



Race Track Industry Program

**33rd ANNUAL
SYMPOSIUM ON RACING & GAMING**

WEDNESDAY, DECEMBER 6, 2006

SLOT FLOOR DESIGN AND MACHINE SELECTION

Moderator:

Joe Witterschein, Vice President, Marketing Services, The Innovation Group

Speakers:

Donne Grable, Executive Director of Casino Operations, Venture Catalyst, Inc.

Chuck Hickey, Director of Slot Operations, Barona Valley Ranch Resort and Casino

Robert McMonigle, Consultant, Aristocrat Technologies, Inc.

MR. JOE WITTERSCHEIN: Good afternoon. My name is Joe Witterschein with The Innovation Group, and I'm the moderator for this afternoon's session, "Slot Floor Design and Machine Selection." We would like to take this opportunity to thank the sponsors of this session, which are Suffolk Downs and JCJ Architecture. A housekeeping note to remind you, this evening at 5:30 a reception sponsored by Mountaineer Gaming and Resort. I'd like to introduce our distinguished panel who are here today to speak on slot floor design and selection.

Donne Grable, who sits here in the center. He is currently the executive director of casino operations at Venture Catalyst Incorporated. He spent two years at Barona Valley Ranch as director of slot operations. He was key in developing their wireless redemption system and spent a number of years at S.T.E. and helped penetrate the Rhode Island market, as well as being responsible for launching New York Lottery's racino operation.

To his left is Chuck Hickey. He currently is director of slot operations at Barona Valley Ranch Resort and Casino. He has in excess of 30 years experience in gaming; and that's split between California, Reno, Las Vegas, as well as riverboat operation background in the Midwest in Illinois and Indiana.

To my left on the panel is Bob McMonigle, currently a consultant with Aristocrat Technologies. He was formerly the executive vice president of IGT where he was responsible for worldwide sales. And during his career at IGT he directed all of their gaming development in the United States, Canada, South America, Europe and South Africa.

So we'll go about an hour. We'll save questions and answers to the end. I

have a portable microphone so I'll work the floor so we can pick up your voice and record accordingly. So we'll start.

Donne?

MR. DONNE GRABLE: Thank you Joe. Before I start doing these I like to ask questions, especially if it's with a group I could possibly offend. And then I can let you can speak up at the end and say well, you may be saying something about us but we're different. Any architects in the room? Okay, good. Because that's definitely going to be an important piece of what we talk about today in slot floor layout.

One of the common mistakes made in slot floor layout, especially talking about folks coming in brand-new to the slot business, maybe haven't gotten their slot director selected yet, and they are going through and doing their architectural plans for their new facility, is they commonly take for granted what the architect puts on the slot floor as design.

So many times in this industry you will see, here's what the architect is going to come up with. And what you're going to know is that the architect is not a gaming person. The architect is going to put in some fillers for you, and you have to go back and fix it.

So one of the first rules I always like to talk about in slot floor design is make sure — you're the one that's going to live with it. Please don't listen to the architect on how a slot floor should be laid out. When you get those plans know they are wrong, and you need to fix them.

I always like to start off with that piece when you talk about slot floor layout. And know as an operator those are the things that you need to know, that you're the one, it's your building, you're the one that has to live with it when it's all said and done. Make sure that you're the one making the decisions.

How do we make those decisions? How do we decide — how do we lay out the banks, flow patterns, etcetera. In my opinion you have to go through several common sense-type approaches to get through to where a final floor product should be.

Let's talk about the first one. Identify your entrances and exits. This is amazing to me how many times we go through this exercise and lay out a slot floor and we really haven't identified where people are coming from and where people are going. I'll give an example of a racino I dealt with when I was working for S.D.G. who gave us a floor design layout. We worked and did some things with the layout. We made a design for an entrance where we believed a majority of the traffic was going to come through a particular entrance.

What ended up happening is certain decisions were made, changed the flow pattern completely, and only about 20 percent of the traffic came through in the

entrance that we were expecting 80 percent, and it twisted the entire thing around.

So as a manufacturer we created this nice sense of entry, we created a nice sign package for these areas. And only 20 percent of the traffic really comes in this place, the other 80 percent came from a different direction. And as they come in there's no sense of arrival, there's no sense of I've arrived at the property. Knowing your entrance and exits before you ever get started, before you ever start trying to figure out what's going to happen next, is important. Knowing where my parking is and where are the people going to flow in.

You need to create arrival space. So many times you see casinos, as you walk in you are on the floor the minute you open the door. You want to get people engulfed into the gaming experience; however, you need people to have a moment to come in and say, ahh, take a breath, see what's around them and then work their way into the gaming area.

