

Casino Junkets:

The Good, the Bad and the Ugly - (Part 1)

By Steve Karoul

“These two articles were actually written more for the American and European markets but there is fair amount of overlap to Asia especially with how to deal with Junket Reps. A new problem has recently developed in the United States which is probably a result of their current recessionary economy. There are now a number of new scams developing where nefarious junket reps are now preying upon innocent civilians in addition to naïve gamblers by offers of all types of get rich schemes, etc. for a fee. It may eventually occur in Asia so be aware and alert. Learn identify the good from the bad.”

First, we need to understand what a junket is and what it is not. A casino junket is a group of individuals that “supposedly” have a propensity for gaming that are being organized by a tour leader referred to as a junket rep to take them on an organized trip to a casino for gaming purposes. A casino junket is not a free tour and travel vacation complements of the host casino. It is suppose to be a gaming trip. If you notice, I use the term “suppose to be” several times.

Second, I am one of the few casino executives that have actually worked both sides of the fence. I have hired and fired numerous Junket Reps all around the world when I worked as Vice President of Casino Marketing for different large casinos. I have worked myself as a Junket Rep when I lived in Hong Kong. And I have worked for and with some of the biggest junket reps in the word when I also lived in Hong Kong, Bangkok and the Philippines. I am very familiar with all aspects of casino junkets and dealing with junket reps both domestically within the United States and internationally.

There are many positive aspects of dealing with reputable junket reps. There are also many risks and liabilities in dealing with not so reputable junket reps. There was a very famous management textbook several years ago written by Harvey McKay called, “Learn to Swim with the Sharks without Getting Eaten Alive”. There are some similarities to the book and dealing with not so reputable junket reps. Therefore, I always advise casino management to proceed with caution when setting up a new junket program.

Junket programs are no different than a Manufacturer’s Rep program. Most Fortune 500 companies IBM, Xerox, etc. use Manufacturer’s Reps in addition to their own internal sales force primarily due to the logistics and the economics. The programs work and they are cost effective if managed properly. There is not too much difference from this and a casino junket program. However, there are some differences and therefore you need to understand the differences, in advance, to help insure that your junket program is set up properly from the beginning to help you maximize your casino’s true profit potential from the Junkets. Asian junkets are an exception to much of this article.

Junket Reps in Asia tend to issue and control the credit for their players. The junkets participate in Asian Dead Chip Rolling Baccarat games where commission is based upon turn-over or the “rolling of non-negotiable chips”.

The natural tendency for a junket rep is service his players and to maintain their loyalty. In order to achieve this objective they have to constantly offer their players exceptional benefits, excellent customer service and high value for their continued loyal patronage. Therefore, many junket reps often represent multiple casinos in multiple gaming jurisdictions. As a result of this they are able to review every casino’s special events, entertainment schedules, tournaments schedules, etc. and offer their customers the best available from multiple casinos. In effect, they hand pick only the very best offers to present to their customers.

The only risk or liability to the host casino is that they may only see that junket rep and his players during times when they are running high budget events which may not necessarily make the most money but are viewed as necessary for the casino to run to maintain position, market share and be competitive. Ideally, a casino should have monthly goals and budgets for each of their junket reps to meet in order for them to participate in the high cost special events, etc. Therefore, financial analysis is important for a casino to properly evaluate the amount of business that they receive from an independent junket rep versus the cost of maintaining a salaried employee or a branch office where one hundred percent of their time and effort goes into marketing your casino on an exclusive basis. A few Junket Reps do operate exclusively for some of the larger casinos but this is fairly rare today.

Obviously this is not a simple decision and careful analysis is required to estimate the size of the market as well as the market potential. In some remote locations, time, distance, high air fare costs, etc. will limit the number of players that can travel on a regular basis to your casino. In those situations, a reputable junket rep is probably a more cost effective solution to your marketing efforts versus a salaried employee.

Finding a reputable junket rep that has good relations with his customers is critical. It is a lucrative business and therefore there are a lot of “wanna be” junket reps out there without any real experience and without a loyal established customer base. The other big problem that usually crops its ugly head with inexperienced, unprofessional junket reps is regulatory violations. One example is that junket reps do not get paid until the casino gets paid. Consequently there have been numerous horror stories of unprofessional junket reps using unauthorized methods to try to help the collection process. This has caused many embarrassing situations for highly regulated casinos resulting in high fines for the casinos and terminations for the marketing executives. Similar stories abound about junket reps collecting large sums supposedly on behalf of the casino and then disappearing leaving the customer very upset and angry. Another common problem is “Loan Sharking”. Many of the not so reputable Junket Reps enter the business primarily to extend their loan sharking business where they lend gamblers

money at onerous interest rates of up to 10% per week and then use illegal methods to threaten customers in an attempt to collect their money. In addition, the casino usually also loses the customer as they are still required to try to collect on the legal credit obligation. My recommendation is to not allow a junket rep to be involved with either the credit process or the collection process. This is different in Asia where junket reps are allowed to extend credit to their players and collect it primarily because gambling debts are not enforceable in many countries in Asia and therefore the casinos cannot risk extending credit that they may not be able to collect.

