

Foxwoods Rolls Out New Rolling Program in the United States

By Steve Karoul

Foxwoods Resort Casino is the largest casino in the United States. It sits in the middle of the woods in Connecticut on a small tribal reservation owned by the Mashantucket Pequot Tribal Nation. It does not have a sister property in Macau and it does not have any other properties in Asia. However, Foxwoods is strategically located close to three of the largest Chinatowns in the Northeast; New York City Chinatown, Boston Chinatown and Toronto Chinatown. Foxwoods and the Mohegan Sun Casino which is the other casino in Connecticut both share this lucrative Asian market segment. Both casinos combined control the lions' share of domestic Asian business in the United States. Both casinos have extremely large Asian pits, numerous Asian games, multi-cultural Asian staff, headline Asian entertainment, extensive Asian bus programs and varied Asian restaurants.

The one new item that Foxwoods now offers to its customers is an Asian style, Non-Negotiable Chip Rolling program for Baccarat. Foxwoods, under the direction of their new President, Michael Speller, just aggressively launched a new broad based Asian style Rolling Program. Mike has substantial 'hands on' experience with Rolling programs. Mike is a highly qualified and experienced gaming executive with over 35 years experience in the industry including substantial experience in Asia where he worked for the Genting Casino Group in Malaysia to help set up Star Cruises in Asia. Star Cruises is owned by Genting International and very successfully specializes in high limit floating casinos aboard their numerous cruise ships positioned throughout Asia. Rolling marketing programs are the game of choice among Asian gamblers.

Going back in history for a moment, when Foxwoods first tried to obtain Federal recognition to obtain a casino license, they went to numerous major banks in the United States to try to secure necessary funding for their new casino. They were rejected by all of the banks. They were later introduced to Tan Sri K. T. Lim who flew to Connecticut to meet with the Foxwoods Tribal Council. The Lim family understood the dynamics of casino gaming and recognized Foxwoods strategic location being positioned within a three hour drive to over 60 million people in one of the more affluent regions of the United States. They agreed to loan Foxwoods the necessary money to begin and the rest is history. Foxwoods has since developed into one of the larger, more successful casinos in the world today.

Mike Speller recognized the opportunity to begin a new Rolling Program in the United States especially in the Northeast United States. Not only can they tap into the large existing Asian communities but they are also well positioned to capture additional international Asian clients that may be coming to the States to visit children attending university in the Northeast, business conferences or meetings in New York City, Boston, Washington, D.C. or even Toronto or for medical reasons since Boston has numerous prestigious hospitals catering to wealthy clients from Asia. In addition, New York City competes with Las Vegas as one of the top Asian tourist destinations hosting hundreds if not thousands of affluent Asian tourists on a daily basis.

Mike rapidly mobilized their new program and began an intensive internal training and education program to make sure that everyone understood the dynamics of Rolling Baccarat before the official program launch on Dec. 22, 2008.

The Foxwoods Rolling Program has the full support of the Tribal Council as well as management, the Tribal Gaming Commission and their gaming staff. It is being marketed very aggressively both domestically and internationally. One additional note of interest is that Foxwoods has begun its new Rolling Program in a manner common to Southeast Asia but slightly different than casinos in Macau or what Caesars Tahoe or the Rio in Las Vegas tried to accomplish before. The difference being that with the new Foxwoods Rolling program, individual players as opposed to Junket Reps are currently being targeted to participate in the new program. The actual buy in and rolling for individual players occurs directly at the Baccarat table as opposed to at the casino cage for more structured Casino Junket Rolling programs.