Create an arrival. Create an entrance so when they are coming in they do get that sense of, wow, I've arrived somewhere special. So many times we'll come in through these entrances and it's just a few machines kind of laid out okay, no signage, really nothing saying I've arrived at a very special place. You have to create arrival when you are making a slot floor.

Ease of access. How easy is it to get around my facility? How easy is it to get into the casino? How easy is it to get around the casino? There's a lot of thought process that goes into it.

I looked at some of the slides from last year from Ken Moberly, who gives you one idea of how to do it, which is we want to make sure to create mazes, low ceilings, we want people engulfed in the gaming experience, and don't let them out. That is one way to think about it, and to me it's a very good way to think about it if you are in a highly competitive market where I have a casino sitting next to me. Most of us are not in that scenario unless we are on the Las Vegas Strip.

Most of us are in a place where if they walk out the door they have to get in the car and have to drive anywhere from a half hour to an hour to get to the nearest competitor. Making it a maze and making it hard for them to get around and feel uncomfortable is not necessarily the best thing to make people want to be in your property. Letting them know where they are at, letting them know how to get to the next place is important, and that brings us to directional signage.

So many people when they are designing a slot floor, designing their new building, forget directional signage. There's nothing more frustrating from a guest perspective than walking in the door and not knowing where they are going and why they are going there. Where do I eat? Where is the restaurant? Where are the restrooms? And while they can ask your staff, and hopefully your staff can answer those questions, they would prefer to be able to look up at a sign and say, here's where I need to go.

So whenever you do a design for a new slot floor — and you cannot forget —

I don't know if it's going to be your responsibility or someone else's — it's your responsibility to make sure people can get around the floor, make sure that you've discussed directional signage.

Identify focal points. Disneyland, of course, is very famous for focal points. The castle is a focal point. No matter where you are at in the park in Disneyland you know where the castle is. You know where the center, the hub of the facility is.

You need to create focal points in your casino where people can always point to and know where they are getting to. If they are getting to places and they can't seem to find their way out, then you need to have something where they can say, I can always see this from here, I can always see his from here, so they feel comfortable in your place and know they can wander out a little bit further because they always know where the focal point is. At Disneyland that's how you get people to go further in the park. They never lose sight of the castle. They always know that no matter how far I go either direction I know where the center of the park is, and from the center of the park I know I can get anywhere. Very similar to the casino. It doesn't necessarily have to be a centerpiece, but there need to be focal points people can point to and say, I know where I'm at because I can see that over there.

Know where your food and beverage outlets are. Cashiers, retail, access to site lines, access to racing is very important. Know where all these facilities are. Those are the focal points of the casino. Those are the things that you are going to be looking to as a player.

Every player uses the restroom, for the most part. We all know that. Every player eats, not necessarily every time, but people eat. We know they eat. We know they need to use our cashiers, we know that they go to the gift shop. Let's make it easier for them to get there at times. When they need to get there let's not confuse them. Because time is money. The more they walk around — if they are a time-constrained player, if it's taking them five extra minutes to find something, that's five extra minutes they are not playing on your floor. They are going to use the bathroom. Make it easy for them. Let them know where it is.

And when you are designing your floor, one of the first things I like to do is design the walkways to get to these places. Design it there. Once you've designed the walkways through your casino to get to the restrooms, to get where you need to go, then you have very distinct slot areas that you can start putting your slots on.

Again, identify the flow and draw of the walkways. How do you want people to flow? Where do I want people to go? If I want people to be able to get to the buffet I don't necessarily maybe want to put it in a corner and block machines. I want to make it to where they can flow to the buffet easily. Where do you want them to go? How do you want them to go and where do you want them to go are two important keys. Because until you've really figured that part out, how do you know where to put the machines? You need to know the places they have to go before you can actually put the machines in. Once you identified the walkways

then basically what you have now is distinct slot areas that you are going to be using.

Draw banks in the space, ID the number of units that you need. So many times we underutilize the space that we have. And I think it's very important to understand when you are creating these areas, we need to be creative. We need to be more creative than we are today. People don't necessarily like to walk through Wal-Mart, go down every single aisle, straight aisle, straight aisle, straight aisle. Doesn't really lend itself to exploring and wanting to go down and see what's going on. We need to be more creative.

And that brings me to Binion's urinal theory, which I always find quite interesting. I've taught this before in classes, and I didn't realize that Benny Binion had taught it before. And Tom, a guy there told me very quickly after I did, he said, "You know, Benny Binion used to talk about that as a urinal theory. People like space. If you are at a urinal in a restroom, unless they have to, people aren't going to park right next to you. They're going to park away from you."

And if you think about it in the slot world, what we're talking about really is on slot banks, the more creative you are and the more banks, and machines you can set up to where people aren't on top of each other, the more profitable it's going to be.

