

CASH ACCESS

“UNLEASHED”

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Providing access to cash or cash equivalents within a land-based Gaming Establishment (GE) may seem simple—just place a few ATMs, POS terminals, and self-service kiosks, and you’re off to the races, right? Maybe so, and interestingly, most GEs and executives in the Cash Access (CA) space simply don’t know better and haven’t embraced the core dynamics of the business to truly understand key drivers.

I’ve worked in the payments space for more than 20 years and in the Cash Access industry for 15. In travelling to 70+ countries, I have visited hundreds of GEs, spent thousands of hours observing CA transactions, and analyzed patron behavior ad nauseam. I have responded to countless CA Request for Proposals and brainstormed with payment card associations across the globe. This background, combined with experience listening to countless earnings calls during which executives and analysts rationalize successes and failures, has convinced me that the essence of CA transactions has never been accurately articulated or understood.

The importance of a comprehensive cash access strategy

All geographic markets and industry verticals are *not* created equally, and in the payments industry, CA services may be the most dynamic. The US, Macau, Switzerland, UK, South Africa, and Argentina markets, for instance, each have unique CA infrastructures and requirements. Further complicating matters are various state, provincial, SAR, and jurisdictional anomalies that impact CA acceptance and viability. These include gaming commissions, monetary authorities, PCI, AML, bankcard issuance, cross-border (foreign) traffic, fraud, crime, telecom, and local cash availability (Bureau de Change), just to name a few.

Dig a little deeper and the success or failure of a truly comprehensive CA strategy starts and ends at the device level. The Point of Interaction (POI), Point of Sale (POS), Automated Teller Machine (ATM), and Self-Service Kiosk (SSK) should not be treated equally and deserve independent evaluation and customization. When architecting a GE’s CA strategy, considerations include the number and placement of POI devices, screen flows, user interface, dispense limits, approval limits, self-service, opt-out, declines, referrals, bill mix, bill redemption, TITO, language, software, player card data, responsible gambling attributes and more.

As we think about CA from the device perspective—and ultimately what is most important to the GE, the patron experience—we must define the role CA plays within the organization. Most, if not all, large GEs recognize that CA is a critical and growing line within the

P&L, representing millions in high-margin revenue. For many operators and unique jurisdictions (UK), the supreme objective is to provide valued patrons convenient access to cash at competitive fees to facilitate, their play, entertainment and a commitment to responsible play. In case, patrons' actions, habits, or behaviors within the GE and in and around the POIs is the critical measure. This, in essence, is the intelligence that GEs must harness to deploy a successful and well thought-out CA strategy.

Before an operator defines a CA fee at the corporate level, by location, or at the POI, we must understand the psychology behind how targeted patrons will perceive the fee and ultimately accept or decline it. Consider:

- Does increasing CA fees result in less cash to the gaming floor, or does reducing fees result in a surge of cash to the gaming floor?
- How does this play out across individual POIs?
- Is the patron chasing his or her bet or exhausted all or most of their CA options?
- Is the patron even aware of all the CA options?
- Does the patron have a marker or credit?
- How much cash did the patron bring?
- How much was his or her last CA transaction?
- Can the patron fish for an authorization approval in private versus at the cashier?
- How long has he or she been playing?
- What is his or her average bet and average tip after a win?
- What was his or her budget for the trip?
- Does behavior and or data lead management to believe patron has a gambling problem?

This all plays into the concept of “fee elasticity”: lower CA fees equals more cash to the floor, thus more incremental gaming revenue. This hotly debated topic becomes harder to support when you understand the psychology behind when, why, and how patrons accept to pay what some suggest are exorbitant CA and associated transaction fees. GEs must strive to be informed and vendors of CA services must accelerate their development to provide solutions capable of facilitating sophisticated analytic tools and dynamic fee options. Properly designed solutions dilute the argument that lower CA fees increase cash to the floor. There is no reason why a well-armed GE cannot increase CA fees *and* deliver incremental cash to the gaming floor while providing an exceptional patron experience.

