

CASINO-OLOGY₂



**New Strategies for
Managing
Casino Games**

Bill Zender

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Dedication

To my loving wife René Alma Zender.
Without her support and editing skills,
Casino-ology 2 would never have been written.

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Introduction

This is the second in the *Casino-ology* series. My first book, *Casino-ology*, was published in the midst of a boom economy, when the build-it-and-they-will-come mentality prevailed in the industry. *Casino-ology 2* is being released during a very different economy, one that's not just "down," but for many in the industry, devastating. In such times, casino managers face vastly different challenges and this book addresses them.

Much of what makes up both editions comes from articles I've written for various casino trade magazines. However, they were written with these books in mind, destined to become subsections of chapters on casino management, as well as table-game management and protection. They've been expanded (or tightened) for their compilation into the books and stripped of the magazine style and formatting. Hence, while you may have seen portions of some of these chapters

somewhere else, you probably haven't seen the entire treatment that appears here.

Since the best casino managers possess strong math skills, both books are full of numbers. Mathematically speaking, gambling is a precise business. But in lots of situations, there are so many variables to consider that it would require too much space to be absolutely precise. Given this reality, I've blended numbers in some areas to cover a range of results. Don't worry, the degree of precision necessary is provided, which means you're good to use the numbers I present when applying them to your specific situation.

The casino business is continuously evolving in technology and psychology and it's imperative that casino managers stay up to the minute in reacting to all the developments. With that in mind, I invite readers to send any questions or comments relating to either book, or observations about the ever-changing casino landscape, to me at wzender@billzender.com.

Section I

Casino

Management

1

Live-Gaming Calisthenics

How the Live-Game Executive Trains for the New Year

The live-gaming executive needs to tune up a number of areas for the upcoming year. In these troubled times, only the more intelligent and savvy executives will make a positive impact on the performance of their table games.

To accomplish this goal, executives need to get themselves mentally into shape by engaging in “intellectual calisthenics” that will sharpen their abilities to drive live-table-game revenue. In past years, casino executives didn’t have to stay in shape to hold their own in the less-competitive gaming market. However, in today’s casino environment, the gaming executive with the best mental conditioning will achieve market and revenue gains in the murky waters of a sluggish economy.

Following are seven intellectual gaming “exercises” that

smart casino executives need to focus on and learn to ensure success in the upcoming year.

Understanding the Mechanics of Live-Game Hold Percentages

Many executives live and die by their games' hold percentages, but few understand the mechanics behind their rise and fall. The bright executive learns 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 better arms executives for normal positive and negative cycles and allows them to brief their superiors on 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 placated during temporary downturns. These changes generally cause more harm than good by, 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 the weekly revenue meetings are invaluable tools for casino executives.

Correctly Calculate Table-Game House Advantage

I'm always surprised by the number of table-game managers and VPs of casino operations who still don't know the

house edge for the different table games within their bailiwick. The house edge, or house advantage (H/A), is the factor that drives table-game revenue. Intelligent casino executives need to be able to recite these percentages off the top of their heads.

“What’s the H/A of double-zero roulette?”

If you don’t know it’s 5.26%, you’re in trouble.

Smart executives also need 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 you can’t come up with the theoretical-win amount of \$1.23 (1.23% of \$100 wagered), then you need to “tone up” on your H/A percentages and theoretical-win conversion.

You wouldn’t believe how many executives in charge of table games tell me that they “don’t understand” math. It’s time to learn.

Know and Practice Live-Game Time-and-Motion Effects

One of the biggest revenue killers in table games is the executive’s inability to grasp the concept surrounding time-and-motion issues. Many table-games managers don’t understand the importance of achieving more game decisions. The greater number of game decisions, the more revenue the games will generate.

The number of 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, therefore a decrease in the difference between buy-in and win, therefore an increase in hold percentage.

Game-protection procedures also have a direct effect on time-and-motion issues. Some managers believe that it’s bet-

ter 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 again the over-inflated threat of card counting has cost the casinos, in game decision, a hundred times as much revenue as the actual loss to the occasional professional card counter. This next statement is made with complete confidence: More than 95% of all money lost to card counting has been perpetrated by the casinos against themselves through decision-slowing game-protection procedures. “Buff” executives understand that increasing time and motion produces more game revenue and any threat from card counting falls under the function of “risk mitigation” and training.