The exercise that I find interesting for operators to do — and I've asked people to do this, and every time so far I found it's been true — is to take each machine on your floor and number them zero, one or two. You number a machine a zero if you have nobody on either side. In other words, your wife could stand or your husband could stand on one side of you or the other. Typically that's a circular carousel and an end cap.

The ones are machines that are basically end machines. There's no machine on one side of you, but there's a machine on the other side of you. The twos are obviously the machines that are in between two other machines.

Almost always — and I've, again, rarely ever seen a case where it's not true — if you add up the whole floor, your zeros will outperform your ones, and your ones will outperform your twos.

So when you start thinking about, well, these are making me more money, then you start thinking, well, gee, we need to be more creative on our slot floor and stop making these long banks of 20, 30 machines in a row, start breaking them up more, start using more circular carousels, and start being more creative in how we design our slot floor.

The last thing I have on here, where do I put the machines when it's all said and done? I have a layout and I know where the machines are going to go, but which machines go where?

One of the first things, people do not like to walk into inactivity. People are

attracted by other people, we all know that. So why in the world would we have machines that will get less handle pulls than others — let's say the higher denomination machines near an entrance — where they walk in and no one is playing?

You want to make sure that in your entrances and exits, when people are walking in your facility they feel action, they see action. It's that same argument. While a lot of people like pits near doors, I am not one of those fans. And the reason why is because 70 or 80 percent of the time you have dead pits. They're not being used. People do not like to walk into inactivity. It takes the energy level down. They want to walk into a place that's hopping. So when you are laying out denominations and where machines should go, always keep that in mind when you are looking at your doors, that you want to have good activity there.

Balance that out with the fact that high-limit players don't like to search. Dollar players really don't want to search too hard for the machines. You've got to keep that in mind. You've got to make sure that you have enough variety, easy for them to find; but, again, you've got to balance those two out with the inactivity. Sometimes difficult to do; but if you can balance that out I think you're going to have a much more effective slot floor than taking too much of one or too much of the other. It's a good balancing act.

And lastly, location, location, location. There are products on your floor that you can put out there today — and I think some of you who have casinos or running operations today know, there are machines you can put out in your parking lot and people would go out and play them. You can put them out, no matter where you put them, they would find them and they would play them. There are other machines that need location to be helped, and there are other machines that will never be played no matter where you put them.

When you are thinking about location, remember that you are always going to have spots on your floor based on — even though you can do a great job on your floor, they are just not going to be as heavily trafficked as the other. That's where that kind of product belongs. Use your product to help drive your traffic as well.

If you have an area that's not doing so well and you have a machine, again, play it in the parking lot, move those products on occasion back to those areas to help draw traffic and you will be amazed at what that can do for you. Sometimes I'll watch casino operators go for years. We've just never have been able to get people to come back here and play. Well, trust me, there is product that no matter what happens you can drive it to them. Use that product to drive people to locations.

I'm going to pass it off to Bob.

MR. BOB McMONIGLE: Thanks, Don.

Again, I'd like to thank everybody for coming this morning. It's, I guess,

second to the last day and fortunately, all these seats up front aren't full. But those of you in the back that I can't see because of the light in my face, welcome.

I think it's important to understand, and I'm going to take a position that you people here are wanting to get in the business. And I think it's important to, before you try to get to a floor mix or a floor design, the first thing you got to do is — well, you have to know your regulations and what the regulators tell you you can or can't do and what your tax situation is and what type of machines you can have or games you can have, because that plays a part in your overall mix.

I think the next most important thing is understanding who your potential customers are. What are the demographics of the people that you think are going to be coming to your facilities? What are the frequency of visits, what kind of financial levels they are, and spending powers? Because it's going to make an important difference on when you do on the floor.

The other thing that goes hand-in-hand: Who are you competing with for the dollars, the spendable dollars that you are going to try to take away from them? What type of gaming is in the area? Slot machines, poker rooms, racing, or full casinos, and how close those facilities are to your facility? Because when you determine or try to determine your mix of game and your denominations, all these will be a factor.

One of biggest mistakes when people get into gaming for the first time, you try to do too much and give away too much that you don't need to do. Bonus programs, special promotions, card systems can be a two-edged sword. If you have a player tracking program, you don't need to give a lot away if you are in a monopoly-type situation or don't have competition. Be careful what you offer. Once you give it, it's difficult to take it away.

I think you have to analyze your business as you go along. You can always add to those or add those programs to your programs, but there's no sense giving it away if you don't have to in the beginning.

