
NIGA INDIAN GAMING '07

Casino Performance: More Money is a Measure Away

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What is a Performance Measure?

- Benchmark
 - A starting point from which we measure our success
- Standard
 - Minimum acceptable performance
- Incentive
 - The basis for special rewards
- Disincentive
 - The basis for punishment
- A Training Barometer

Where Can We Use Performance Measures?

- Literally all departments
 - Slot Department
 - Table Games Department
 - Poker Department
 - Food and Beverage
 - Finance and Accounting
 - The Parking Lot
 - Human Resources
 - Health and Safety

What Do We Measure?

- Anything and Everything
 - Utilization
 - Service
 - Slot Machine Performance
 - Table Game Performance
 - Employee Skills
 - Employee Satisfaction
 - Guest Satisfaction
 - Guest and Employee Injuries

What Is The Correct Amount?

- It may be continued increase in a positive measure
 - Revenue
- It may be continued decrease in a negative measure
 - Employee Absenteeism
- It may be an industry norm
 - Dealing Speed
- It may be a standard you wish to achieve
 - Slot Service Time

Utilization Measure

- Casino Head Counts
 - Slots
 - Large Denomination
 - Small Denomination
 - Tables
 - Poker

Utilization Measure

- Slot Utilization Stated As A Percentage of Capacity

Number of People Playing Slots

_____ = %

Number of Slot Machines

- Fair Share of Market
 - (Head Count Service)

Utilization Measure

- Slot Utilization
 - If less than 30% it may mean reduce your operational size.
 - If greater than 30% but less than 50% let your operational size remain the same
 - If greater than 50% expand your operational size

Performance Measure

- Revenue Per Square Foot
 - Tables
 - Slots
 - Poker
- No Standard
- Varies From Market to Market
- Need to Judge Performance Based On Your Market Or Similar Markets
 - It Would Be Unfair To Compare Phoenix (Demand Market) To Albuquerque (Supply Market)
 - Reasonable to Compare Phoenix to Milwaukee

Performance Measure

- Labor To Drop (Table Games)
 - A Table Games Measure
 - No Standard (10%)
 - If Too Small Will Have Negative Effect On Revenue
 - Can't Open Games
 - If Too Large Will Have Negative Effect On Expense
 - Open Too Many Games

Performance Measure

- Dealing Pace (Table Games)
 - A Table Games Measure
 - Standard of 350 Hands Per Hours
 - Much Faster and You Drive Away Players
 - Much Slower and You Lose Revenue Opportunity
 - Always Pace To The Needs Of The Player
 - Pace For One To Two Players Slower
 - Pace For Five To Six Players Faster

Performance Measure

- Average Daily Coin In (Slots)
- Average Daily Actual Win (Slots)
- Average Daily Theoretical Win (Slots) Allow Measurement Of Successful Machines
- Highlight Areas Needing Change

Service Measure

- Slot Department
 - Number of TITO Tickets Cashed By An Attendant Per Shift
 - Number of Jackpots Paid/Number of Fills Completed
 - Number of Persons Signed Up In the Players Club By Slot Personnel

A Plethora Of Other Measures

- Waiting Time For A Card At The Players Club
- Time To Sign Up A Player In The Club
- Response Time For Slot Service Lights
- Queue Lengths
 - Restaurants
 - Poker Room
- Training Costs Per Employee

A Plethora Of Other Measures

- Annual Employee Turnover
- Employee Absenteeism
- Employee Length of Service
- Employee Satisfaction Surveys
- Employee Accident Rates/Types of Accidents

MEASURE-measure-MEASURE

- We Can Measure Anything
- Does The Measure Give Us Information To
 - Improve Revenue?
 - Reduce Cost?

Performance Measures

- Financial or non-financial data that can be quantified and reported about performance in a particular area.
 - Analyzes the activities that generate revenues and drive expenses
 - $\text{People} \times \text{Process} = \text{Profit}$

Benchmarking

- The process of comparing performance measures to some standard or “benchmark”
- The casino’s own historical performance
- Budgeted performance
- Industry information

Performance Measures

- Financial Measures
 - Are often lagging indicators
 - Include operating results, liquidity ratios, return ratios...
- Non-financial measures
 - Are often leading indicators
 - Include number of customers, number of labor hours, hands dealt per hour, rooms cleaned per FTE...

