

LIVE GAMING CALISTHENICS: HOW THE LIVE GAME EXECUTIVE TRAINS FOR 2010

By Bill Zender

There are a number of areas that the live gaming casino executive needs to “tune-up” for the upcoming year. Although it’s projected that 2010 will provide the gaming industry with the first upward revenue trend in the last three years, only the more intelligent and live-game savvy executive will be able to make a respectable difference in the performance of his or her table games. To accomplish this goal, executives need to get themselves mentally in shape by adhering to a training list of “intellectual gaming” calisthenics that will sharpen their abilities to optimally drive live table game revenue.

In past years, the casino executive didn’t have to stay in shape to hold his or her own in the less competitive gaming market. However, in today’s casino environment, the gaming executive who is in the best mental shape will be able to achieve market and revenue gains in these murky waters of a brighter, but continually sluggish economy. Following are seven intellectual gaming “exercises” that the smart casino executive needs to focus on and learn before he or she can become successful in this upcoming year.

1. Understanding the mechanics of live game hold percentage

Many executives live and die by their games’ hold percentage, but very few understand the mechanics behind its rise and fall. The bright executive will learn hold percentage variables. What effect does “time on the table” have on hold percentage? How do time and motion issues change the hold percentage and why? Is a low hold percentage a direct reflection of operation and staff performance, or does it have more to do with normal statistical variances that are uncontrollable?

Understanding the mechanics will better arm the executive for normal positive and negative cycles and allow him to better brief his superiors as to the true reasons behind these movements. Many live game managers have been bullied into making unnecessary game and procedural changes due to their inability to keep upper management sated during temporary downturns. These procedural changes generally cause more harm than good, usually reducing game decisions, but falsely provide upper management with some change nonetheless. Understanding the mechanics driving hold percentage, and possessing the ability to effectively relate these variables to the executives attending your weekly revenue meetings, will become an invaluable tool for the informed casino executive.

2. Achieve the mathematical ability to correctly calculate table game house advantage

I’m still surprised at the number of table game managers and VPs of

casino operations who do not know the mathematical house edge for the different table games within their bailiwick. The mathematical house edge, or house advantage (H/A), is the factor that drives table game revenue. The intelligent casino executive needs to be able to recite these percentages off the top of his head. What’s the H/A of double zero roulette? If you don’t know it’s 5.26 percent, you’re in trouble. The smart executive also needs to know what H/A represents in theoretical win. What’s the theoretical win on the “player wager” in baccarat if the customer is wagering \$100 (or a series of bets that equal \$100)? If the casino executive doesn’t come up with the theoretical win amount of \$1.23 (1.23 percent of a \$100 wager), then he or she needs to “bone up” on his or her H/A percentages and theoretical win conversion. You won’t believe the number of executives in charge of table games who tell me that they “don’t understand” math. It’s time to learn.

3. Know and practice live game time and motion issues

One of the biggest revenue killers in live table games is the executive’s inability to grasp the concept surrounding game time and motion issues. A large number of table games managers do not understand the importance of achieving more game decisions. The greater number of game decisions, the more revenue the games will generate. The number of table decisions also affects the hold percentage of the games. The more decisions, the more revenue generated from the customer’s cash and credit buy-ins, ergo a decrease in the difference between buy-in and win, ergo an increase in game hold percentage. Concerns in the area of game protection procedures have a direct effect on time and motion issues. Some managers believe that it’s better to keep the slower but safer procedures. They fear the tangible embarrassment that someone might beat their games.

Many executives place a higher value on game protection than the number of achievable game decisions, and actually create situations where they limit revenue production. For instance, protection against the “over inflated” threat of card counting has cost the casinos, in game decisions, a hundred times as much revenue as the actual loss to the occasional professional card counter. This next statement is made in complete comfort: “More than 95 percent of all money lost to card counting has been done by the casinos against themselves through decision-slowness game protection procedures.” The wise executive understands that increasing time and motion produces more game revenue, and any threat from card counting falls under the function of “risk mitigation” and training.

4. Develop optimal strategies for table limits and live game yield management

The 2010 casino executive needs to understand the importance of table game limit yield management, and the amount of “found money” that can be created through developing optimal table minimum limit strategies. Yield management price strategies have done wonders in the hotel and airline industries—why hasn’t it been applied to live table games? Although many executives focus on the maximum table limit and loss volatility, the savvy executive knows the real money is found by adjusting the minimum limits.