I think Don did a great job explaining the layout of the floors. There are many suppliers that will offer design programs to an operator, or potential operator, numerous CAD systems out that you can lay your floors out on and they are pretty accurate and give you a detailed layout. Some cases it's three-dimensional and really walks you through the floor, so you can really look at the facility before you start working on it. And again, IGT, Aristocrat, Bally, all offer the programs. Take advantage of them, they are a big help.

I think the other thing besides traffic flows, you want to be concerned about line-of-sight in your facilities. I've seen a lot of casinos that block every view you have, you can't tell where you are or where you are going. You can over-signage tremendously. It's not a good thing. Signage is good, but use it wisely so you do have good lines of site. You tend to try to put the taller machines around the sides or pillars; but if you have a good line-of-sight and a focal point you can focus on, it

helps the customer move comfortable around the facility.

When you do get a layout of your floor, it's not always the best thing to put as many possible machines as you can. I know that all of the people who have operated floors have realized that more is not always the best. I think you can start, again, you start with a good number, the solid number based on your projections and, if you can, always add more. It's a nice problem to have if your utilization is so much that you have people standing around looking for machines, which you don't want to have.

Denominations. Again, with the advent of penny games today which are really two-dollar or three or four-dollar games, is it necessary to have penny games. I don't know. It's something you have to determine when you do your mixes. It depends on the competition and what's in the market and what the people are used to.

The types of games are the same way. If you have a high frequency of visits by a player, you probably want to have more poker games. If you have more of a tourist-type client, you'll probably want to stay away from that and try to use more video reels or reel games because you don't have to give away the percentages. There's a lot of places in the country today that are operating Class 2 games, which I don't know anybody that understands how you win on a Class 2 game. I think you just put your money in and wait and see what happens. But people line up to play them. And I think you can vary your mix based on the client. Your customers will let you know. It's important to have a good variety of mix based on your clientele and your market analyzation will tell you.

The other thing I think that's important, and trying to figure out when you go into, once you made the decisions, do you purchase the machines? Free trial them? Use revenue share games, and it's up to you to determine what's best suited for you? I would highly recommend that anybody going into a new facility try to free trial as many machines as you can. There's no sense trying in buying them if you don't have to. If you can get some time on a free trial, it gives you an opportunity to test the machines, see how they perform before you put up money for them.

I've seen too many times people buying machines and they live with the problems that they have and they don't have a good mix, they don't have the flexibility to change. Once you commit to the machines it's hard to change 60 or 90 days down the road and go to your bosses and say, these machines aren't doing too well, when you have laid out \$8,000 or \$10,000.

Revenue share games give you an opportunity to put games on your floor with signage. More popular games, again, you don't want to share the monies with manufacturers but in some cases where your funds are limited or you need more signage or need new or different types of TV games, it works. In some cases some facilities have a lot of them. It works for them.

I think in finalizing, floors are interesting things; and I'm sure Chuck will talk

about it, and certainly he can substantiate this. They are a living thing. You don't set them and walk away. They change daily, monthly. It's something you have to analyze on a regular basis, and it's constantly changing. And to the good operators they are constantly changing floors to meet the needs of the customers.

If you have a good accounting system or player tracking system, if you have a system like Mariposa that gives you analytic tools, those are beneficial to keeping the floor, to maximize the profits. And again, I think it's a constant job and it's one, in most cases — most operators don't do a good job of analyzing the floors. And the bigger ones, higher profit facilities do. Take advantage of those tools that give you the systems to do that and your profits will benefit. Thank you.

MR. CHUCK HICKEY: Since I don't have a PowerPoint, if you don't mind, I'll sit here and look at my notes.

One of the things that both of these gentlemen talked about are things — first of all, Bob said the floor is a living thing. And I absolutely agree. A floor is a dynamic object that changes perhaps hourly. And certainly by days of the week. And by season. It depends on where you are where it's a big issue. Some of the things Donne talked about I wanted to re-emphasize. He was telling some stories, and I wanted to join in that.

Talking about knowing where your entrance is. I worked at a place in Reno and we built a brand-new casino, the first one in quite some time. The architects drew this wonderful entrance on the main street, on Virginia Street if you know Reno. And it had a very grand sense of arrival. And it was a wonderful big, wide entrance. Unfortunately, no one used it. The entrances were from the hotel and adjoining two casinos, we had escalators, and that's where probably 60 percent of the foot traffic came from, and the other came in through a corner side door.

So we did have the great sense of arrival. Unfortunately, no one arrived there. The other thing I would add, when he is talking about architects — and did any sneak in? Architects have these wonderful maps, and they are very symmetrical and look pretty from a bird's-eye view. Not too many of your players get a bird's-eye view of your casino

And Bob mentioned about 3-D model with AutoCAD, if you haven't built the place yet and you are looking in your mind's eye, a 3-D model is of benefit. A little more challenging but worthwhile.