Develop Optimal Strategies for Table Limits and Yield Management

Casino executives need to understand the importance of table-game-limit yield management and the amount of money that can be “found” through developing optimal minimum-limit strategies. Yield-management price strategies have done wonders for the hotel and airline industries. Why haven’t they been applied to table games? Although many executives focus on the maximum table limit and loss volatility, savvy executives know the real money is found by adjusting the minimum limits.

Of several areas of table-limit yield management to consider, the two most important strategies involve establishing and moving table-game minimums based on levels of business and utilization and raising table limits to maximize profits based on the player(s) at the table. Neither table-limit situations nor the strategies needed to maximize the yield effect

are easy to master. However, mentally muscular casino executives learn the mathematical advantages behind these situations, then develop a reasonable and workable strategy that optimizes each need. Work invested in this area develops into time well-spent. Plenty of found money is hiding in table-minimum yield management and all you need to do is dig around to uncover it.

Learn and Understand Table-Game Win/Loss Ranges Based on Statistical Fluctuations

If a casino executive fails to study and understand statistical fluctuations and range of win/loss, it's equivalent to an ocean fisherman not learning the tidal schedules. Every game of chance is subject to fluctuations of results. Flip a coin ten times; did you achieve an outcome of five heads and five tails? Even with a mathematical edge, the win/loss outcomes aren't predictable and fluctuate greatly. Sometimes the up-and-down cycles are relatively mild in nature. Sometimes they're quite drastic.

Savvy casino executives need to understand that these cycles occur and how to cope with 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 of game win and hold percentages, then determine the future expected-range length. Sometimes you can calculate these fluctuations by employing standard-deviation models used, for example, by marketing that 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 have a low tolerance for temporarily poor revenue results.

Outsource Critical Situations That Arise

This section (and a couple other sections of this book where I address this subject) might sound a little self-serving, since I'm a gaming consultant, but this very important issue needs to be addressed. One of the biggest problems in gaming arises when an organization fails to search for answers outside its operational structure. Right off the top of my head, I could fill a page listing the names of casinos that got burned making wrong decisions or by 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 management was unfamiliar with and the managers' egos prevented them from going outside their organization to ask for a second opinion.

Game protection isn't the only area open for productive outsourcing. Other possibilities include better management and customer-service training, optimal staffing techniques, methods to improve revenue through better game procedures, training regarding changing regulatory issues, and marketing-based ideas and techniques. 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 gaming and outsource to others in the industry who specialize in gaming areas in which executives aren't well-versed.

Dedicate Gaming Operations 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 isn't 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 sales to provide the consumer with goods at wholesale prices.

In the gaming industry, only one of these methods accomplishes this goal. A casino achieves a competitive edge when it 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 casino to provide a gaming experience that's unmatched for a number of years.

The only other means for a casino to secure a competitive edge is to provide superior customer service. This takes a commitment from the entire organization, is considered a "health" investment in capital, and must always 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 have to keep pushing forward in a continual process of providing the best service for their customers.

Conclusion

Think long and hard on the advantages that can be gained from these gaming calisthenics. 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, glitz, or who wears the best-looking suit.

If you understand the mechanics of hold percentage, optimize your revenue potential by becoming intimate with each game's house advantage, promote the need for game speed

and table-game decisions, develop a strategy with your staff that maximizes table minimums, teach your superiors that negative fluctuation is normal and not to stress over temporary dips in the hold percentage, seek outside help when serious problems occur, and treat customer service as a never-ending campaign for excellence, you'll turn your organization into the leader, not the lagger, and make next year one for optimism and success.

Failing to plan is planning to fail, while failing to make a commitment is a commitment to fail.

2

Robert's Nightmare

Viewing Your Table Games From a Customer's Standpoint

Welcome to the Casino

Robert was new to the area and just couldn't wait to go to the local casino. Today was the day. Robert was a big fan of casino blackjack, especially hand-dealt games. He enjoyed the thrill of most table games and the social interaction that he couldn't experience while "plugging" the one-armed bandits.

Robert parked his car, then walked into the casino looking for the table games. He couldn't see beyond the wall of slot machines. He needed help with directions, but couldn't find a casino employee. The signage was minimal—mostly promotional advertisements on top of the slot machines. So onward he traveled into the casino.

First, Robert ventured to his right, through a bank of slot machines, then down a long corridor. After several yards, he

located the first piece of signage. The restrooms were this way, the parking garage that way, but nothing directed him to the table-game pit. Then Robert spotted an illuminated sign advertising Caribbean Stud Poker sticking over the tops of the slot machines. He headed in that direction.

