

TABLE GAME MANAGEMENT FOR THE SMALL CASINO, PART 2

By Bill Zender

[This article is the second in a series regarding the management of table games in the smaller casino.]

Uncertainty grips the general manager like a huge vise. Her terrible feeling centers on a blackjack player who has been experiencing an unbelievable string of winning sessions. Wagering three hands of \$200 per hand over a six-week period, the customer has won \$20,000 and is about to log another winning session. As it happens, the customer is a known local businessman who frequents the casino on a regular basis. In the past two years, he has lost on all but a handful of occasions, and it wasn't until lately that he has gone on this absolutely devastating winning streak. The general manager and the surveillance manager have looked at every angle of this person's blackjack play but have yet to discover how the customer keeps winning and winning. "No one can win like this," exclaims the general manager.

So what's the solution? In many cases, managers fall back on what they have heard about situations similar to this that others have experienced. Usually their actions are the complete opposite of what the wise executive should actually do. Management will panic if the customer continues to win for what seems like an extreme period of time. Casino executives will institute policies directed toward that customer, limiting that customer's ability to gamble the way he wants. These "shoot-from-the-hip decisions" may result in the customer's termination of play, which removes any chance that the customer will continue to gamble and lose his winnings back to the casino. Unfortunately, the above situation is more the rule than the exception.

Forget about Card Counting

Because blackjack is the primary game of smaller casino operations, management focuses on ways blackjack can be beaten by the advantage player or cheater. In order to operate a successful table games pit, the small casino operator needs to forget that card counting in blackjack, or the threat of card counting, even exists. Seriously! Only a true professional card counter has the ability to create a long-term advantage over the casino. The novice counter and the semi-professional counter (also known as "weekend" counters) either don't possess the necessary card counting knowledge or the type of player bankroll that could hurt the casino's long-term bottom-line profits. However, the "fear" of card counting does affect the casino's revenue flow. This is due to prevention procedures such as limiting deck penetration and preventing or restricting game entrance during mid-

shoe. In cases where management fears shuffle tracking (a form of card counting), waste time plugging the unused cards into the discards, shuffle cards before putting them into the MD shuffling machine and opt for a multi-pass manual shuffle rather than a faster single pass shuffle. Each one of these card counter "prevention" procedures costs the casino operator thousands of dollars in revenue each year, but no one in management realizes the intangible cost. Why restrict your blackjack games' profit potential over issues that are untrue or nonexistent?

A number of years ago I was advising executives from a small casino operation regarding the issues surrounding their poor game production and lower hold percentage. As I was explaining the importance of time and motion and the benefits from increasing game pace and decisions per hour, the marketing director informed the committee that he believed the problems in the pit stemmed from "too many card counters" coming to the casino. Suddenly, everyone in the room jumped on the bandwagon, "Yeah, that's it. Too many card counters!" They started cross-firing solutions for stopping these "phantom" card counters: "Let's cut off more cards," "We need to cut the shoe in half of any player who is winning" or "Maybe we need to stop anyone from entering a blackjack game mid-shoe unless they bet \$5 or less." In a matter of seconds, my discussion on improving revenue raced off in the opposite direction based on one person's uneducated comment about the possibility of "horde" card counting. By the way, did you notice how the "runaway" committee's suggestions on how to solve their fictitious card counting dilemma were to institute procedures that would actually reduce revenue potential and hold percentage?

Issues Surrounding Hold Percentage

Speaking of hold percentage, using it as a performance gauge is extremely ineffective, but it's all the industry has at this present moment. Hold percentage is the amount of money the casino retains from the amount of money the players buy in with at the table. Hold percentage will change if the table game customers decide to buy in with less money (raise the hold percentage) or with more money than they intended to put at risk (lower hold percentage). Hold percentage does not measure the performance of the games as much as it measures the characteristics of a player's spending habits. Consider for example that the Las Vegas Strip, where people venturing to this city have a wide array of entertainment options that include gambling, has a somewhat lower hold percentage. Currently, the hold percentage on blackjack games on the Strip is around 10 percent, based on Nevada

Gaming Control Board statistics. This includes the fact that more than 25 percent of the Strip blackjack games utilize the reduced payoff of 6:5 on player 2-card blackjacks (raises the H/A percentage by approximately 1.4 percent). However, in Wendover, Nev., where the only entertainment option is gambling, the blackjack hold percentage is a lofty 20 percent!

We can also use that last piece of information as an example that there is no tried or fixed number for hold percentage for blackjack or for any table game for that matter. It bothers me to no end when I hear of a casino executive who compares his or her table game hold percentage with that of another gaming operation or gambling region. Just because casinos in Wendover, Nev., hold 20 percent in blackjack, does that mean the casino executive in Las Vegas isn't doing a good job? Of course not! It indicates that each region is subject to different factors that influence the amount of a customer's initial cash buy-in, the amount of the buy-in the player wishes to risk and the length of time the player will sit at the table and gamble. Comparing the hold percentage of your table games with another operation or gambling market is not a reliable gauge of performance, but many smaller casino executives do just that.