One of other things I mentioned that Donne talked about, look at your map before you ever draw that first aisleway to the restroom. Really look at it, stare at it, put it up in your office and look at this thing and try to feel — I know it's virtually impossible to do, but it will pay off in the end. Look at it, pretend you are walking through it. If you don't have the 3-D modeling capability, get a feel about how far it is to the restroom and how do I get there and what the floor is going to look like?

Site lines, they are important. One of the other things Donne talked about —

and I don't remember what you called it — focal points, I think. I call them landmarks. One of the things I discovered over the too many years I've been in the business, a lot of folks have a comfort level. And their comfort level drops when they don't know exactly where they are. Whether they can see the center bar or the super-spin game in the middle of the floor or other landmark, it helps give them a comfort level. It also gives them the ability to move further away from their entrance.

Some of our older folks come in, they don't get too far away from the door. They don't want to get lost. They want to know where Mary is or Joe. Give them a sense of landmark that I can see and keep in my mind's eye and know where I'll meet you, they will explore a bit further.

One of the things Donne and I disagree on are the walkways and clear avenues. I'm not the pinball effect person, but I am kind of in the middle. And I don't really like the avenues through the slots. I do like people to bounce around a bit. I don't mean mazes. Those are uncomfortable, people get lost. I do mean, like if you walk in Nordstrom, how often do you walk in a straight line? You don't. You walk in, you hit a perfume counter and it forces you to go one way or the other, and it kind of forces you into exploring the property. Again, with landmarks you can do that. If you don't have landmarks you are taking people out of their comfort level.

Bob talked about analysis, knowing the market and adding the programs as you go along. Those are good ideas. So I guess what I would try to do, summarize how you put it together. You built your floor, laid it out, you have a wonderful floor, and Bob's techniques for picking out games to open the place, now what? It's a living floor, I agree.

What tools do you use to keep the living floor a healthy being? And there are lots of tools out there. There's some that have gone more graphically. Mariposa has a module for graphic analysis for the floor. You can look at your map. Hot zones, cold zones, and stuff like that.

I'm a pretty visual-oriented person and I find those to be very helpful. But they don't tell the whole story. They are wonderful for what they do, give you general trends. They show you foot traffic patterns and high intensity zones and low intensity zones, but you drill down further anyway. I'm more old school in how I go about looking at floors. And you have lots of different manufacturers have their slot systems and they are great at gathering information, but not so great at regurgitating that information out.

So my first suggestion to you and how do you keep the floor alive is to find a good system, a system that you feel comfortable with, that fits within your framework or knowledge, or knowledge base. If you are a savvy computer user or less so, or find a good analyst to help you out.

I'm a recent convert to Mariposa, that's the system we have. I find it to be a

valuable tool because it allows me to quickly look at floors. I can go into — we use S.D.S., a bunch of systems. I can go in that and pull up numbers. It's a little more clunky, but when I have another question, I go to Mariposa and I can find an answer quickly instead of coming back a week later and having someone look it up. I can go in the system quickly, pull up an answer, make a decision today or this hour versus waiting for reports to be run.

But, again, how do you keep the floor dynamic? There are no new ways to analyze. There's new software systems that help you. I'm not a great Fox pro user. I don't use it. I still use Excel. There's the basic things you need to look at, and maybe we'll go over some of those.

Actually, one other thing. There's other developments that could help you out and I'll give you ideas of why they might and might not. I've tried wireless systems on tablet PCs and laptops which allow me to walk the floor and have my numbers with me. And my best advice is walk your floor, walk it often, every day, different hours of the day. I personally take numbers with me. Now, I do it on paper. I have gotten high-tech. I used tablet PCs and hooked in a system, I can page through them as I'm walking the floor. The negative of that is unless you're closed, or you have the time when there's not any patrons around, it creates a lot of questions. And they come up and say, what are you doing? Looking at my floor. Can I look? No. I want to look — you end up having a conversation with this person. It's a great thing to do, but you are not getting your analysis done, and that's the bad side.

With a notepad and paper report, I don't take them all out. And I walk the floor with those reports, usually a bank report. I have all my banks summarized and ranked. And I walk the floor in specific areas and look at — if I'm looking at a paper report in my office, it doesn't, unless you know the floor 100 percent, you don't necessarily see the games next to it. Maybe you see it on the report. The bank next to the other bank. So you don't know if you are looking at a bank backwards, or your numbering system may not be the best. Take it out on the floor and walk the floor, and then you'll see some things.

You'll see why it doesn't matter where I put this game, because it's right next to the garbage can that smells. Move the garbage can. The report won't tell you that. All it tells you, every game you put in there stinks. Move it. Look for environmental reasons. Maybe you have a window, there's glare and you have machines that at two o'clock in the afternoon catch the sun and nobody can see them. You might consider lowering a shade, might consider turning the games around or a different type of machine that the angle doesn't hit until eight o'clock at night. So walking your floor is one of the biggest keys. It took me too long to learn, but it's the most valuable tool I have.