When Robert arrived at the pit, he spotted a hand-pitched double-deck game and immediately sat down. He laid out five \$100 bills near his betting circle for chip change. Without saying a word, the dealer pushed the currency back toward Robert and began dealing the next round to the lone blackjack player at the table.

Shocked at first, Robert recovered and told the dealer he wanted to change his cash for chips. Again without saying a word, the dealer pointed to a small sign that sat in a corner of the table. It was hard to read, due to the low level of lighting in the casino, so Robert asked the dealer what it said. “It says we don’t allow anyone to enter the game until I shuffle the cards,” explained the dealer.

This was strange to Robert, as he wasn’t familiar with the “no-mid-game-entry” rule, but what could he do? So Robert waited. After several rounds dealt to the one player at the table, the yellow plastic card appeared and the dealer began his shuffle. When he was finished, he grabbed Robert’s money and called out, “Change five hundred!”

This grabbed the floor supervisor’s attention, even though he was standing several games away inside the pit area. When the supervisor arrived at the table, he immediately asked Robert for a casino player card. Robert explained he was new to the area and this casino and had yet to apply for a card. “Before you buy in for this amount of money, the casino wants you to have a club card,” the supervisor explained. “That way we can track your play, so we know how much cash you’re in.”

When Robert asked him where he could get a player’s club card, the supervisor pointed toward the front door of the casino and said, “It’s over there.”

Off Robert trudged, cash in hand, in search of the player's club booth. Once he found it, he got in line behind several other customers. The only player's club representative was busy inputting new-player information from each new applicant, a somewhat lengthy process.

After 20 minutes, Robert appeared before the representative. After providing his driver's license and some information about his lifestyle and hobbies, he finally received his very own player's club card, along with an informational brochure the representative handed Robert when he started asking questions about the player's club. The representative wasn't sullen, but neither was he particularly friendly; he was just slammed with all the card requests.

Robert headed back to the double-deck game, where he again had to wait several hands until the dealer shuffled up. Then, Robert's player's club card was swiped and his money changed to chips. He placed a \$25 bet. Forty minutes after arriving at the casino, Robert finally got to play his first hand of blackjack.

Welcome to Blackjack

After a couple of hands, Robert increased his wager to \$50 and was dealt a blackjack. The dealer smiled for the first time and congratulated Robert as he paid his winning \$50 blackjack with \$60. Sixty dollars! Robert was stunned that the dealer would make such a mistake. But the dealer hadn't miscalculated at all. He directed Robert's attention to another small sign placed near the corner of the table that indicated "Blackjacks pay 6-to-5." That meant Robert's \$50 blackjack was worth \$15 less than the \$75 paid out at other casinos. What a rip-off!

Robert asked the dealer if every blackjack game in the casino paid 6-to-5 on naturals and the dealer explained that

it was only at the double-deck hand-pitched games, not the shoe games. Robert quickly picked up his chips and headed for one of the less-desirable 6-deck games.

Once at a 6-deck game, Robert took a seat and checked for any “surprise” rule signage. After calming his fears, he slid his player’s club card to the dealer. The dealer promptly picked up Robert’s card and waved it above his head as a signal to the floor supervisor that a player had just walked up to his table.

After about 20 seconds of trying to raise a supervisor, the dealer looking left and right without spotting anyone in the pit with a suit, she dropped her hand and threw Robert’s player club card onto the table behind the discard holder, then proceeded to deal the cards once more.

Robert had already noticed something about the dealers at this casino. Though they weren’t rude, they appeared gloomy, never smiling and rarely taking the time to greet or interact with the customers. Robert pointed out this fact to the dealer and asked why everyone was so down. The dealer said, “Why? Because this place sucks. Management has been laying people off since last spring when the economy started to go bad. Every time we think they’ve stopped cutting back the schedule and laying off help, they let a few more dealers and supervisors go. Everyone is in constant fear they’ll be next to be fired.”

Just then the dealer’s relief appeared at the table and tapped her lightly on the shoulder. Overhearing the conversation, the relief dealer added, “Not only that, but there’s a rumor going around that management is planning to take a portion of our tips to give to the supervisors to help subsidize payroll costs. When we asked management about it, they wouldn’t comment. Tips are down as it is, we’re working only four days a week, and I can’t make my house payment.” As the previous dealer clapped her hands and turned away from the table, she said, “You wanted to know why we aren’t friendly? Well, there’s plenty of reasons not to smile.”

