills and cash buy-ins
- The effect of specific game internal controls regarding time requirements
- Player comfort issues (chairs, lighting, air condition, etc.)
- The casino's ability to serve alcohol at the gaming tables
- Limited hours of operation

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These variables represent a “grab bag” of functions that change from casino to casino, or from customer to customer. Because of the quantity and independent nature of these variables, it is extremely difficult to pin down the exact source of the low hold percentage problem. Instead of trying to determine the source of the problem, management needs to focus on ways to drive hold percentage and revenue up. Why spend energies determining the “cause” when you should be allocating energies to the correction of known problems?

The Economy’s Effect

When the economy takes a dive, like it has in the past several years, many of your players will still gamble, but they will do it very cautiously. Believe it or not, gaming is recession-proof to a point. The true gambler will gamble at all costs. He would rather spend his money gambling than paying the monthly house payment. Sounds bad, but it’s true. The lower level of play, which the industry is presently experiencing, doesn’t come from the true gambler, but from the less enthusiastic gambler—the person who treats casino gaming as entertainment.

When personal income starts to diminish, the first notch in their budget belt is dollars spent on entertainment. Since this person uses a trip to the casino as an entertaining experience, and not an outlet to placate his urge to gamble, his time at the table, and the amount of money he might place in jeopardy, is reduced or eliminated entirely. The guy who once thought nothing of buying in for \$500 and playing until he had either exhausted his buy-in, or tripled his money, is now “scared” to lose the buy-in or exploit any wins. He wants to cut his losses or take the money and run. This theory reduces average bet, time played on the table, and the amount of buy-in that will be risked. This situation is known in the gaming industry as “playing with scared money.”

This “scared money” not only lowers live game revenues; it greatly decreases the game hold percentage as well. The results from Table 1 illustrate the estimated win and hold percentage created by the play of an average blackjack customer.

Table 1 – Effect on win and hold through reduction of time played and average bet

Metrics	A	B	C	D
Buy in	\$300	\$300	\$300	\$300
Average bet	\$20	\$20	\$18	\$18
Rounds per hour	60	60	60	60
House advantage	1.50%	1.50%	1.50%	1.50%
Win per hour	\$18	\$18	\$16.20	\$16.20
Hours played	2.0	1.8	2.0	1.8
Hold percentage	13.3%	12.0%	12.0%	10.8%

Column A illustrates the assumption for play of your average blackjack customer who gambles primarily for entertainment. The customer buys into the game for \$300, has an average bet per hand of approximately \$20, experiences approximately 60 hands (rounds) per hour on a partially filled table, is subject to a mathematical house advantage of 1.5 percent, and plays for two hours. As you can see from this table, under Column A the house is expected to win, in theory, \$18 per hour, and hold 13.3 percent of the customer’s initial buy-in.

Since the “scared money” theory affects the player’s time on the table, Column B shows what will happen if the customer’s “hours played” drops by 10 percent. You will notice the hold percentage drops to 12 percent from the previous level of 13.3 percent. Since the player spends less time in action on the table, the casino will win a smaller percentage of his money and his initial buy-in at the table. The effect from the player’s reluctance to lose more of his initial buy-in, as well as his new “take the money and run” gambling philosophy, will shorten the blackjack customer’s time “in action” on the table, reducing his number of hand decisions.

During poor economic periods, the customer who gambles for the entertainment value will drag down the live game hold percentage.

The second effect of “scared money” is a reduction in his average bet. This is due to his reluctance to exploit winning sessions and his desire to wager less money per hand. Based on an average bet reduction of 10 percent, Column C also shows a reduction in hold percentage. This diminishing effect is centered on the reduction in win per hour. Even though Column C assumption does not take into consideration a reduction of time on the table, the lower average bet produces a small win per hour for the casino, and subsequently, a small portion won from the customer’s initial buy-in.

Column D illustrates the effect when both factors are combined. As you can see, the reduction in time on table and the diminished average bet produce a smaller gaming win return from the player and his initial buy-in. These factors drop the hold percentage from 13.3 percent down to 10.8 percent, a drop of 2.5 percentage points. Because the entertainment-based blackjack customer has a greater aversion to loss, the effect of by product, less time on table and lower average bet, have a significant effect on the games hold percentage and eventual table win.

The Effect of Scared Money in Blackjack

During poor economic periods, the customer who gambles for the entertainment value will drag down the live game hold percentage. Consider the following assumptions for the live game of blackjack in a medium-sized casino:

- 30 percent of the blackjack drop comes from true gamblers.
- True gamblers will gamble the same in a poor economy as they would a good economy.
- 70 percent of the blackjack drop comes from players who gamble for entertainment.

- 20 percent of the entertainment gamblers will quit gambling entirely.
- Of the remaining entertainment gamblers, the scared money effect will shorten their playing time by 10 percent and reduce their average bet by 10 percent.
- The change in time played and average bet will lower the hold percentage, for their action, by 2.5 percentage points.

Table 2 brings to life the difference between two different years, in this case 2007, a year of prosperity, and 2009, a year where the economy hit a career bottom. In 2007, this medium-sized casino dropped a total of \$43 million in blackjack, and won approximately \$5.9 million for a hold percentage of 13.7 percent. However, in 2009, the drop in blackjack declined approximately \$7 million while the win fell by approximately \$1.45 million, sending the hold percentage dropping by 1.7 percentage points.

Table 2 – Overall effect of scared money in blackjack at the XYZ Casino

2007		2009	
True Gamblers		True Gamblers	
Drop	\$12,900,000	Drop	\$12,900,000
Win	\$1,677,000	Win	\$1,677,000
Hold %	13%	Hold %	13%
Entertainment		Entertainment	
Drop	\$30,100,000	Drop	\$24,080,000
Win	\$4,214,000	Win	\$2,769,200
Hold %	14%	Hold %	11.5%
All Gamblers		All Gamblers	
Drop	\$43,000,000	Drop	\$36,980,000
Win	\$5,891,000	Win	\$4,446,200
Hold %	13.7%	Hold %	12%

Based on the previously stated variables, customers who gambled for entertainment reasons reduced the drop, win and hold percentage by a large number. The “scared money” effect contributed to the overall blackjack profit and hold reduction.



BILL ZENDER



Bill Zender is a former Nevada Gaming Control agent, casino operator, professional card counter and present gaming consultant. He has been involved in various areas of gaming and hospitality since 1976. He can be reached at wzender@billzender.com.

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