Cash access technology and “smart solutions”

Unfortunately for GEs around the globe, the technology surrounding payment systems—and particularly CA solutions—has been stagnant. Historically, local banks provided standard POS devices and merchant services to GEs as part of a broader banking relationship to facilitate debit and credit card cash advances. This model remains true in dozens of markets around the world. In more advanced CA markets, proprietary software has been developed by Value Added Resellers (VARs) to provide added functionality to the transaction process, benefiting both the patron and the operator. VARs become the Merchant Services Provider (MSP) to the GE, and

the VAR negotiates an MSP agreement with a large local payment processor or bank. Although a step up from standard POS devices, legacy VAR systems are tired, represent serious PCI risk, offer little to know customer behavior analytics and pale in comparison to the innovation we see in the broader merchant-processing vertical where the likes of Stripe, Braintree, and CardConnect seem to evolve and offer exciting new technology on a daily basis.

GEs have suffered uniquely as banks only reluctantly provide CA services due to the potential brand risk associated with responsible gaming and problem gambling. As a result, banks haven't invested in technology for the GE and only offer non-branded, off-the-shelf POS terminals, which don't facilitate the unique requirements of a CA transaction. VARs who established an early footprint in some markets—namely North America—simply stopped innovating or failed to execute.

Kurt Sullivan, Chief Operating Officer of Passport Technology, a highly advanced VAR in the CA space, states, "I've been in gaming and payments for over forty years and never has it been more important for CA and GE partners to collaborate and trust one another as we co-develop 'smart' solutions which touch almost every aspect of their cash, treasury and patron operations. It's what we are focused on and a real point of difference."

GEs still deploying CA services through a standard bank POS device can be assured the missed opportunities—cash to the gaming floor—are endless. For example, the bank must apply a Merchant Category Code (MCC) to the transaction type, providing the card issuer critical information associated with the MCC during the authorization request. An "MCC 7995" transaction, which 99% of all bank-provided POS devices carry, indicates a card-present purchase of chips at a land-based GE or an online gaming transaction. The challenge is that the card issuer does not have enough information based on this broad MCC, and this historically results in a significantly higher percentage of declines and referrals versus the more CA-specific MCCs that VARs employ.

You may ask, "Why is this significant?" When a patron's transaction is declined at a GE, they generally attempt lower transaction amounts to gain an approval, which can set off a vicious cycle. As the authorization requests and declines add up, the card issuer may trigger a velocity check and place a hold or block on the patron's bankcard. With the patron's urgency building and frustration peaking, it's likely the patron or GE employee will be stuck on the telephone attempting contact with the card issuer to address the issue.

If the authorization attempt results in a referral, the card issuer is instructing the GE to have the cardholder contact the card issuer to provide required information. Approximately 60% of referrals result in an approval if the cardholder makes contact. It is important to note that most referrals are higher average transaction amounts (generally 80–120% higher than the average non-referred transaction), and a process should be available to facilitate the approval of referred transactions.

Further complexities arise as patrons visiting a GE are often on vacation, away from home and using their bankcards more frequently and for different purposes, which triggers additional card issuer velocity checks. Card issuers will velocity check, flag, or outright block authorization requests if there is a report of fraudulent activity within a specific geography or within an industry and specifically in markets where payment security technology like EMV (Chip and PIN) has not been deployed; e.g., the US. All of these known and unknown influences impact bankcard authorizations, and the use of MCC 7995, as a card-present, face-to-face transaction in a GE is the worst possible start.

All of this confusion and frustration contradicts the overriding mandate of the GE to provide patrons with a unique, enjoyable, and memorable experience. Increased lines at the cashier and POIs, frustrated patrons, abnormal CA decline rates, and less cash on the gaming floor will all be minimized as the CA industry adopts, develops, and embraces the importance of calibrating the CA machine at every turn—starting with the MCC.