At this point, the supervisor walked over and looked at Robert's player's club card lying on the table. He picked up the card and swiped it, then flipped it back to Robert, never asking the dealers how long he'd been playing at the table.

Welcome to Texas Hold 'Em Bonus

Unhappy about the unfriendly atmosphere at the casino, Robert considered calling it an early day. But then he remembered he wanted to try the new poker-style live game he'd passed while looking for a shoe game. Robert approached the Texas Hold 'Em Bonus game, sat down at a table with several players, and asked the dealer how to play the game. Without saying a word, the dealer reached into a small brochure holder and handed Robert a guide on the object and rules of the game. Even though the information guide appeared to include a complete list of rules, it was difficult to quickly grasp how to play the game. After watching several hands, Robert decided to try and changed his chips so he could bet in \$10 increments.

After basically throwing his money away for a few rounds, Robert started to get the basic concept. Just then, a supervisor approached the game with two new decks of cards. The game was dealt from a machine that shuffled the cards one batch at a time and required the use of two decks, one blue-backed and one red-backed. At the completion of the hand, the dealer removed both of the old decks from the machine and set them on the table for the supervisor. The supervisor took her time thumbing through the new decks, inspecting the faces and the backs of the cards, while the dealer inspected his well-manicured hands.

Once the floor supervisor was finished, she placed the new cards on the layout and picked up the older cards. Then it was the dealer's turn to inspect the cards. He picked up the first

deck, spread it face up in a large arc on the layout, then looked at each individual card to make sure the deck was complete. Then he flipped them over and inspected their backs. At the end of the lengthy inspection, the dealer proceeded to mix, or “wash,” the cards on the layout for about 30 seconds, which seemed like several hours to Robert.

Once the dealer finished washing the deck, he picked up the cards and began shuffling. After two riffle shuffles and a strip, the dealer placed the deck into the shuffling machine. Robert wondered why the dealer would go to such extremes shuffling the cards when he had a machine to do it for him. Didn’t the machine shuffle the cards well enough?

Then the dealer picked up the second deck and proceeded to go through the same process all over again. Robert looked at his watch. He had been sitting at the table for five minutes without playing a hand and it appeared that he’d wait longer now, as the dealer was still looking at the backs of the second deck of cards. Robert picked up his chips and headed for the cashier’s cage.

The Customer’s Viewpoint

Is Robert’s bad casino experience uncommon? Not as much as some of us in the gaming industry might like to think. Poor signage, lengthy and unnecessary game-protection procedures, and ill-planned employee layoffs during these slow times have created situations that are unfriendly to customers. Many casino executives don’t see these situations or fail to understand them from a customer’s perspective. When economic times are tough, executives tend to look at the numbers, which unfortunately indicate lower revenues, rising costs, and diminishing profits. But when we concentrate on black-and-white bottom-line numbers, that’s all we see. We overlook the human element involved in the creation of those numbers.

Did the executive of the casino into which Robert ventured know his customer-service skills were lacking? Did he understand that all the game procedures, club-card policies, and staffing realignments would transfer his operation into a player's nightmare? Probably not.

Even during trying economic times, the successful casino executive can't forget the human element. He needs to take a step back from the numbers and ask himself: "Will my customers receive the service they expect? Will I provide them with an adequate choice of gambling options, dealt in a manner that accommodates their wants and desires? Have I taken my employees' concerns into consideration? Are they comfortable with their work environment or are they living in continual fear that the other shoe will fall and they won't be able to meet their own financial obligations?"

In order to prevent Robert from encountering his nightmare in *your* casino, consider the following points.

- Treat customer service as one of the most important elements for success and profitability.
- Assign an employee to greet customers at the door and to answer their various questions.
- Adequately staff the booth and other service areas that are primary points of customer contact.
- Provide adequate casino-floor signage.
- Consider time-and-motion issues in regard to your live games—look to eliminate procedures that are time consuming and customer unfriendly (eliminating "no-mid-game entry" is a perfect example).
- Allow live-game customers the option of receiving players club cards in the pit where they're gambling.
- Limit the number of tables that floor supervisors have to supervise—think saving customers as well as saving payroll.
- Pay attention to employee morale—build confidence

in management and employee job security and don't instill fears of imminent termination.

- Walk the casino floor on a regular basis, observing what really happens, talking to customers, and answering employee questions.
- Keep all stakeholders informed as to changes in direction or attitude of the gaming operation, including employees, vendors, and investors.