



Measuring Slot Handle Performance

One of the most often used measures of casino business volume is Slot Handle. Often examined on a daily basis, “Slot Handle” or “Coin In” is the amount of money played through all of the electronic gaming devices on the casino floor. The general assumption is that slot handle, multiplied by the casino floor’s aggregate hold percentage, will yield a fairly accurate measure of daily slot performance. Unfortunately, not all slot handle is the same. In fact, in most casinos there is both good slot handle and bad slot handle and failing to fully appreciate how they differ can have a significant effect on a casino’s overall profitability.

Good handle is slot handle that is generated by people wagering on traditional reel slot machines, multi-line video slot machines as well as video poker machines with conservative pay tables. They appeal to players that seek gaming entertainment and are not under any illusion that they can make a living gambling in a casino. The hold percentage of these games is high enough to allow the casino to offer cash back allowances, complimentary dining privileges, mail offers and other perks in order to reward loyalty. Bad handle is generated by gamers wagering on video poker machines that have very generous pay tables and therefore inordinately low hold percentages. Individually, these machines are characterized by high wagering volume (slot handle) and at the end of the day have favorable win per unit per day (WPUPD) averages. However, despite their acceptable WPUPD averages, they often generate bad handle. For this discussion, bad handle is coin handle generated by players who are consistently not profitable to the casino. The total amount of money won from these players, if any, is eclipsed by the perks provided to those players.

Look Out for Wise Guys

People gamble in casinos for a wide range of reasons including entertainment, socialization, recognition, escape and the sheer anticipation that they just might win something. They enjoy the perks that a casino bestows on them in exchange for their loyalty and they are the backbone of a casino’s profitability. However, small cadres of players gamble in casinos in order to make a living or to play, eat and sleep for free. They refer

to themselves as advantage players, but are in fact professional players or, to use a more colloquial term, “wise guys.” They shop where they will play based on the kinds of video poker machines offered, their pay tables, the slot club’s cash-back allowance rate, comp policies, direct mail offers and other perks. Once a casino is targeted, these players gamble at inordinately high levels, play at optimal strategy and generate huge coin volume. Interspersed with these players are others who do not play according to optimal strategy and they in turn generate machine profitability. It is for this reason that identifying unprofitable machines becomes problematic.

Professional players also generate lots of bonus points (often redeemable for cash back), comps and, if there is a drawing, the lion’s share of the drawing tickets in the drawing drum. While their theoretical win may show them as profitable, an examination of their actual win often shows them as consistent winners of the casino’s money. Some casino operators suspect that they have advantage players, but most do not utilize the technologies in their possession to identify them.

Identifying the Wise Guys

It is hard to identify advantage players. This is because slot machine data and player data are analyzed by different groups of people. Slot directors and their staff analyze machine performance, WPUPD and other indices in order to optimize the mix of games on the casino floor. Marketing personnel focus on players: their daily and monthly average theoretical win, points earned and other indices in order to determine the value of mail offers and other premiums they may bestow in order to foster loyalty. Rarely

Table 1. Good and Bad Handle

	1.02% Hold Video Poker	2.7% Hold Video Poker	6% Hold Reel
Gross Slot Win Expected	\$ 1,000	\$ 1,000	\$ 1,000
Handle Expected on \$1,000 cash played optimally	\$ 98,039	\$ 37,037	\$ 16,667
Points Earned @ \$10 CI/point for VP and \$5 CI/point for Reels	9,804	7,407	3,333
Cash Back Earned at 100 points = \$1 in cash back	(\$98)	(\$74)	(\$33)
Comp Earned at same rate as cash back	(\$98)	(\$74)	(\$33)
Total Value to Player	(\$196)	(\$148)	(\$67)
Basic Player Reinvestment Rate (Cash + Comp / Tracked Win)*	19.6%	14.8%	6.7%
Gross Slot Win Less Cash Back and Comp	\$ 804	852	\$ 933
Gross Slot Win Less Cash Back and Comp as % of Gross Win	80.4%	85.2%	93.3%

*Excludes any direct mail offers and other forms of player reinvestment
Source: GMA

"Good handle is slot handle that is generated by people wagering on traditional reel slot machines, multi-line video slot machines as well as video poker machines with conservative pay tables... Bad handle is generated by gamers wagering on video poker machines that have very generous pay tables and therefore inordinately low hold percentages."

is machine data and player data combined in order to identify which players are playing low-hold machines and identify those machines and players that are unprofitable.

