

IS YOUR CASINO UNDERVALUING TABLE GAME MINIMUM LIMITS?

By Bill Zender



While driving down the highway near my home the other day, I passed a sign advertising blackjack at the Fiesta Casino Henderson. The sign was very simple. It stated, “\$3 blackjack 24/7.” Interesting—the Fiesta casino is offering a \$3 blackjack game 24 hours a day, and is using that game to attract blackjack players. A type of table game promotion, something management has thought through and decided to use to increase blackjack play. After pondering the offer myself, I have to question the validity of management’s decision. Based on my experience in offering lower limit games, and if my calculations are correct, the “\$3 blackjack 24/7” does not represent a positive return for the casino. Why would it be offered if the best case scenario for the casino is breakeven? Are players going to the Fiesta and if all \$3 games are full, playing other limit tables such as \$5 minimum games?

First, some quick mathematics on a \$3 limit. Consider that the \$3 game is filled with customers wagering \$3. Assume it’s a six-spot table, the game is a standard six deck hitting soft 17, and the customers are about average at making errors regarding basic strategy when deciding hand hit/stand/double down/split decisions. The following are the metrics necessary to determine the hourly win on the \$3 minimum game:

- Per round wagering: $\$3 \times 6 \text{ spots} = \18
- House advantage of 1.3 percent
- Approximately 61 rounds per hour (based on Tangam Gaming study for six spots wagered)

The calculation to determine the total amount of wagers (handle) made in one hour is $\$18 \times 61 = \$1,098$. This total handle amount is multiplied by the estimated house advantage and results in a theoretical win of \$14.27. Let me state that again: \$14.27. That’s all the casino can theoretically expect to win in one hour on the \$3 game. If one factors in the cost of the dealer for one hour (including the cost of benefits), this game will be lucky to break even. If you serve free cocktails, it’s “game over.” Maybe an occasional player will toss out a dollar on the game’s side bet, and that will generate enough additional revenue to overcome proprietary costs of the side bet and cover someone’s gin and tonic.

Maybe I’m not giving the Fiesta management enough credit. Maybe they understand that a \$3 game’s revenue will be

insufficient, so they decided to make some rule changes. One rule that comes to mind is reducing the payoff on a player's two-card blackjack from a 3:2 standard payoff, to a 6:5 payoff, or for every \$5 blackjack, the player receives \$6. Using this blackjack payoff multiplier, the casino increases the mathematical house advantage by approximately 1.4 percent. In this situation, the actual house advantage on this game more than doubles to 2.7 percent! Doing the new calculation you will notice the hourly theoretical win jumps to \$29.65. There's a problem with this mathematical stratagem; you must bet in increments of \$5 in order to get paid 6:5. Correct me if I'm wrong, but isn't management offering a \$3 minimum game to attract \$3 players?

Earlier this year, I questioned a casino manager at another property about his use of \$3 games. He stated that his casino was using \$3 minimum games to stimulate business during slow hours. He also explained to me that he remembered when every casino had \$3 games spread throughout the casino. At that time, \$3 minimum limits were used on almost every table game, not just blackjack. It was also explained that \$5 and \$25 minimums were considered high limits. "When was this?" I asked. His reply, "I don't know exactly, maybe back in the mid '80s." I didn't want to burst his nostalgia bubble, but that was 30 years ago. Inflation has driven everything up. The price of gas, the cost of food, utilities, all sorts of products and services cost more today than they did 30 years ago. Unfortunately, a lot of casino executives reflect back to "the way we were," and forget to consider the effect of inflation over the last three decades.

If blackjack minimums in the mid '80s were \$3, \$5 and \$25, based on the Consumer Price Index (CPI), what would they be today? The CPI is a scale that the U.S. government uses to estimate the value of the dollar, based on the rate of inflation, as compared to the years gone by. For inquisitive folk like me, the government offers a website that does the calculations for you. If I input the year in question, the year of comparison and the amount in dollars requested, the CPI calculator will provide me with the dollar value. For instance, if I wanted to know what a dollar in 1984 is worth in 2014, after inputting all the data I would find out that the 1984 dollar is worth \$2.28 today. Venturing forward in our search to understand the value of table minimums between 1984 and today, I returned to the CPI calculator, and input \$3, \$5, and \$25 (see Table 1).

Table 1—Based on the U.S. Government's Consumer Price Index (CPI) 1984 vs. 2014

1984	CPI 2014
\$3	\$6.85
\$5	\$11.41
\$25	\$57.04

<http://data.bls.gov/cgi-bin/cpicalc.pl>

The dollar has changed greatly in the last 30 years. In comparison, a 1984 \$3 blackjack game would have to raise its minimum limit to \$6.85 in order to provide the same earning value in 2014. This means that my casino buddy who was thinking that the 1984 \$3 game was the greatest thing since sliced bread needs to raise his minimum limit to \$7 to achieve the same earning potential today.

To convince my nostalgic friend that his logic is flawed, maybe I should make a different comparison. What would the \$3 game of today be worth back in 1984?

Table 2—Based on the U.S. Government's Consumer Price Index (CPI) 2014 vs. 1984

2014	CPI 1984
\$3	1.32
\$5	\$2.20
\$25	\$10.99

By examining the CPI numbers in Table 2, you will notice that today's \$3 minimum limit blackjack game would be equivalent to a \$1.32 game in 1984, and through rounding to the nearest dollar, the same as a \$1 minimum game. I remember back in the mid '80s there were a few \$1 games in existence, but not many. Why? Because casino management in the '80s knew you couldn't make money with a \$1 minimum game.

After passing the Fiesta Casinos advertisement, I passed a number of taxi cabs working the Southeastern Las Vegas Valley. Taxis earn additional revenue through the use of advertising known as "cab backs," or "cab toppers," mini moving billboards that advertise primarily Las Vegas Strip casinos. Just before I turned off the highway and headed home I spied another advertisement for a blackjack game minimum on the back of a taxi. It read, "\$1 Blackjack—Riviera Hotel/Casino." Are these people insane? What can they gain by offering a \$1 game? At the time I put this situation out of my mind, but once I got home I started to calculate what the value of a 2014 \$1 minimum blackjack game would be in 1984. I fired up the computer and went to the CPI calculator website. After I input the dates and hit enter, I read the CPI calculator's computation; "\$0.44." The \$1 minimum equivalent in 1984 would be a blackjack game that supported a 44 cent minimum limit. The lowest limit in blackjack I can remember was 50 cent games offered at the old Mini Price Casino off the Las Vegas Strip and the Carousel Club in downtown Las Vegas. That was back in the mid '70s. Isn't using a \$1 minimum table game limit in 2014 equivalent to shooting oneself in the foot?

Management needs to consider the necessity of providing games that offer the casino positive revenue potential instead of delivering a loss leader. Table game customers who are valued casino customers over the long term will not be attracted by the use of ridiculously low minimums as table promotions. Even minimum limits such as \$5 on blackjack games today are underpriced when compared to the \$3 game of 30 years ago.

An important gaming issue that the modern casino executive needs to consider is the management of table minimums. Establishing proper and effective table minimums increases the customer's average bet, which in turn, increase a table game's profit potential. In addition, managing minimum limits and moving them up and down during appropriate business periods also will greatly affect the casino table games customer's average bet.



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