There are several areas of table limit yield management to consider, but the two most important strategies involve (1) establishing and moving table game minimums based on levels of business and utilization, and (2) raising table limits to maximize profits based on the player(s) at the table. Neither table limit situation nor the strategies needed to maximize the yield effect are easy to master. The intelligent casino executive needs to learn the mathematical advantages behind these situations, and then develop a reasonable and workable strategy that will optimize each need. Work invested in this area will develop into time well spent by the end of the year. There’s plenty of “found money” hiding in table minimum yield management, and all you need to do is dig around to find it.

5. Learn and understand table game win and loss ranges based on statistical fluctuations

If a casino executive fails to study and understand statistical fluctuations and range of win/loss, it is equivalent to an ocean fisherman not learning the tidal schedule. Every game of chance is subject to fluctuations of results. Flip a coin 10 times; did you achieve an outcome of five heads and five tails? Even with a mathematical edge, the win/loss outcomes are not predictable and fluctuate greatly. Sometimes the up

and down cycles are relatively mild in nature. Sometimes the ups and downs are quite drastic.

The savvy casino executive needs to understand that these cycles will occur and must understand how to cope with the negative outcomes. One of the best methods for identifying these natural and random trends is to examine historical numbers. Look for the highs and lows with game win and hold percentages, and determine the future expected range length. Sometimes the executive can calculate these fluctuations using standard deviation statistics. Standard deviation models are used in casino marketing to determine length of play necessary when doing rebates on losses.

If you understand standard deviation and how it applies to win/loss ranges, periods of negative fluctuations will be easier to explain to executive committees that possess limited live game experience and a low tolerance for temporarily poor revenue results.

6. Rely on outsourcing of critical situations or problems that arise

This section might sound a little self serving since I am a gaming consultant, but this is a very important issue that needs to be addressed. One of the biggest problems in gaming is for an organization to fail to search for answers outside their operational structure. Right off the top of my head I could fill a magazine page with the names of casinos that got burned making wrong decisions or were fleeced through an advantage play they didn’t recognize. I remember one incident in Atlantic City in the late ’90s that cost a major casino \$1 million over a three-month period. The advantage player used a technique they were unfamiliar with and their ego prevented them from going outside their organization to ask for a second opinion.

Game protection isn’t the only area open for productive outsourcing: Better management and customer service training, optimal staffing techniques, methods for improving revenue through better game

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procedures, training regarding changing regulatory issues, and marketing based ideas and techniques are other areas. Other industries have found out that relying on internal sources for your information leads to organizational stagnation. It's time to shelve the egos that are prevalent in the gaming industry and outsource to others in the industry who specialize in gaming areas in which the executive is not well versed.

7. Dedicate the gaming operation to a policy of excellent customer service

This is the most valuable of the seven "gaming calisthenics." There are two ways to obtain a competitive edge in most industries. First, offer a product or service that is unique and is not provided by any other company in your market. This can be based on a technological breakthrough, or a product or service no one else is in a position to offer. Second, provide the same product or service at a lower price. This is seen when a company structures its sale to provide the consumer with goods at wholesale prices.

In the gaming industry, only one of these methods accomplishes this goal. A competitive edge in gaming is achieved when an organization offers a unique gaming experience by building a big, beautiful casino with volcanoes and roller coasters. A building and amenities that the competition cannot easily duplicate allow the organization to provide a gaming experience that is unmatched for a number of years.

The only other means for an organization to secure a competitive edge in gaming is to provide superior customer service. Providing superior customer service takes a commitment from the entire organization, is considered a "health" investment in capital, and must be treated as a "work in progress." Management must understand that the organization will never reach the "pinnacle" where they can stop and admire their work; they must keep pushing forward in a continual process for achieving the best service for their customers.

Final Comments

Think long and hard on the advantages that can be gained from the previous seven "gaming calisthenics" categories. If you subscribe to these different areas of mental management, your organization will surely benefit. Focusing on these areas will help develop your live game operation's core values. It's the strength of an organization's core values and beliefs that make the biggest difference during tough times; not flash, not glitz, not who wears the best looking suit.

If you understand the mechanics of hold percentage, optimize your live game revenue potential through reviewing each games' mathematical house advantage; promote the need for game speed and table game decisions; develop a strategy with your staff that maximizes table minimum limits; teach your superiors that negative fluctuation is normal and to not stress over temporary dips in the hold percentage; seek outside help when serious problems occur; and treat customer service as an ongoing, never ending campaign for excellence. Only then you will turn your organization into the leader, not the lagger, and make 2010 a year of success and optimism. Failing to plan is planning to fail, while failing to make a commitment is a commitment to fail.



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@lastresortconsulting.com.