Another problem area that I often see is related to lack of training. Junket reps do not understand all of the various regulations and laws. They often represent many casinos in multiple gaming jurisdictions so the regulations can vary dramatically from State to State as well as from country to country. Do not leave anything to chance. Before you begin a junket program or dealing with a new Junket Rep, a casino needs to do the following:

- Insure that the program is completely legal and meets all reporting and regulatory requirements. You may want to meet with regulators to establish good communication channels.
- Develop a formal training program that is well documented and you may even want to “certify” each junket rep with a brief test to insure that they really do understand both the regulations and the need for compliance.
- Set monthly financial goals or targets for the numbers of players expected each month as well as revenue expected either in actual results or in theoretical win.
- Finalize a fair commission program. I like programs that are tiered that offer the junket reps more commission based about reaching different pre-set monthly goals or targets. Also, establish minimum play criteria and define what an actual trip consist of for the number of days involved or number of shoes or hands of Baccarat that must be played.
- Plan to support the junket reps that do achieve certain goals either with office subsidies, pre-printed shells that they can use to print their invitations on or running player parties in their local market.
- Consider a formal junket agreement that would limit the junket reps activities that may be deemed competitive, i.e., not being allowed to represent other local casinos that you compete against. The formal agreement should also define all terms and conditions.
- Insure that your internal organization is prepared to issue reports quickly upon the completion of each junket and to process payments to your junket reps quickly and on time.
- Support your better junket reps and look for opportunities to recognize their loyalty and efforts by running parties or mini-special events for

them and their players at the casino. These events are almost always extremely profitable and cost effective.

- Communicate and train your in-house staff that your junket reps are basically your external sales people who work on a commission basis versus a salary basis but most importantly that they are part of your team and should be treated with respect and as they would like to be treated. This will help eliminate some of the competition between in-house Casino Host or Player Development Executives and the Junket Reps.
- Develop a coding system so that you can track productivity of both Junket Reps and in-house staff.
- Never allow an in-house staff to steal a Junket Reps customer.

These are some of the general rules and guidelines for establishing a productive Casino Junket Program for your casino. The most important areas to remember are to eliminate internal competition and to maximize productivity by using incentives and analysis to measure results. Also, remember the good, the bad and the ugly examples. Do your homework and check out junket reps carefully. There are many excellent ones out there that can do a great job for your casino. Make sure you only select good ones. Good luck.

Junket Reps:

The Good, the Bad and the Ugly - (Part 2)

By Steve Karoul

First, it is important to understand that Junket Reps serve a legitimate function in many different casinos around the world. They basically act similar to an independent manufacturer's sales representative who represents the manufacturer's line of products on a commission basis instead of working on a fixed salary as most casino employees do. There are numerous books written on the Manufacturer's Rep System. There are none written about Junket Reps. Casinos today use similar systems with their Junket Reps engaging them as part of their external sales and marketing team. In fact many of the large Fortune 500 companies such as IBM, Xerox, Coca Cola, etc. will normally employ both salaried sales executives and commissioned independent sales representatives at the same time to help increase market-share.

Second, the text books will tell you that it is often more cost effective to utilize independent commissioned sales reps to supplement your sales activities. It is cost effective because you only pay commission based upon productivity. Junket Reps work in the same manor. Junket Reps are only paid commission based upon success. The casino does not pay medical insurance, social security tax or any other expensive

benefits to their independent junket reps. The success measurements vary by casino and by gaming jurisdiction. Commissions can vary from a percentage of the players Theoretical Loss to a percentage of the actual gaming loss of their customers. In Asia, Junket Reps earn a percent of the non-negotiable chips turnover often referred to as 'dead chip rolling'.

Successful Junket Reps maintain excellent personal relationships with their players and often provide excellent customer service as well to their customers to help keep them loyal. Casinos and junkets can be a cut-throat business and it can be extremely competitive with other Junket Reps and sometimes with in-house Casino Hosts trying to steal their customers away. Smart casino operators understand and recognize the value of good junket reps and will usually do everything legally possible within their power to be fair and to protect their junket reps. This normally involves developing a coding system so that players are properly classified and coded to the individual who brought them to the casino initially whether it is an independent junket rep or a salaried casino host or casino player development executive.

