

MOTIVATING YOUR DEALERS: LETTING THEM KEEP THEIR OWN TIPS

By Bill Zender



Michael had his hands full. As the managing executive of a medium sized property located in the south-most region of Nevada, he was having a hard time motivating his dealers and being competitive on a recession-ravaged market. His biggest problem was his pit games; table game hold percentage was low, the game pace crawled along, and the quality of customer service in the pit was “hit and miss” at best. Worse yet, his pit games didn’t produce a positive return. The cost of labor, benefits and equipment, month after month, were greater than the revenue produced by the games. Subsequently, the dealers were earning minimal tips for various reasons, and Michael had a difficult time retaining a good and personable dealing staff. At the same time, he was unable to attract the better quality pit employee that he needed to improve his pit conditions. Michael also understood the importance of time and motion issues and customer service, and to attain satisfactory levels of each, he needed to give his dealers some additional incentives. But what could he do to get his pit crew on track?

In recent years, there has been resurgence in allowing the dealers to keep their own tips instead of contributing their tips to a dealer tip pool. The epicenter for this shift in tip allocation started in California. In the ‘90s, many of the Native American gaming operations were restricted by the State of California to Class II live table games, primarily poker. Standard operating procedure for handling poker tips is for the dealers to keep their own tips. This philosophy is still the norm today throughout poker rooms in North America. Several of these operations continued to use the “go-for-your-own” procedure throughout their evolution from card room to Class III casino. These operators were not restricted by the standard belief of old line casino executives that allowing the dealers to keep their own tips was a “license to steal.” One of the pioneers in casino gambling in Nevada, Harold “Pappy” Smith, owner and operator of Harold’s Club in Reno, Nev., figured that he had to win his money “twice,” once from the players and then from the dealer. Pappy’s dealers keep their own tips, and then were allowed to play on the live games during their break. It was not unusual to see a Harold’s club dealer clap off a game, and then sit down on the very same

table and start playing. Pappy figured whatever money they stole off his table, he got back when they “recycled” their ill gotten take.

Why Allow Dealers to Keep Their Tips?

Why do most casino operators shy away from allowing live game dealers, like most poker dealers, to keep their own tips? Most operators believe this procedure increases chip theft, and the dealer’s motivation to give the good tipping players illicit help. In a go-for-your-own situation, any chips stolen from the rack, or illegally connived from a player, represent a 100 percent return for the thieving dealer. This substantial return tips the scales of any risk/reward concerns. Why not risk stealing \$100 out of the rack and put it into my tip pocket if it represents \$100 to the dealer (if he or she gets away with it)? When the dealers “pool” their tips, the same stolen \$100 might only represent \$1 if the dealers are cutting up the pooled tips 100 ways, reducing the risk/reward ratio to an undesirable level. In other words, pooled dealer tips lend a hand at keeping the “honest people honest”.

Given the possibility of risk, why would any live table games operator allow the dealers to keep their own tips? The two biggest factors for allowing dealers to keep their own tips are (1) it motivates the dealers to be friendlier to the customers and to speed along their game pace, and (2) it allows smaller casinos to attract and keep a better quality dealer. Both of these factors are Michael’s shortcoming regarding his smaller casino’s present situation. Allowing the dealers to keep what they earn in tips focuses their attention on their true “business” situation. Any tip-earning employee works for two employers. First, they work for the casino, which most likely pays them an hourly wage slightly above federal minimum. Second, they work for themselves, and reap the rewards every time a customer offers the dealer a toke. When dealers keep their own tips they quickly realize that they are actually in an entrepreneurial situation where the better they promote themselves on the table, the more of a monetary return they will make. “If I’m friendlier to the customers, they will tip me more money. And, if I deal more hands per hour, I will gain more tipping situations which will allow me to also make more money.” There is nothing more motivating than the opportunity to increase one’s personal value.

This leaves the casino executive with his own risk/reward scenario. Are the gains from allowing the dealers to keep their own tips greater than the losses from potential stealing and illicit player help? First, times have changed since Pappy Smith operated a casino. With the use of 24/7 surveillance recording and other technological advancements, the risk has diminished drastically. The dealer can no longer give the players information regarding their hole-card in blackjack since most casinos have opted to use a hole-card peeking device. In addition, most casinos now employ shuffling machines and dealing shoes (even intelligent shoes) that greatly restrict the dealer’s ability to manipulate the cards. Add to it the fact that everything in the casino is being recorded on mostly HD camera equipment, the chances a dealer would attempt to do anything illegal to steal or help players is quite slim. One more element to add to the increased protection list is “communication.” In years past, a dealer caught tipping off the players to the value of his hole-card or hit card, was usually just terminated and became a problem for the next casino down the road. Today, the dealer who is caught and investigated by regulatory authorities will have trouble getting a work permit at any future casino. Not only do the casino and regulatory communication advancements prevent the unethical dealer from continuing his or her exploits, but it also adds to the risk side of the risk/reward equation.