The CA vertical settles more than \$30 billion in annual bankcard volume, generating billions in annual payments revenue and impacting the gaming experience of millions of patrons. Operators should expect much more innovation, reliability, and diligence from their CA providers, whether banks or VARs. Passport Technology and a few other providers have stepped up in developing proprietary software designed to increase cash to the floor, improve the patron's experience, manage responsible gambling, and provide the operator with tools to calibrate their CA systems in real time. Features to consider:

- Dynamic messaging throughout the transaction flow
- Authorization attempt limits (number and amounts)
- Smart routing to preferred transaction type and fees through POI (brick-and-mortar and online and pre-paid debit)
- Real-time fixed and variable fee changes
- CA available funds messaging flow (“helping patrons fish for approval”)
- Real-time dispense and bill break decisioning
- VIP alerts on valued customers and problem-gambling specific patrons
- Real-time settlement and corporate / location pre-fund reporting
- Reporting and settlement by employee, position, shift, event, gaming day, or calendar day
- AML reporting and alerts

The notion that a GE should simply match the CA fees or technology from the competitor down the street is not an acceptable approach in 2017. Although you can't see it, the dynamics at play when a patron is seeking to access cash and presented with a fee for the transaction and rationalizing to “accept” or “decline” is compelling. Whether a resort property or a local casino, the basic concept rings true throughout the world.

Fees...the good, the bad, and the “ouch!”

The reality is that fees for CA transactions are both accepted and *expected* by the public, and they offer the GE an excellent revenue opportunity, both from fees and incremental gaming revenue. The opportunity varies from market to market as dictated by gaming legislation and local best practices. In the US, for instance, operators view CA fees as a critical revenue driver and enjoy up to 90% of transaction fees levied. Further, operators typically retain 100% of the incremental revenue generated by fee increases. However, most GEs use a one-size-fits-all approach to fees, and this does not extract maximum CA revenue.

Consider two patrons: Becky and John. Becky has been at the Blackjack table for an hour, her average bet is \$50, and her average tip after a decent win is \$5. She has been enjoying complimentary beverages and started with a \$500 bankroll. Becky—down for the session and wanting to get back in the game—will visit the ATM by the high-limit tables that has a maximum dispense amount of \$3,000, an average dispense of \$1,200, and a fee of \$5.99. She will easily rationalize the fee--\$5.99 for a \$1,200 transaction...that’s a bargain! Over the course of the night, she may cycle through two or three different bankcards to maximize her limits on each. Ultimately, whether she wins or loses, she will justify the associated costs and return another night.

Meanwhile, John has lost his \$400 and visits the ATM by the 50-cent slot machines to withdraw another \$200. This ATM has a maximum dispense of \$1,000, an average dispense amount of \$400, and a fee of \$5.99. As a percentage of the transaction amount, patrons using the second ATM are paying a 300% premium over patrons using the first ATM, even though they are more fee-averse! John will complete his transaction but remember exactly how much he paid in fees as he neatly folds the series of ATM receipts in his pocket. Later, when he reviews his monthly bank statements, John may see that the bank applied an “off-network” fixed fee to each transaction. Ultimately, his experience with the cash advances will be a negative one.

The message is simple: much can be done to maximize CA revenue while enhancing the patron’s experience. SSKs that provide ATM, bill breaker, TITO, and other services have improved the process and facilitate a much smarter CA strategy—it’s the software driving these SSKs that must evolve. Dispense limits by POI, tiered fee structures by dispense amount, CA fee by origin, bill mix strategy, and more all play into the importance of customizing a robust CA strategy. The good news is that historical data is available—we just need to take the time to understand the opportunity.

Cash Access Instruments and Fees at Gaming Establishments

Visa		MasterCard		AMEX	
VAR (Surcharge)	Bank (fee)	VAR (Surcharge)	Bank (fee)	VAR (Surcharge)	Bank (fee)

Credit Card with Signature	3% - 8%	2% - 5%	3% - 8%	2% - 5%	4-8%	2-5%
Debit Card with Signature						
Debit Card with PIN						
ATM with PIN	\$1.99 - \$7.99	\$0.50 - \$1.00	\$1.99 - \$7.99	\$0.50 - \$1.00	\$1.99 - \$7.99	\$0.50 - \$1.00
Check Cashing						

	Discover		CUP		JCB	
	VAR (Surcharge)	Bank (fee)	VAR (Surcharge)	Bank (fee)	VAR (Surcharge)	Bank (fee)
Credit Card with Signature	3% - 6%	NA	NA	NA	NA	NA
Debit Card with Signature						
Debit Card with PIN						
ATM with PIN	\$1.99 - \$7.99	\$0.50 - \$1.00	\$1.99 - \$7.99	\$0.50 - \$1.00	\$1.99 - \$7.99	\$0.50 - \$1.00
Check Cashing						

