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Time is the Enemy of the Player

Not long ago the leadership team of an Indian casino near a major metropolitan area made a strategic decision to attract premium Asian-American table game play. With a clear mandate that the tribe wanted this initiative done correctly, the general manager instructed his marketing team to thoroughly research the value of this gaming segment, identify the amenities and marketing programs necessary to attract and retain this segment and to develop an implementation plan.

The marketing team did an admirable job. They first retained a consulting firm to estimate the size of the market's premium table game market. They conducted focus groups in the primary feeder market. They flew to Las Vegas and met with colleagues who operated premium table game rooms at Strip hotels. They even sent a member of the team to Macau to see how premium table game operations were conducted in Asia.

With knowledge of the target market in hand, they set

about designing a premium table games room and amenity mix that would appeal to this segment. An interior designer, specializing in feng shui, was hired to design a gaming environment that communicated luck and good fortune. The room was built adjacent to the main casino. Research had indicated that, while Asian players liked a certain degree of exclusivity, they still wanted to be near the action of the main room and to be seen by others.

The marketing team also consulted with a chef from one of the city's finest Chinese restaurants to design their Noodle Bar and to train their kitchen staff in the preparation of true Chinese delicacies. Management then recruited two hosts fluent in Mandarin and Cantonese to oversee the room. They in turn trained dealers in protocol and nuances of administering the Baccarat and Sic Bo games. Together with casino management, table game limits and rules were established that would appeal to the premium table game player segment.

The room opened with great fanfare and word quickly spread through the local Asian community that the casino had developed a true "Macau" style Asian gaming pit. While only a few players from the local Asian community actually gambled in the new room, their gaming activity began to make a prodigious contribution to the casino. Within sixty days table drop and win from the new high-end room represented over one third of total drop and win.

Then the fortunes of the casino changed. A Chinese businessman with interests in the local market visited the casino on three successive nights. Each night he sat down at a baccarat table and began to place wagers on every spot with a maximum bet placed on each. By the end of the third night he was up almost a million dollars.

As is often the case, this distressing information was quickly communicated to tribal leadership and the tribe in turn ordered casino management to do something about the loss. The next day the casino made the decision to reduce the size of the maximum bet, limit the number of spots that could be played by one player and imposed other rules that changed the complexion of the game. The next night, the premium player came in and a host explained the new rules. The player left without wagering one chip and never returned.

As word spread through the local Asian community of the change in rules, business volume dropped. Additionally the reputations of the two hosts were compromised as they "lost face" from their guests. The hosts promised a high-end game with high limits and then had to renege on their promise because of the decisions of the tribe and casino management. In order for the hosts to try to maintain their dignity and their face in front of their players, they resigned. Within weeks, the

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hosts were hired by the competition and the hosts were successfully able to convert nearly all their players to the new casino. Eventually, the tribe made a decision to close the high-end table game pit and converted the room into a players' lounge.

At first blush, the reaction of the tribe was understandable. The loss of almost \$1 million represented several months of table game departmental profitability and their actions were an effort to stem any further loss. However, their actions failed to take into account several fundamental principles of casino gaming: if the game math is sound and there is sufficient business volume, the game will eventually produce expected results and profitability.

Every game in the casino has a certain degree of volatility. For the vast majority of games, a sufficient amount of business volume, as measured in slot handle or table game drop, will quickly mitigate any extraordinary loss that may be generated by one particular game or one particular player. However, as the size of the prize increases, the volume needed to recover from the loss increases. Just as it is possible for a new \$100 slot machine or \$25 video poker machine to pay out a top-line jackpot in its first days of operation, so it is possible for a high stakes table game to lose over a short period of time. What is necessary is both the patience to allow the game to play out its course and the courage (and bankroll) to weather any short-term loss. Eventually, every game in the casino will become profitable.

In the above example, leadership over-reacted at the first extraordinary loss. Rather than continue operating under the same rules and limits, management over-reacted, chased away a winning customer, and eliminated any chance of winning their money back. Their actions also doomed their original strategy. If they continued to cultivate their host program and increase the number of players (and therefore wagering volume), the high-end room would have had a significantly greater chance of becoming the most profitable square footage in the casino.

Time is the enemy of the player and a friend to the casino. Volume is another

friend of the casino: the more players there are at each denominational level, the higher the probability that any extraordinary losses will be mitigated by steady levels of gaming win. ♣

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