What else do you look at looking at these reports? If you're going to look at and break up the floor, some of the ways you need to do it are when you set up the reports in the beginning, obviously, a section, a floor numbering system is appropriate. One that you can work with, one your system can work with. You

need to set up by denomination and type, whether it's video or stepper or maybe others, or poker, different break-downs you can use later.

Line configuration is important. Used to be something that was a five-coin game. We didn't worry about it too much. Single line or three line or five line. Now you have 15 lines and 21, and 50, and 100, and you have max bets to consider. A 20-line game with one configuration and another configurations. These are things that are going to help you make decisions later on, if I can sort by lines.

Of course, the title. The whole percentage of the game. One we don't have in our system, but one we think about adding, volatility index. The games are more volatile. It's a thing I worry about with our players. I don't think volatility is necessarily good for them but they seem to like it so I have to provide it.

There's so many titles nowadays it's hard to keep up and how it relates to another game. Not all manufacturers have the same types of volatility indexes so it's hard to — you don't have a common denominator there. That's something I'm thinking about adding to our system so it's something else I can track, and I don't know if it will make a difference. I won't know until I track it. Whether the game is multi-denominator or not, you ought to be able to search the fields by the kind of participation, whether it's a percentage, a coin game, flat fee game, lease game, and so on. You ought to be able to track handle pulls and track the average bet. These are things you ought to be able to get out of the system quickly. They are important in decisions you make, and you shouldn't have to sit back and divide the revenue by handle pulls to come up with the average bet. The system should do it for you.

Coin-in by total, average, percent of floor, actual win, net win, by total average and percent of floor, and by percent of floor is really important.

That's what's going to help you determine the game you are going to pick, or do I have enough of these games? Do I have enough little green men on the floor? Are they overperforming or underperforming relative to their numbers on the floor? And then I also look at static hold. The hold would be without, if there were no play. I look at weighted hold. First of all, net hold, and then weighted hold. And this is important because you need to know whether your floor is doing what it's supposed to do. Just because you have a six percent floor and you are holding 5.9, you are not doing so hot. Maybe not, maybe all the play on the two percent poker games and you are overholding.

I look at the weighted hold in two ways. Coin-in and handle pulls. And handle pulls probably is more important if you have high limit play, where you have thousand dollar machines or stuff like that. One pull can make a difference and the coin-in can be impacted by one player over a weekend.

So those are all things I think help you. You've bought the first machines, did the comparative analysis, you put on the floor when you thought was right — probably you will find out you weren't 100 percent right. If you were you would be

the first person. Unless you are in the monopoly, then you are 100 percent right. You can be better by using tools and tracking the various performance.

Some of the things I outlined here you can turn around and make better choices on conversions, you want to convert your floor to new game and they are bringing out new games all the time. Sometimes you can't convert, you need to get rid of those old S.G.D. games and replace with Bob's Aristocrats.

And the last thing I would say, I wrote down, Bob, you said we should all use free trial games. I'm going to make sure my salesman understands that. The other thing I with a leave you with, this is the one thing — it goes back to what Donne talked about. The first guy that took me under his wing 30 years ago, Shelby Williams, an old gambler from Texas who ran the Holiday Casino in Las Vegas. And was with the Silver Slipper, prior to that an old Texas gambler, and his word of advice to me. I still do this. I went to visit four casinos last night and did this in every one of them when I walked in.

When you walk in the door, shut yours eyes, don't let the lights distract you, just close your eyes and feel that casino. Did you get bumped when you walked in because it was busy. Did you hear, I heard it a little, coins falling in trays? Did you hear excitement? Did you hear other bells going off? Did it smell good or smell bad? What did the place feel like? It's not all what the architects want you to do, it's a lot about product placement. It's about putting exciting games at the door. Putting the bread in the back of the store is old school. You want somebody to walk in and feel they have arrived.

And it's not all visual. It's feel. Was the air conditioning good? Did it smell good? Was the carpet nice? Was it clean? You can feel it, you can feel action and excitement, and that's what you need to generate. If you have that when you walk in the door then people feel like they arrived and they want to spend their money with you. Then it's up to you to keep the rest of the place up to those same standards. Thank you.

MR. WITTERSCHEIN: Anybody have particular questions?

A VOICE: Thank you. I would like to ask this to all the gentlemen. I come from the school of thought where the pro forma drives the bus in terms of how many machines you have on the floor. Can you talk about your experiences with going with that flow or making decisions in another direction?