Foxwoods presently offers the individual rolling player a 1.5% rolling incentive commission. In simplified terms, this means that if the player buys in at a specified "Rolling" table in the casino for \$10,000, they will receive \$10,000 in Non-Negotiable Chips and \$150 in Negotiable Chips (Live Chips). Foxwoods states that their target market is for all customers who understand the benefits of a rolling program whether they are junket players, premium players or small players who wish to gamble at one of their specified rolling tables in the casino. All players are informed as to how the program works and that if they participate that they will receive the 1.5% rolling commission in lieu of any comps, discounts on loss or other benefits. Players who participate in rolling programs normally play long hours in an effort to earn large commissions in addition to normal wins or loses in the casino. All of the Non-Negotiable Chips must be played at the table. If the player loses the hand, the casino collects the Non Negotiable chips. If the player wins the hand, the casino returns the Non Negotiable chips plus pays the winnings in Live or Negotiable Chips. Additional buy-in occurs directly at the table again as opposed to the casino cage. Future Rolling Junket Programs at Foxwoods will however record all turn-over at the Casino Cage to better protect the House and the Junket Rep. Once again, Rolling Baccarat games are not new and in fact, are the most popular game in Asian casinos. Mike Speller and Foxwoods need to be commended for being creative and aggressive during an economically distressed time period for casinos. They are very confident that they can achieve enough volume to offset any volatility risks. Rolling may prove to be a good source of incremental revenue for Foxwoods. The new rolling program becomes even more attractive for the casino providing that they can generate enough interest in the new program. If they can, they will be able to attract both Asian and non-Asian Baccarat players locally, regionally and internationally. However, be aware that Rolling Programs may not be right for every casino. Do your homework first and investigate all aspects of a rolling commission program to see if it is right for your casino.

Understanding the basics of Asian Rolling Programs paying 1.5% with a \$100,000 Table Differential

If this all sounds like Chinese to you, you are not far from the truth. You would be much more likely to hear this in Macau or another Asian casino that caters to an Asian clientele. You will also probably hear the casino management complain that the players "squeeze" all of the cards and that they have to use eight brand new decks of cards at the end of every shoe. You're

right; the game is Punto Banco or Baccarat. It is the game of choice of the premium Asian player market. Many casino operators around the world are not familiar with this terminology or this type of gambling. If you want to run junkets from Asia or are considering the possibility of getting involved in some way with Asian gaming, you should at least understand the basics then you can better decide if this type of business is right for your casino or not. In addition, the opportunity for new high level jobs for experienced casino management level employees will continue to increase over the next few years as the Macau casino market matures, the new Singapore casinos open and many new casinos continue to open throughout Asia.

Many people normally ask what a Non Negotiable chip is. A “Non Negotiable chip” is basically a chip which cannot be cashed out at the casino cage for currency versus a “Live Chip” or negotiable chip which may be cashed out for currency. Some casinos also utilize two completely separate sets of both Non Negotiable and Live Chips for junkets versus their normal casino chips. This is an additional security feature which limits or controls junket play to certain tables or VIP rooms for better evaluation and control over the junket play. One problem area that requires careful control is if the junket operator issues the credit or puts up the front money for the junket, you need to carefully control all cash outs of junket “Live Chips”. Since the player knows that they are live chips, he assumes that they are also negotiable and many times will try to cash out claiming that he needs cash for his wife to go shopping or for tipping in the hotel, etc. This can cause a big problem for the junket operator who needs to accurately monitor each of his customers turn over or “rolling”. One simple solution to the problem that was developed is to set up a junket cash out control sheet for each group. List each player’s name on the sheet. Every cash out request from the junket players is directed to the junket operator or his representative for approval. If he approves the cash out, the junket operator records the amount of the cash out as approved next to the players name and signs his signature of approval beside each transaction. This eliminates arguments or disputes at the end of the junket. Another tip that is very helpful is to keep a photocopy of each player’s passport at the cash desk and in the pit. It 1.) Makes customer identification much easier because you have their name and their photograph, 2.) You will have the correct spelling of each player’s name and 3.) It helps the staff learn the players names quickly which helps create a friendly more personalized atmosphere.

On a side note, it is important to understand that in Asia it is very common for most players to use the services of a junket operator. The junket operator makes all of the travel and rooming arrangements for his customers and in many instances also serves as the unofficial banker that supplies credit to his customers. In Macau today, the majority of higher end table game action comes in through junket operators who sometimes also lease VIP rooms or sometimes, on a smaller scale, may lease or sub-lease as few as only one table from the VIP Room operator. This concept is also quite common on the nine casino ships that are currently operating out of Hong Kong today.