The wisest method for applying hold percentage as a performance gauge is to compare your casino's present performance with past performance. I like to take the previous three years of monthly hold percentage and conduct a statistical analysis for average hold percentage and month range. Unless there is an obvious trend indicating a steady upward or (heaven forbid) downward trend, hold percentage average and month range deviation are a great way to keep the general manager and shareholders placated during temporary downturns. Strategic tip: Don't worry about how to analyze your monthly hold percentage using statistical measurements. Simply take your last 36 months of pit hold percentage (three years) and determine the monthly average. Next, delete the two highest hold percentage months and the two lowest percentage months. From the remaining 32 months, find the new highest and lowest hold percentages. These highs and lows represent your normal range 95 percent of all near future months. Any low hold percentages within this range are normal and can be defended as such. Remember, a month that comes along with a hold percentage below this range doesn't immediately indicate that something is wrong with your operation; however, it is smart to conduct an investigation into adverse possibilities.

The smart executive learns to understand the mechanics that drive hold percentage and learns how to defend it during those low hold percentage months. Remember, hold percentage does not pay the monthly power bill! It's better to focus on how much the tables win per day, not on what the games hold as a percentage of the customer's buy-in.

Don't Sweat the Losers: Understanding Risk

What is your downside risk with a relatively low maximum table wager of \$200? How can your casino lose much to even the luckiest gambler? This is the mindset of a lot of casino executives and, even worse, owners and shareholders. Unfortunately for the general manager, the \$200 limit is actually a \$600 limit because most casinos allow a customer to wager on and play up to three separate hands. Even though the wagers are placed separately, the risk is based on the total of the money placed in action or, in this case, \$600.

What's the risk on a \$600 wager in blackjack, and how is it calculated? In many cases I use the normal distribution curve and calculate the standard deviation of the total number of decisions within two standard deviations positive and negative of the desired event, otherwise known as theoretical win (T-win). Strategic tip: A much easier method is to use a modified version known in statistics as Kelly Criterion. As a rule-of-thumb estimator, take the expected mathematical advantage of the game of blackjack, and divide that

percentage into 100 percent. For example, the most common (and easiest) house advantage used in blackjack for the average player is 1 percent. By dividing 100 percent by 1 percent, we compute the number 100. This number represents the multiplier needed to calculate the number of units risked by the casino to indicate the maximum risk range within two standard deviations from the norm. In this example, a blackjack customer wagering a consistent three hands of \$200 each (\$600 total per round), playing against the casino with an assumed mathematical advantage of 1 percent, is subject to a maximum risk of \$60,000 ($\$600 \times 100 = \$60,000$). Wow! The \$200 limit player could win as much as \$60,000 while the casino possesses a 1 percent advantage and still be within a normal statistical distribution. Strategic tip: Based on a 1 percent mathematical house advantage, and a low volatility game like blackjack (mostly even money payouts), a "lucky" customer could play 10,000 hand decisions before hitting that two standard deviation low point. In addition, it may take more than 40,000 hand decisions before the casino is guaranteed a winning outcome (again, within two standard deviations). Most gamblers entering your casino will never play 5,000 hand decisions. This means that a portion of average gamblers that enter your casino won't lose because they can't play long enough to overcome a quick play positive run of luck.

Final Comments on Loss and Risk

If someone is either winning a large amount of money or has been winning for a lengthy period of time, consider the following points:

- The professional advantage player or cheater will not risk detection, or exposure, and in the case of cheating, criminal prosecution for limit return or reward. Don't worry about professionals going to your casino to ply their trade. I often hear of casino executives questioning whether the customer winning \$30,000 on a \$200 limit game might be employing some brand-new technique that no one has ever heard about. "Do you think they have come up with a way to see through the playing cards?" My comment is, "Why is the player using an ultramodern advantage play or cheating technique to beat \$200 limit games when they could be in Vegas beating \$10,000 limit games?"
- Forget card counting. I recently wrote an article in *Casino Enterprise Management* magazine about card counting and the casino industry (March 2013). It is titled "Card Counting Costs the Industry Millions Each Year (But, It's Not the Person Sitting at the Table that is Doing It)". The title of this article speaks volumes. Forget card counting; deal deeper into the deck, and win more money.
- Treat all winning players like kings and queens. Your biggest concern is not, "How are they beating me?" Your biggest concern should be, "How can I keep this player at the table long enough for the player to lose the money back to the casino?" If you decrease deck penetration, deny the customer the ability to jump to multiple hands, break the deck and shuffle up when he raises bets, or stand there with your arms folded leering at the customer as he wins, chances are he will terminate his play and take his winnings elsewhere.



BILL ZENDER

Bill Zender is a former Nevada Gaming Control agent, casino operator, professional card counter and present gaming consultant. He has been involved in various areas of gaming and hospitality since 1976. He can be reached at wzender@billzender.com.