However, not all casino operators are capable of monitoring this function within their casino and therefore some abuse does happen occasionally. This unfortunately makes many good junket reps very nervous and untrusting of casino staff. It is far better to take the time and effort in the beginning to develop a fair coding system to better enable outside junket reps to work harmoniously with in-house casino hosts without the fear of losing their customers.

Similar to bad casino hosts there are also bad junket reps. It is important for casino operators today to be aware and also be vigilant to nefarious junket reps that may be legally or illegally working within their casinos. Ultimately any negative activity by bad junket reps may also reflect badly upon the casino as well.

It is even more important to keep a watchful eye during recessionary times when people tend to become more desperate and more vulnerable. There are many scams going on today in casinos across the country that directly or indirectly involve junket reps. These are two actual E-mails that the author recently received pertaining to casino junket reps.

Case number one: The Junket Rep Hustle

Hello,

My name is John Smith; I was just offered a position to work for a guy in Atlantic City. He wants me to work with him in going out to high rollers and offering them free comps and stays at the hotels he works with. Now my question to you is, is there a strategy you would teach your clients in each game? I ask because He was asking me to bring 1000 dollars with me so he can teach me the strategies in each game. I have been conned before and I don't want to be conned again and based on your article I thought you would have the best advice for me. The pay he offers is \$50 an hr plus commission based off of what the high roller may tip for my advice on games. I would just like to know if you think this is legit? I really appreciate you taking the time out.

Thank you,

John Smith (false name to protect the person who wrote the E-mail)

This is obviously an illegal scam. The individual probably cons or hustles several innocent people every week and ultimately cons them out of their \$1,000 pretending to teach them the ropes about being a junket rep.

Case number two: the Junket Illusion

Dear Steven,

I was offered a position as a Junket Rep's assistant; I'm not sure if it is a legal job and if so, why haven't I heard of this type of work before? I read your article on it but I still am not sure what's it really about?

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Regards

Ann Smith (false name to protect the person who wrote the E-mail)

Response:

Dear Ann,

I need more information to be able to give you any valid response. Who offered you the job, where, for which casino or junket rep, which State, what do they expect you to do, etc.? Are you a casino customer or player at casinos? What level player would you say that you are – low level, medium or high roller? Junket Rep assistant is a real job providing you comply with all regulations such as proper license, etc.

Return response:

Steven,

Thank you for getting back to me. I have been offered a position by a man named xxxx xxxx he is xxxxxx and said that he works with Tropicana, Bally, and Showboat hotels and casinos. I am not a high roller nor do I go or play at any casino. The Casinos I mention are in Atlantic City, New Jersey. He also claims to be a Rep for MGM casinos in Las Vegas. Let me ask you a question. Do Junket Reps at any time Prostitute themselves to some of these high rollers. Because if they do then Count Me Out!

Response:

I am surprised that he has asked you to be a Junket Rep assistant unless this is going to be an administrative position or possibly act as a tour guide to accompany the groups. Either way, you should check to see if you will be required to fill out a license

application. Most Junket Reps today are totally legitimate since the penalties for violations are quite severe. I am not familiar with any junket rep today prostituting themselves to get business. If you feel uncomfortable in any way I suggest that you look for another job. Working with people can be fun and interesting and as an assistant you will probably meet a lot of nice people. Most of them are nice but some can get nasty especially if they lose a lot of money in a casino. Be prepared. I hope this helps. Good luck.

The “Junket Rep” involved here was not licensed to do business in either Atlantic City or Las Vegas. The person pretending to be a junket rep was trying to solicit this young lady to work for him and he tried to entice her into prostitution with the lure of big money from rich high-rollers in the casinos. Henceforth, we can better understand that the majority of Junket Reps can often be misjudged by the actions of a few bad ones. Therefore, they indirectly may represent the good, the bad and the ugly in the casino industry.

Don't be too quick to judge Junket Reps. Take the time to do your homework and learn who the 'individual' is. I know some great Junket Reps. I actually worked as a Junket rep for a while in Asia. Most are great people. Many are highly successful in their own business. Many are very generous when it comes to supporting charities and social causes. Many work very hard to be the best Junket Rep that they can be to their customers and the casinos that they represent. And, many lead a very good and comfortable lifestyle. Possibly becoming a junket rep may be right for you too? Do your homework first. Good luck.

[Steve Karoul is one of the top casino marketing consultants in the world today with over 35 years of experience with top casinos both domestically and internationally. He has conducted business in over 100 different countries. He has also worked as and for several of the largest junket reps and therefore has the utmost respect for the good ones. He is a contributing writer to several different major casino publications often injecting his own experiences and opinions. Steve can be reached at Tel. (1-860) 536-1828, Fax 536-1898 or by E-mail: skaroul@comcast.net, www.euroasiacasino.com]