Rolling is a term used to describe the turnover in a Rolling Chip game. The player receives his buy-in in Rolling or “non-negotiable chips”. He places his bet in Rolling Chips on the table either for Player or Banker. If the customer loses the bet, the dealer takes his Rolling Chip and puts it in his chip float. If the customer wins the bet, the dealer returns the original Rolling Chip wager and pays the customer his winnings in Live Chips. The Junket Rep or his chip runner will continually monitor the stacks of chips in front of each player. As they accumulate too many live chips they will exchange them with Rolling chips so that the customer will have an ample

supply of Rolling Chips to keep betting and keep the game going without having to stop to exchange chips. The Junket Rep will keep a record of each of his customer's transactions. As the Junket Rep accumulates too many Live Chips, he will take them to the Casino Cage and exchange them for more Rolling Chips. The casino cashier will record this on the junket control sheet. For example, if the junket originally deposited \$1,000,000, you want to track and see how many times that \$1,000,000 is turned over or "rolled" through the cage exchanging Live Chips for Rolling Chips. At the end of the junket any unused Rolling Chips are returned to the cash desk and deducted from the cumulative or "rolling" turn-over total. A normal 2-4 day junket will usually turnover or roll their initial deposit 6 - 8 times. However, this figure can also increase substantially for serious players, especially if they are winning. The casino normally pays a commission of anywhere from 1.3% to 1.7% on the total turnover or total "rolling" amount. The junket operator normally pays all of his junkets expenses from this amount of money and may even pay some of his better players a small percentage of his own commission. Whatever amount of money is left over after he takes care of his expenses is basically his net profit for the junket. The casinos net profit comes from the total win from the group less all expenses and commission. The idea behind the "rolling" is that it encourages longer casino play or action. We all know that one of the critical factors in casino statistics or determining theoretical win is "length of time played". The commission is based upon the loss of non-negotiable "Rolling chips" during the term of the junket. One analysis by Andrew MacDonald formerly from Crown Casino in Melbourne, Australia uses the term "once through the cage equals twice over the tables". He goes on to give a detailed analysis on why a game like Baccarat where the house advantage is approximately 1.25%, casino operators are paying commissions in the range of 1.3% to 1.7% or even slightly higher in a few areas such as Cambodia, etc. on "Rolling Chip" programs. Simply stated, the house advantage can be considered to be twice that of "normal" due to the ratio of actual versus non-negotiable turnover being 2:1. Therefore, Baccarat can be considered to have a house advantage on "Rolling Chip" play of 2.5% for analytical purposes. Or conversely, the "Rolling Chip" commission percentages should be halved to view them realistically in terms of actual turnover. Either way the results are the same.

This is the basis of a Rolling Chip junket program. There are a few variations in effect around the world but the basics are all the same. Some casinos pay a slightly higher bonus on the first turn if the total junket turn-over reaches a pre-set target. This bonus is usually enough to cover the junket agent's air ticket. This concept means "risk-reward" so some casinos will normally use a penalty clause if they offer a bonus. Using the same principle for example, a casino may set a target of 6 turns of the front money deposit as the minimum requirement for qualification. If the junket does not achieve the minimum number of turns or rolling, they penalize the agent by proportionately reducing their commission. A simple example is:

Total Net Rolling x 1.5%

Initial \$ Deposit x 6 = Proportionate % of commission to be paid

For example, let's assume that the initial junket deposit is \$1,000,000 and we require a minimum of 6 turns to qualify for full commission but the junket only has \$4,500,000 rolling at the end of the junket. We can then see the following:

$$\underline{\$4,500,000 \times 1.5\%}$$

$$\$1,000,000 \times 6 = 1.125\% \text{ commission instead of the normal } 1.5\%$$

This may seem like small amounts when we think of fractions of a percent but in real dollar terms this can add up to substantial amounts of money. In the last example used the fractional percentage difference in dollar terms equals the difference between ($\$4,500,000 \times 1.5\% =$) \$67,500 in commission paid versus ($\$4,500,000 \times 1.125\% =$) \$50,625 in commission actually paid. At the end of a year this savings to the casino goes straight to the bottom line as additional incremental net profit since your other variable expenses remain unchanged.

Table differential is another very interesting Asian gaming concept that originated in Macau. It can be compared to an insurance policy for the casino since it limits the amount of risk that the house is willing to assume with each hand of Baccarat. A big Punto Banco or Baccarat table normally has 14 seats. This means that if your normal betting limits are, for example, \$100 to \$5,000, and all 14 players decide to bet Player at the same time, the risk factor for the house is now $14 \times \$5,000$ or \$70,000 for that hand. However, if you had a \$100 minimum bet with a table differential of \$30,000, the risk factor for the house for this same hand would only be \$30,000 instead of \$70,000. Table differentials go as high as US \$200,000 to \$250,000 today in Macau but more conservative casinos will probably never offer more than a \$100,000 table differential due to the volatility of the game. (Remember, we are in the business of gambling but we should never be gamblers when making these types of decisions. Foxwoods does not currently offer a Table Differential but controls their risk through posted table limits for individual players. However, Foxwoods will most likely implement new Table Differentials once they start their new Rolling program for Junkets.)

