

Casino Junkets:

The Good, the Bad and the Ugly

By Steve Karoul

First, we need to understand what a junket is and what it is not. A casino junket is a group of individuals that “supposedly” have a propensity for gaming that are being organized by a tour leader referred to as a junket rep to take them on an organized trip to a casino for gaming purposes. A casino junket is not a free tour and travel vacation complements of the host casino. It is suppose to be a gaming trip. If you notice, I use the term “suppose to be” several times.

Second, I am one of the few casino executives that have actually worked both sides of the fence. I have hired and fired numerous Junket Reps all around the world when I worked as Vice President of Casino Marketing for different large casinos. I have worked myself as a Junket Rep when I lived in Hong Kong. And I have worked for and with some of the biggest junket reps in the word when I also lived in Hong Kong, Bangkok and the Philippines. I am very familiar with all aspects of casino junkets and dealing with junket reps both domestically within the United States and internationally.

There are many positive aspects of dealing with reputable junket reps. There are also many risks and liabilities in dealing with not so reputable junket reps. There was a very famous management textbook several years ago written by Harvey McKay called, “Learn to Swim with the Sharks without Getting Eaten Alive”. There are some similarities to the book and dealing with not so reputable junket reps. Therefore, I always advise casino management to proceed with caution when setting up a new junket program.

Junket programs are no different than a Manufacturer’s Rep program. Most Fortune 500 companies IBM, Xerox, etc. use Manufacturer’s Reps in addition to their own internal sales force primarily due to the logistics and the economics. The programs work and they are cost effective if managed properly. There is not too much difference from this and a casino junket program. However, there are some differences and therefore you need to understand the differences, in advance, to help insure that your junket program is set up properly from the beginning to help you maximize your casino’s true profit potential from the Junkets. Asian junkets are an exception to much of this article. Junket Reps in Asia tend to issue and control the credit for their players. The junkets participate in Asian Dead Chip Rolling Baccarat games where commission is based upon turn-over or the “rolling of non-negotiable chips”.

The natural tendency for a junket rep is service his players and to maintain their loyalty. In order to achieve this objective they have to constantly offer their players exceptional benefits, excellent customer service and high value for their continued loyal patronage. Therefore, many junket reps often represent multiple casinos in multiple gaming jurisdictions. As a result of this they are able to review every casino’s special events, entertainment schedules, tournaments schedules, etc. and offer their customers the best

available from multiple casinos. In effect, they hand pick only the very best offers to present to their customers.

The only risk or liability to the host casino is that they may only see that junket rep and his players during times when they are running high budget events which may not necessarily make the most money but are viewed as necessary for the casino to run to maintain position, market share and be competitive. Ideally, a casino should have monthly goals and budgets for each of their junket reps to meet in order for them to participate in the high cost special events, etc. Therefore, financial analysis is important for a casino to properly evaluate the amount of business that they receive from an independent junket rep versus the cost of maintaining a salaried employee or a branch office where one hundred percent of their time and effort goes into marketing your casino on an exclusive basis. A few Junket Reps do operate exclusively for some of the larger casinos but this is fairly rare today.

Obviously this is not a simple decision and careful analysis is required to estimate the size of the market as well as the market potential. In some remote locations, time, distance, high air fare costs, etc. will limit the number of players that can travel on a regular basis to your casino. In those situations, a reputable junket rep is probably a more cost effective solution to your marketing efforts versus a salaried employee.

Finding a reputable junket rep that has good relations with his customers is critical. It is a lucrative business and therefore there are a lot of “wanna be” junket reps out there without any real experience and without a loyal established customer base. The other big problem that usually crops its ugly head with inexperienced, unprofessional junket reps is regulatory violations. One example is that junket reps do not get paid until the casino gets paid. Consequently there have been numerous horror stories of unprofessional junket reps using unauthorized methods to try to help the collection process. This has caused many embarrassing situations for highly regulated casinos resulting in high fines for the casinos and terminations for the marketing executives. Similar stories abound about junket reps collecting large sums supposedly on behalf of the casino and then disappearing leaving the customer very upset and angry. Another common problem is Loan Sharking. Many of the not so reputable Junket Reps enter the business primarily to extend their loan sharking business where they lend gamblers money at onerous interest rates of up to 10% per week and then use illegal methods to threaten customers in an attempt to collect their money. In addition, the casino usually also loses the customer as they are still required to try to collect on the legal credit obligation. My recommendation is to not allow a junket rep to be involved with either the credit process or the collection process.

Another problem area that I often see is related to lack of training. Junket reps do not understand all of the various regulations and laws. They often represent many casinos in multiple gaming jurisdictions so the regulations can vary dramatically from State to State as well as from country to country. Do not leave anything to chance. Before you begin a junket program or dealing with a new Junket Rep, a casino needs to do the following:

- Insure that the program is completely legal and meets all reporting and regulatory requirements. You may want to meet with regulators to establish good communication channels.
- Develop a formal training program that is well documented and you may even want to “certify” each junket rep with a brief test to insure that they really do understand both the regulations and the need for compliance.
- Set monthly financial goals or targets for the numbers of players expected each month as well as revenue expected either in actual results or in theoretical win.
- Finalize a fair commission program. I like programs that are tiered that offer the junket reps more commission based about reaching different pre-set monthly goals or targets. Also, establish minimum play criteria and define what an actual trip consist of for the number of days involved.
- Plan to support the junket reps that do achieve certain goals either with office subsidies, pre-printed shells that they can use to print their invitations on or running player parties in their local market.
- Consider a formal junket agreement that would limit the junket reps activities that may be deemed competitive, i.e., not being allowed to represent other local casinos that you compete against. The formal agreement should also define all terms and conditions.
- Insure that your internal organization is prepared to issue reports quickly upon the completion of each junket and to process payments to your junket reps quickly and on time.
- Support your better junket reps and look for opportunities to recognize their loyalty and efforts by running parties or mini-special events for them and their players at the casino. These events are almost always extremely profitable and cost effective.
- Communicate and train your in-house staff that your junket reps are basically your external sales people who work on a commission basis versus a salary basis but most importantly that they are part of your team and should be treated with respect and as they would like to be treated. This will help eliminate some of the competition between in-house Casino Host or Player Development Executives and the Junket Reps.
- Develop a coding system so that you can track productivity of both Junket Reps and in-house staff.
- Never allow an in-house staff to steal a Junket Reps customer.

These are some of the general rules and guidelines for establishing a productive Casino Junket Program for your casino. The most important areas to remember are to eliminate internal competition and to maximize productivity by using incentives and analysis to measure results. Also, remember the good, the bad and the ugly examples. Do your homework and check out junket reps carefully. There are many excellent ones out there that can do a great job for your casino. Make sure you only select good ones. Good luck.

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