Data Warehouses

The recent introduction of lower cost, data warehouses that combine data from a variety of information systems allows astute gaming analysts to identify those players who are consistently unprofitable to the casino and those specific machines that they practice their craft on. Often a cursory examination is insufficient in identifying those players. An analysis must combine a player's actual and theoretical win/loss (as opposed to just theoretical win), bonus points redeemed, cash coupon and free play offers

redeemed as well as the costs of the various perks bestowed on certain high handle players including free rooms, limousine service, tickets to sporting events and other perks. By associating these players with the machines they play it will become apparent which games and customers are consistently unprofitable.

An Example of Bad Handle

A 9/6 Double Bonus Poker video poker game usually holds 1.02%; an 8/5 Jacks or Better game usually holds 2.7% and a standard reel game is often set to hold 6.0%. Using the standard formula of $\text{Handle} \times \text{Hold} = \text{Win}$, one can adjust the formula to $\text{Handle} = \text{Win} / \text{Hold}$. Table 1 shows that if these games are played at optimal strategy and each game

**WORLD
GAME PROTECTION
CONFERENCE**

SPECIAL GUEST SPEAKER
DR. ED THORP, LEGENDARY
AUTHOR BEAT THE DEALER

Paris
LAS VEGAS
FEBRUARY 19-20, 2008
PARIS HOTEL, LAS VEGAS
WORLDGAMEPROTECTION.COM

OFFICIAL
PLATINUM SPONSOR

plays to par, then \$1,000 in gross casino win will generate \$98,000 in handle on the 9/6 Double Bonus game, nearly \$37,000 in handle on the 8/5 Jacks or Better game and \$17,000 in handle on the standard reel game.

Assuming that the two video poker games accrue bonus points at a rate of \$10 coin-in per point and the reel game accrues at a rate of \$5 coin-in per point, 100 points earns one dollar in cash back and players earn comp dollars at the same rate as cash back, then the basic player reinvestment rate (cash back + comps/tracked win) is 19.6% for the Double Bonus game, 14.8% for the Jacks or Better game and 6.7% for the reel game. Add in additional perks such as free play offers, direct mail offers for free rooms and show tickets, point multiplier promotions, and the player reinvestment rate for low-hold video poker players can quickly rise to over 50%. When these perks are given to advantage players, the casino is no longer making money. However, this would not be readily apparent when solely examining WPUPD.

By diligently analyzing game performance, individual player performance by game (or game type) and including all aspects of player reinvestment when analyzing player performance, the casino will have a complete view of the player's worth and be in the position to determine whether

it is financially viable to continue to have those players as their customers.

It is important to remember that not all low-hold video poker players are wise guys looking to take advantage of the casino. In fact, advantage players represent a small minority of the gaming population. It is also important to remember that it is not necessarily deleterious to the business to have low-hold video poker games as part of the mix of games on the casino floor. These games can be very profitable. It is just that there is a substantial cost for those profits that are greater than other games. While it is important to measure profitability at the game level, it is more important to understand the profitability of the game and the players who wager on them.

Slot handle remains an important measure of business volume. However, not all slot handle is the same. When factoring game type, game hold percentage and player reinvestment rates, it becomes readily apparent that indeed there is both good slot handle and bad slot handle. ♣

Andrew Klebanow is Principal of Gaming Market Advisors. He can be reached by calling (702) 547-2225 or email andrew@gamingmarketadvisors.com

Unscheduled Transfers?

Indian casinos lose over \$85,000,000/year to inadequate food and beverage control!

The FOOD-TRAK System is leading the way, helping tribes recapture their share of that loss, averaging more than \$200,000 per casino each year.

Capable of full integration with the accounting, POS, catering and vendor ordering systems, it represents the ultimate solution – full automation and tight control. Our experts do all the work to build the database, implement the system and train your staff, so you can start saving immediately.

Put an end to unscheduled transfers. Call us now to get a complimentary customized analysis from our casino experts.

FOOD® TRAK®
Food & Beverage Management System

sci SYSTEM
CONCEPTS, INC.

800-553-2438
www.foodtrak.com