In effect, Table Differential means the spread or difference allowed between the total wagers on Player and the total wagers on Banker. This means that the customers are allowed to bet higher amounts if they wish but the total difference or spread between Player and Banker can never exceed the differential or in this case, \$30,000. If the customers want to bet higher amounts you could, in fact, end up with \$1,000,000 being bet on the Player and \$1,030,000 being bet on the Banker but the casino risk factor is still only going to be \$30,000. One can see this situation happening daily in the VIP rooms in the Macau casinos or in many Australian casinos. It is also quite common to have different table differentials going at the same time on different tables. For example, \$30,000, \$50,000, \$75,000 and \$100,000 differential games could all be going on simultaneously at different tables usually with different minimum bet requirements. One may also ask, what happens if the bets exceed the table differential? Usually the players will work it out amongst themselves giving "face" or respect to the individual with the highest bet by withdrawing some of their bet amount to reduce the total wagers back within the differential limit. In a few rare instances where you may have some players playing against players from

other countries and nobody wants to lose “face”, the Pit Boss may instruct the dealers to reduce every player's bets by a set percentage such as 10% until the total wagers or spread comes under the set table differential.

Junket Baccarat with Asian customers is normally a very slow game because the customers like to “squeeze” the cards as if this were some type of unspoken ritual. This is a cultural quirk but their enjoyment is to slowly roll up the edge of their cards to look at their hand as the rest of the table shouts words of encouragement or luck. It makes the game much more sociable for them but it also bends the cards to the point of ruin which means you must change the eight decks at the end of every shoe. Another cultural quirk associated with this type of play is “side betting” where the players make unofficial side wagers among themselves as the cards are being “squeezed”. Some junket groups also bring along professional side bettors who book all of this unofficial wagering. Some casinos around the world do not allow this but sometimes it is difficult to control unless you have bi-lingual staff capable of completely understanding the table conversation and the sometimes secret hand signals.

Another risk with this type of gaming is for the casino operator to realize the true profit potential from this type of play. There are numerous “tricks of the trade” per se being used throughout Asia. One was originally called the old “Forex Scam” but continues today in Macau under the name of “Multiplier Scam” where the junket operator works out a pre-set conversion ratio in advance with the players before arriving at the casino. For example, a 2:1 ratio may mean that every \$1,000 chip is unofficially worth \$2,000. Therefore, if the player officially loses \$50,000 at the casino, he may end up owing the junket operator \$100,000 at settlement time back in their home country. The Multiplier today sometimes goes as high as 8:1 or even 10:1 depending upon how aggressive the junket operator is and how large of a bankroll he has available in case the player wins big. The junket operator is basically operating his own casino within your casino but with no overhead or expense. Therefore, you need to know who you are doing business with. The Macau government has recently tried to cap the maximum rolling commissions to 1.25% and to stop the Multiplier. However, enforcement is not easy. There are some Junket Operators that are very reputable and a few that are not so reputable so be selective.

One additional tip is that if you run a normal Baccarat game as opposed to a Rolling Chip Baccarat game for your junkets or premium individual players, you may want to develop a Tracking Sheet to record every bet. This will make it much easier to calculate an accurate average wager which will be important for calculating the Theoretical Win which is sometimes called Earning Potential. You can use this figure to evaluate the player for casino comps, airfare reimbursement or even partial qualification.

This article is meant to provide a brief general overview of Rolling Chip Commission programs. Casino operators should not make quick decisions about these types of programs unless they completely understand the mathematical statistics and the risk / reward ratios associated with these types of programs. There has been some excellent explanatory analysis work on these subjects by Andrew MacDonald, who previously worked for Crown Casino in Australia and by Jim Kilby, Professor of Gaming at the University of Nevada, Las Vegas. Therefore, do your homework properly and then decide if these programs are right for your casino or not. The Rolling Chip Program with a Table Differential is a very interesting concept which is generally misunderstood but under the right conditions may be very beneficial to a casino with an active junket program.

Good luck.

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