Are There Casinos That Allow Dealers to Keep Their Tips?

At present, there are a number of casinos in North America that allow the dealers to keep their tips. Even though a majority of the Native American casinos are located in California, the trend has branched out to include a number of the western states including Nevada. Based on Stanford Wong’s Current Blackjack News (September 2010) the following states have Native American and non-Native American casinos that allow dealers on live table games to keep their own tokens (see Table 1).

As one can see, in all the states but Washington, this token procedure is done primarily at Native American properties. In Nevada, there is only one Native American property, and it chooses to pool the tips. The largest casino in Nevada that offers their dealers the ability to go-for-their-own is the Eldorado Hotel Casino in Reno. The Eldorado supports a maximum table limit of \$3,000. In California, 17 of the approximately 50 Native American casinos have opted for the same policy. Of these 17 casinos, 15 have a maximum limit exceeding \$500 (the Viejas Casino outside of San Diego has the highest limit in California, set at \$3,000). The State of Washington is subject to an interesting gaming environment. The state allows private enterprises (non-Native American) to open what I refer to as “boutique” casinos. These are smaller establishments that are allowed to offer a limited number of live games, a small number of VLT slot machines and table limits of \$300 or less. Of the approximate 63 boutique casinos statewide, 51 allow their dealers to keep their own tips. Obviously, in order to compete with the 22 large and higher limit Native American casinos, management at these small enterprises have seen an option that helps level the playing field, and they motivate their dealers by allowing them a chance to go in business for themselves.

Table 1: Native American and Non-Native American Casinos that Allow Dealers to Keep Their Tips

California	Non-Native American	Native American
Limits under \$500	0	2
Limits over \$500	0	7
Limits over \$1000	0	8
Nevada		
Limits over \$500	3	0
Limits over \$1000	2	0
Arizona		
Limits under \$500	0	2
New Mexico		
Limits under \$500	0	1

Oregon		
Limits under \$500	0	1
South Dakota		
Limits under \$500	0	1
Washington		
Limits \$300 & under	51	0
Limits \$500	n/a	3

Did Michael Make the Right Move?

With his back against the wall, Michael took the plunge and mandated that the dealers could keep their own tips. After six months, looking back, did Michael make the right move? "You bet I did," Michael stated. "My hold percentage is up, my game pace has increase to an acceptable level, and most importantly, my pit is making money." After determining a date to switch over from pool tips to go-for-your-own, and offering training in customer service and game pace importance, operational performance increased at a steady pace. In addition, Michael doesn't have to go looking for new dealers; they come looking for him. Once the word got out that his casino was allowing the dealers to keep their tips, a number of dealers came snooping around wondering if Michael had any current job openings. There's another plus: the cost to the casino of instituting the new tip procedure is minimal.

Based on Michael's situation, he opted for a different and radical solution. He took the right step and saw improvements over a short period of time. Since game pace and customer service are the two primary factors that contribute to the success of any live game operation, he was able use a simple motivation technique known as "ownership," and instills that belief in his dealers. Now the dealers are not only employees, but individual entrepreneurs who understand that the better the casino operates, the more money both they and the casino will make.

Pros and Cons of Keeping Your Own Tips

Pros

1. Increases levels of customer service, which keeps the customer playing longer and motivates the players to return in the future. Also decreases the effect of player desertion based on gambling loss.
2. Increases game pace which increase decisions and revenue.
3. Gives the dealer a sense of ownership. Ownership increases morale, attendance, job longevity and positive work conduct.
4. Helps to retain and attract better employees.
5. Allows the operator to increase each dealer's time on table which lowers payroll expense.



Cons

1. Increases the possibility for theft and illicit dealer help.
2. Increases the chance dealers might deviate from procedures with players who tip well.
3. May result in money layoff between the dealers and the person responsible for doing the scheduling.
4. If the tips aren't reported by the dealer accurately, this failure to report could result in a number of employees getting into serious trouble with the IRS.
5. If under the present tip pooling agreement the dealers receive vacation tips, allow adequate time for vacations before rolling into the new tip procedure.



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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