MR. GRABLE: Pro forma meaning what you planned on happening?

A VOICE: Exactly. Based on what your win is going to be, and the money borrowed for the expansions or new projects based on that. And you have to have a certain number of machines to make it work. I'd like to see how that played in your decisions in the past.

MR. HICKEY: Bob mentioned in the beginning, having more machines is not

necessarily better. And I will tell you, almost every — I opened several casinos, and almost every one of them we ended up taking some machines out. And a lot has to do with the quality of your pro forma and how conservative your numbers are. If your numbers are realistic I've been lucky enough to say, our numbers are better than the pro forma. So I never had to manipulate that.

What Donne talked about and Bob, you don't — more is not better. And having taking a 20 bank machines, and cutting it down to tens or fives long, gives me more end machines, fewer middles. And I would add, with the zero, one, and two, if they are two on the ends, they are better than the two stuck down in the middle. As you get further in it gets worse.

So we've typically backed off and some places we even took tables off the floor. If they were too close together, there were seats that couldn't be used anyway. I don't know if I answered your question, but it has a lot to do with quality of your pro forma and hitting your targets.

MR. MCMONIGLE: I would also say, you can make pro forma say anything if you put enough machines and you put enough win per day times those machines.

But I think what Chuck said is right. Most of the good projections have been conservative and most cases those projections are beaten by the performance. When you overproject and underperform you tend not to be in business long. It's happened a few times, and I think anybody in the business as long as Chuck and I have been — we're the old school guys, Donne is the young guy — you've seen those things happen. They overproject and can't perform. If your projections are good you'll generally outperform your projections.

I think it lends itself to another question. How do I know if I have enough machines on the floor? What's the number that says, if I'm generating this many people in here do I have enough machines to meet the need and drive numbers as well?

That's part of what we run into today. There's a discrepancy about what is the right amount of machines. Chuck and I spent time in different jurisdictions. Chuck's had limits, I've always had limits. I do believe it as a whole. I was forced to deal with it. I think we have a misperception of occupation and lost opportunity costs. That's when you have customers in your facility walking around not able to play because they can't find the machine they want to play or it's completely full. Some people might want to tell you that's when you get to 50 percent occupancy, some people might tell you it's 60, 70. I'm not sure what the number is. I can tell you it's high.

I can also tell you the way we're heading and the industry, server-based gaming, it's even a bigger topic for discussion. Do you need 2,000 machines Friday night at 10 o'clock? Eighty percent of the machines full, 90 percent? Probably, if you are in a busy jurisdiction. But with server-based gaming you can pinpoint and make sure you don't have the lost opportunity costs, you can drive the machine to

do what the player wants to play. They can select and choose.

I think if we will look at slot floors and the right amount of the machines it's going to look more like a restaurant. More about how many tables does it take to serve my guests? Is there a wait? What's the lost opportunity cost versus too many?

We need so many machines to make sure no one is standing around looking for a machine. There's a lot of cost and expense with that. And there's a reason casinos are always piece-mealed together and expanded and not one building. You never want to put in too many to start, but you want to continue to expand.

I like the trend as it is today. I'm seeing less machines. Chuck talked about taking machines off the floor. I see more slot floors. Steve Wynn is a great direction in where we're headed. He put in 2,000 machines in a Strip casino. That's almost unheard of in today's world. But he is starting to realize creating a better space, a creative space, is better. And so I don't have the perfect amount of machines on New Year's Eve doesn't mean I don't have the perfect amount of machines.

MR. WITTERSCHEIN: Any additional questions?

A VOICE: With the server-based games coming out, what will be the impact or what will be the train of thought? Because from my understanding, we'll be able to direct when we want people to play and where we want people to play by selling the product instead of offering the product. What impact is that going to have on initial design or redesigns or floor reconfigurations?

MR. MCMONIGLE: We're one of the test casinos, we have been since December of last year. Basically, a year of limited experience with server-based gaming. And I say limited. They are on the horizon. What happens to the floor? I don't know. Part of what Donne said is appropriate. On any given night I have games not being played, Triple Play Poker or whatever.

With the potential of server-based gaming and regulators and accountants that let us do what the capabilities might be in the future. Or here now, we could not have the Triple Play Poker on the floor and we could have the Tiki Torch that that player wants to play. One of the negatives is: What if all the players want to play nickel poker on Saturday night? You're not going to let that happen. You create business rules that say, this is all I'm going to allow unless you are player so-and-so. It's going to be complicated. Do you need 2,000 machines? I don't know.

If you have the right game you need the number of machines for the number of players you have today. You'll never have the right games. It's a different bus that came in today and from a different section and they play differently. And you have a convention of Canadian doctors come in and they are going to play differently, if at all.

