

The Casino Executive Helper

by Steve Karoul

A simple tool for cost effective complimentary / junket decisions.

I receive numerous calls and faxes from fellow casino executives around the world asking the same questions over and over. Therefore I know that there seems to be a great deal of confusion when it comes to making good, rational, cost effective decisions relating to both casino complimentary guidelines and / or junkets. If you note, I inserted the word 'rational' in the previous sentence. This is because every experienced casino executive fully understands that many of the numerous daily decisions that we make are not based upon rationality but rather upon human emotion. The key issue is what degree of flexibility do you have in your decision making. If you own the casino you can probably do whatever you want. However, most of us do not own the casino and therefore we must be accountable for all of our decisions. However, if we can better demonstrate that we have carefully reviewed and analyzed as many variable factors as possible that can enable us to more accurately evaluate our decisions in advance, then we have done our jobs properly. These factors should be based upon each individual casinos cost factors, theoretical win or theoretical earning potential, total customer estimated costs including commissions and discounts, casino profit based upon theoretical win or EP and finally the profit percentage per individual player or junket compared to theoretical win or EP.

I know that this all sounds very complicated and time consuming. However, it is not. It is actually so simple now using my Casino Executive Helper that you will not believe that it actually works. But I can assure you, it does work, and it works very effectively. Many of the larger casinos in Las Vegas, Atlantic City, Australia, etc. have all spent millions of dollars having very highly sophisticated and complex computer software programs developed to help control their complimentary and or junket expenses. The only problem that I see is that most casino executives today are given a set of complimentary guidelines as part of their casinos Comp Policy or Junket Program but they are not given an explanation of how or why the guidelines work. This lack of knowledge or lack of understanding therefore make it very difficult for the casino executive to make good accurate decisions on situations, questions or problems that can and do fall outside of the normal policy.

For example, what would you say to a new customer who is on the telephone and asks you the following: I heard a lot of nice things about your casino from my cousin, Joe Smith. He suggested that I give you a try. My children are home from university this weekend. There will be six of us. I need a one-bedroom suite plus two additional rooms, RFB for the six of us and transportation from the airport. How much money do I need to deposit and how much do I have to play in BJ to qualify for everything? Can you give him a quick accurate response? If not, he will probably call your competition if he hasn't already. Whether your response is immediate or delayed is not critical. What is important is the response information that you give him. It must be cost effective and it must be accurate otherwise how will you know if your company stands a reasonable chance (theoretical chance) of making a profit. I say theoretical chance of profit because we all know that in games of chance we can not control the luck factor.

What we can control is relating everything to common theoretical or EP values. For example, it is possible to analyze everything in reverse order. We can establish what target profit margin is reasonable for our casino. It is possible to do this in both real costs, our individual casinos actual hard dollar expenses, as well as in theoretical terms. The ideal situation is to create tables that relate everything to common or similar theoretical or EP values. This means that depending upon the actual casino game you can now tell a player how much money he must have available in credit or cash, how many hours he must play and how much his average bet must be in order to qualify for a certain dollar value of complimentaries. This can now be directly tied into your companies comp guidelines but also allow you the flexibility to make quick accurate decisions for the unusual cases.

This can all be done quite easily using the Casino Executive Helper program. Anyone that can use a computer can now have access to this very simple program that basically links three spread sheets together. The first sheet is the control sheet where you actually enter all of your own casinos actual costs such as room costs, average per person food costs, airfare allowance, junket commissions, and any other variable expenses. There is also a provision for you to enter your casinos actual game speed or number of decisions per hour per game as well as the house advantage percentage per game that your casino wants to use. Everything is then compared against a common value that I have selected. The value that I picked is for a baccarat player's average bet as a percentage of his credit line or cash deposit. I selected 1.5% but it could just as easily have been 1% or 2%. This will relate more to what your casinos overall betting limits are.

This all links to the next set of spread sheets, which actually show you on a per game basis the average bet and time required to generate a pre-set target theoretical win or EP. It further shows you a breakdown of your estimated expenses and your estimated gross profit margin per player or per group. And on the bottom of the page it will also show you your estimated dollar profit on theoretical win and theoretical or EP based profit margin. By quickly comparing the estimated dollar profit margin percentage to the theoretical profit margin percentage you will be able to quickly see which variable such as average bet or number of hours played must be adjusted either up or down. Since you normally know in advance the number of days the player or the junket will be staying at your casino you can usually guess 4 to 6 hours of play per day or 15 to 18 hours of play for the trip. Therefore, if the number of hours of play required exceeds this figure you know that you must adjust the players average bet required upwards to reduce the number of hours play required. For theoretical win or EP analysis, a \$200 average bet for four hours is equal to a \$100 bet for eight hours or a \$400 average bet for two hours of play.

The next spreadsheet shows you your casinos actual theoretical win or earning potential (EP) tables. Therefore, even if you don't have a computer or your PC crashes it is still easy to use these tables to manually work the formula. The final spreadsheet consolidates everything into one very simple Comp Policy based upon your individual casinos own criteria and variables. I know that this article may seem terribly complicated but I can tell you that it is not. In fact, it actually seems too simple and easy to be true. But I can assure you that it is a very helpful, very powerful tool designed to help modern day casino executives maximize bottom line profitability. Please take a moment and read through each sheet and I think you will be able to better see how they all relate to each other. I have everything linked on Excel spreadsheets.

I want to also give thanks to Professor Jim Kilby from the University of Nevada who originally helped me develop the first version and to Tarkan Cetindamar, my current software programmer. We are currently in the process of trying to reprogram the formulas into Visual Basics which will be much more user friendly and visually attractive upon completion. The current version is a simple tool developed on a simple computer program. Anyone who can use Excel, Lotus 1.2.3, or Quattro Pro can probably develop something similar. The issue is, don't be afraid to experiment. Who knows? The next generation of casino executives will probably be downloading my software over the Internet or receiving their E-mail on a short message service on their mobile telephones. The casino industry is rapidly changing my friends. We need to all keep up with the times to keep our profit margins up to par. Good luck.