Developing Performance Measures

- Determine framework for measures
 - What is the cost of accumulating and reporting the information and what is the expected benefit to be realized from the information
 - Select the right number of measures
 - Focus on the critical things that must go right

Developing Performance Measures

- Common performance measure areas:
 - Financial volume and results
 - Interaction with current and potential customers
 - Internal processes that add value to products and services
 - Employee satisfaction, productivity and knowledge

Performance Measurement Systems

- Must have reliable performance measure data collection methods
 - How and how frequently will data be collected?
 - Collection methods:
 - Information systems
 - Counting
 - Surveys
 - Checklists
 - Observations
 - Focus groups
 - Mystery shoppers

Casino Performance Measures

■ Overall Measures:

- Revenues – Total, by activity, per square foot, per customer visit, per occupied room per day, per FTE, per labor hour
- Operating profit
- Net income
- Cash flow from operations
- Revenue to assets ratio (Revenue/Assets)
- Return on assets (Net income/Assets x 100)
- Return on equity (Net income/Equity x 100)
- Debt to equity ratio (Liabilities/Equity)

Casino Performance Measures

- Overall Measures:
 - Number of customers
 - Customer satisfaction
 - Customer loyalty/frequency of visits
 - Customer complaints (per 100/1,000/? visits)
 - Employee satisfaction
 - Employee turnover (per 100/? FTEs)
 - Employee training hours/experience

Casino Performance Measures

- Departmental Measures:
 - Gaming departments
 - Contribution margin ($\text{Profit/Revenue} \times 100$)
 - Expense percentages ($\text{Expense/Revenue} \times 100$)
 - Revenues per labor hour or FTE
 - Total wagers
 - Win per machine and table game
 - Machine down time
 - Machine and table utilization
 - Average hold per machine and table game
 - Service times (customer and machine)
 - Hands dealt per hour

Casino Performance Measures

- Departmental Measures:
 - Other operating departments
 - Contribution margin ($\text{Profit/Revenue} \times 100$)
 - Expense percentages ($\text{Expense/Revenue} \times 100$)
 - Gross profit margin ($\text{Sales} - \text{cost of sales/sales} \times 100$)
 - Revenues per labor hour or FTE
 - Sales per employee
 - Total restaurant/bar table covers
 - Table covers per waitperson

Casino Performance Measures

- Departmental Measures:
 - Other operating departments (continued)
 - Room occupancy percentage
 - Total rooms available
 - Rooms cleaned per maid
 - Other nonoperating departments
 - Expense percentages ($\text{Expense} / \text{Total Revenue} \times 100$)
 - Revenues per marketing promotion or event
 - Volume per FTE

Benchmarking Process

Step 1: Plan

- What benefits you would like to achieve from benchmarking
- Decide:
 - What to benchmark
 - Against who or what to benchmark
 - How to benchmark
 - How frequently to benchmark

Benchmarking Process

Step 2: Measure the casino's own performance

- Format the casino's performance measures in a manner that facilitates benchmarking to external data

Step 3: Gather external data

- Collect in a format similar to the casino's data
- Obtain the most current information available

Benchmarking Process

Step 4: Analyze and Compare the Data

- Identify where your casino's measures are not equal or superior to the benchmark data
- Understand the reasons for performance gaps

Step 5: Implement Improvements

- Establish new performance goals
- Implement action plans to close the performance gaps

Benchmarking Sources

Nevada Gaming Abstract

- Annual report of combined financial information reported by Nevada gaming licensees grossing \$1 million or more in gaming revenue
 - Published by the Nevada Gaming Control Board

Benchmarking Sources

Nevada Gaming Abstract

- Information presented:
 - Balance Sheet
 - Income Statement – Summary
 - Income Statement – Detail
 - Casino Department
 - Rooms Department
 - Food Department
 - Beverage Department
 - Other Income

Benchmarking Sources

Nevada Gaming Abstract

- Information presented:
 - Average number of employees
 - Room occupancy rate
 - Occupied room per day statistics (pit revenue, slot revenue, food sales, beverage sales, payroll, room rate)
 - Gaming revenue per square foot

Benchmarking Sources

Nevada Gaming Abstract

- Information presented:
 - Ratios:
 - Comp expense to gaming revenue
 - Music and entertainment expense to gaming revenue
 - Total revenue to total assets
 - Total revenue less comps to total assets
 - Return on capital (equity)
 - Return on assets

Benchmarking Sources

Nevada Gaming Abstract

- Information aggregated for casinos:
 - Statewide and by area
 - By total revenues

Benchmarking Sources

Nevada Gaming Abstract Data Calculations:

- Revenue per employee
- Payroll cost per employee
- Square feet of gaming floor space per gaming employee
- Contribution margin ($\text{Profit/Revenue} \times 100$)

Benchmarking Sources

Other benchmarking sources?

- Nevada Quarterly Win Report
 - Win per gaming device information
- Publicly traded company reports
- Other gaming jurisdictions
- Gaming, hotel, restaurant and other related industry associations

THANK YOU

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