So having the ability to do that, I think you can get a more efficient floor with fewer games. I'm limited by 2,000 machines. I've been in jurisdictions where I didn't have that. But I have the ability to keep games for the loyal player that comes every day. But the game is not number one on the hit parade, or maybe it is on the headed-out-the-door parade. If I have the leisure I can keep the game for the player. And that's not something I can do with a 2,000-machine limit.

MR. GRABLE: One of the most exciting things, in my opinion, again, the big thing for me, everybody to understand, on server-based gaming, it's still early on, it's a blank slate. Some of you may have seen things at G2E. They are coming but not here today. The blank slate is something we're painting as we go. One of the exciting things that will change the dynamic of the industry, we have the possibility — the games may never be able to die. That's very exciting. It's something we don't have the ability to do today in order to keep those games that so-and-so plays all the time.

I need more machines on the floor. I need enough profitable games on the floor. In the server-based gaming world, I will push for the hope that a game will never die. It can always be there. Maybe not the easiest to get to or readily available on all games, but if you can educate a player, like Penguin Pays — it's been around a long time — there's a player that would play it. It was a popular game. That's an exciting piece of server-based gaming and it will help maximize each gaming terminal.

You mentioned moving people around. I think that's a general possibility. When you are talking about how to move people around the casino to close it for cleaning, possibly, the reservations, looking more like restaurant-style. Those are out there in the next five or 10 years.

The people in the gaming industry will help drive it so those kinds of ideas are always important and always need to be shared with the folks that are there. I would encourage everyone here, any time you have a chance to talk to the salespeople and the bosses like Bob, things you are seeing and thinking about for the future, so they can take those to the engineers and implement those as well.

I also think server-based gaming will take a while to develop. I don't think you're going to see people come in and do all their floors in the next two or three years. There's too many questions, unknowns. The average player in a casino today thinks that the operator tweaks the machines around and changes with a key or has a thing they can change the percentages on, and that's what server-based allows the operator to do. You have to realize that the operator is there to make money. If you look at the table side, you go in a casino on a Tuesday night, you may find a \$2 blackjack table. Friday or Saturday, you're lucky to find a \$25 table. They change the denominations based on business and utilization. That's the key down the road, it will give you the flexibility to change your offering of games, of percentages, denominations to try to maximize the benefits. It's a two-edged sword. What you don't want to do is irritate the customer. One time he came in

and was playing a game, 90 percent payout, and now 85 percent or 95 percent. So it's going to take a while. And I think certainly the technology is there and has been for some time.

But I think the also the other offerings that server base gives you, the ability to make reservations, the ability to market on those machines, the ability to let the customer get more services through the machines. To me as much as an important factor of what the server base can do. I think there's still people that have their favorite game. And, again, you have to be careful with server bases. Do you let the player make decisions, or do you make the decisions based on your situation? And you don't want to give the person too many decisions to make; because if he goes and you have 12 games to choose from, it's going to take time to decide.

If you look at multi-games now with six or eight games, you have one game that makes 70 percent of the revenue, another 20 percent and the other six or eight, however many left, will make up 10 percent. So there's a lot of work to do yet. And the smart operators will try it, utilize it, and take a certain piece of the floor and freight and expand on that. If it's successful and it's not a clear thing, but it's going to be.

A VOICE: In terms of what would the expectation of an operator be if they were going to bring in participation games, counting on the manufacturer to subsidized part of the marketing budget, should there be an compensation of that?

MR. HICKEY: I think it has happened, it depends on the program, depends on how many products he brings in. But I think it's reasonable if you're going to give a piece of your floor and share some of your revenue with the manufacturer they should step up — and I would want to see that under marketing programs — and I don't think in most cases the manufacturers do enough to promote their products.

A lot of times certainly the companies I've been involved with put out products and hope they make it based upon sometimes trials or sometimes tests that they have done. But it's not necessarily a winner, and I think there needs to be more marketing of product.

It takes, in some cases, millions of dollars to bring a product to market. Paying for certain rights, if it's an individual or title. You get to Wheel of Fortune, it's very expensive. It's certainly within reason to want to have some kind of idea what kind of co-op dollars are available. I would recommend working out a program where you get advertising support.

MR. GRABLE: There's other avenues, too. Bob is right. I don't think many manufacturers market the games effectively, if at all. You're seeing more lately with collateral advertising. Sometimes it's hard just to get graphics to put a picture of a new game on a sign. It's not all that easy. There's other avenues, too. Some of the casinos do better marketing than the manufacturers, but there are deals to be made with participation games, parts, systems, whether it's other concessions that manufacturer might give you for putting a percentage of games on your floor.

MR. WITTERSCHEIN: Thank you very much. Again, we thank Suffolk Downs as our sponsor.

(Applause)

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