



by Joseph Pappano

The Rise of Cashless Gaming

Cashless gaming, long talked about but never widely implemented, is becoming a reality. Once again, tribal casinos can lead the industry in adopting new technologies that will improve both patron convenience and operator efficiency.

Unlike the general economy, gaming establishments rely primarily on cash. When starting play, patrons put cash in the bill acceptor at slot machines or slide cash across the felt at table games. Retail establishments have long since moved away from cash. It is estimated that by 2015, fewer than 10 percent of all retail transactions will be conducted in cash. The rest are electronic, based on plastic cards or – more recently – mobile devices.

Cash has its costs. For the gaming operator, they are the costs of borrowing the cash from a bank and the personnel costs of sourcing, dispensing, counting and securing the cash. For the gaming patron, they are the costs of getting that cash. Because of the wide availability of electronic payments in non-gaming locations, consumers carry less cash than they used to. As a result, when they get to the casino they visit the ATM or cage to get cash for their gaming play, often paying hefty fees.

Gaming operators took a big step toward reducing the costs of handling cash when they adopted ticket-in, ticket-out (TITO) technology more than a decade ago. TITO systems allowed casinos to free up space on their floors by eliminating satellite change booths, replacing a cost center with profitable gaming devices or tables. Early on, casinos fretted that consumers would reject the change, preferring clinking coins and heavy slot cups to bar-coded tickets. However it didn't take long for TITO to soar and slot tokens are now the stuff of memorabilia collectors.

The TITO evolution only went part of the way towards solving the problem. Patrons still have to get cash to start their play and still leave with cash when they're done – and casinos still have to hold that cash to meet player demands. Gaming regulations have generally prevented casinos from acting like retailers and accepting credit and debit cards. This is to address responsible gaming concerns that patrons might empty their bank account or take on a lot of credit card debt in a moment of weakness. What responsible gaming advocates have sought is “time and diversion” between the time a patron is out of cash and the time they can get more at an ATM or cage.

These regulations are changing. In February 2014, the Nevada Gaming Commission made a significant policy change,

for the first time allowing a modern payments instrument to be used to fund gaming play. The new Nevada rules center around a prepaid card that would be issued by the casino to its patrons. When a patron opts for a gaming prepaid card, they are opening an account with the bank that issues the card. Money put on deposit for use with the prepaid card is a legal deposit in that bank. The deposit is protected by FDIC insurance and the card benefits from federal loss and fraud protections. Thus, patron safety is significantly enhanced.

Patrons can fund their prepaid account in many ways. From the convenience of their home or office, they can fund online via a transfer from their regular bank account or from a credit or debit card. They can also use a mobile app to do the same thing. When patrons are ready to start gaming, their gaming play funds are already on deposit in the prepaid account and can be used to fund a wagering account – part of the casino's slot or casino management system.

From the wagering account they can move funds to and from gaming devices, all electronically. The prepaid system matches the patron's player card number with the prepaid account number, so the patron doesn't have to change their usual routine when they sit down at a machine. They simply slide their player card into the machine, ask to download funds from their account, enter their PIN and other ID information and the funds are available immediately. When they're done with their gaming play, they just reverse the process and – zip! – the funds are back in the prepaid account.

The prepaid account comes with a prepaid card that looks just like any other debit or credit card but carries the casino's brand and logo. It can be used at any merchant in the U.S., or online, where credit cards are accepted. What that means is that a patron can finish their gaming play, send funds back to the prepaid account and then use that card to buy dinner at the casino's steakhouse or show tickets. The card can also be used outside the casino – for example to buy gas or groceries on the way home.

This gives casinos a powerful new way to market to their patrons. For the first time, casinos can now know what their customers are buying – and therefore valuing – when they're not at the casino. This allows for better incentives and is a useful feature for smaller casinos that may have a limited assortment of their own restaurants and retail with which to incentivize patrons. These casinos can make deals with other merchants in the area, offering those merchants' products as a reward to the casino's customers. For those casinos that do this already, the process is greatly simplified since the

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delivery and use of that incentive or coupon is all electronic. The prepaid system is also applicable for those tribes that are thinking about offering online gaming. It allows patrons to use the same account to fund online play that they use for brick-and-mortar play, keeping the user experience consistent. The prepaid system doesn't rely on the traditional payment networks to authorize transactions, so the high level of turn-downs that online players have been experiencing with traditional cards is significantly reduced.

How does this prevent the same credit and debit card concerns that responsible gaming advocates are worried about? Prepaid cards have no credit or overdraft features and, once they're out of funds, they need to be reloaded. And reloading takes the same "time and diversion" that problem gambling professionals have advocated with respect to getting additional funds for gaming play.

Nevada is the first state to make this significant change, and other states will likely take note. As self-governing entities, tribal councils are able to act quickly in considering and adopting such changes. Among the reasons to do so is to get a jump on state-regulated competitors, who must wait for a longer and more bureaucratic process to unfold.

Exciting times are ahead as casino patrons will eventually be able to pay for their gaming entertainment the same ways as they pay for almost everything else. Tribal casinos have the chance to be at the forefront of the next major evolution in gaming. ♣

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