	Local Debit		Check	
	VAR (Surcharge)	Bank (fee)	VAR (Surcharge)	Bank (fee)
Credit Card with Signature	NA	NA	X	NA
Debit Card with Signature	2% - 6%		X	NA
Debit Card with PIN	2% - 4%		X	NA
ATM with PIN	\$1.99 - \$7.99	\$0.50 - \$1.00	X	NA
Check Cashing	\$0 - 4%		X	NA

Cash access options: ATM, Check Cashing, DCCA & CCCA

The most common CA transactions in a GE are PIN ATM transactions, but they can be either the cheapest *or* the most expensive for the cardholder, depending on the cash dispense amount limits. If the average withdrawal amount is \$400 and the fee is \$3.99, the fee represents less than 1% of the amount. However, if the withdrawal amounts range from \$20 (minimum) to \$100 (maximum), the value changes very quickly. Cardholders may repeat a \$20 withdrawal a dozen times within a 24-hour period—paying a fee of \$3.99 *each time*—which represents a 20% surcharge and not what any GE or VAR encourages. This is why GEs must think through their ATM pricing and dispense amounts all the way up the CA food chain—ATMs through CCCA.

Another important attribute of CA transaction types is the ability of the cardholder to “fish” for an approval after a decline. This refers to the process by which the cardholder lowers the requested amount by \$20, \$40, and so on to gain an approval. With ATM transactions, cardholders are able to view the available balance, but approvals depend upon the daily

withdrawal limits. This is also true for DCCA and can become a source of great frustration for cardholders as they cannot access their “available” funds because of daily limits. GEs can include “Balance Inquiry” as part of the CA commission payment. Once a cardholder has exhausted their ATM withdrawal limits for the day (usually a 24-hour period), the VAR’s ATM or SSK software will conveniently persuade the cardholder to consider the more expensive and higher limit CA transactions: DCCA and CCCA.

Check cashing is an important CA alternative and most popular in the US. Generally, the GE does not charge the patron for the service but pays the check-cashing provider 2–4% of the face value with no risk on bad checks. GEs offer check cashing to promote play and enhance relationships with primarily local patrons. There are patrons who use the “float” associated with check cashing as a form of “credit” or “marker” to play without the cash up-front and minimal CA fees. The availability of check cashing, markers, and credit does have a profound impact on CA and related patron behavior. The availability of these services varies by country and jurisdiction and is another reason why a flexible CA platform is so valuable.

DCCA and CCCA are often lumped together as both transactions are performed on standard POS terminals, either with a signature or PIN. DCCA is the less expensive of the two and generally initiated directly at a POS terminal, and at times on an ATM or SSK following a declined ATM transaction. VARs have developed software that conveniently pushes the patron to a DCCA from a declined ATM transaction. Generally, this process doesn’t require an additional swipe or dip of the card and, if accepted, routes the transaction to the card issuer seeking an approval on the cardholder’s daily POS debit “open to buy” or limit. This limit is usually three to four times higher than the cardholder’s ATM daily limit and available “for the purchase of quasi cash (chips).” If the cardholder has an overdraft provision, those funds can also be accessed through a DCCA. DCCA transactions are supported by most card-issuing banks for domestic transactions and often not supported when the DCCA is attempted internationally.

CCCA transactions are the most dynamic, most expensive, and most misunderstood of the transaction types. As discussed earlier, there are several MCCs associated with CCCA transactions and the most widely used and ineffective is 7995. Almost all CCCA transactions outside North America use MCC 7995. MCC 6051 and 4829 are utilized by VARs and highly effective in ensuring the cardholder has the greatest opportunity to access available funds or “open to buy” on their credit card. However, in order for CCCA transactions to qualify for MCC 6051 and 4829, specific procedures must be completed by the operator and/or VAR to provide the credit-issuing bank greater confidence in the transaction, which leads to more approvals and higher approval amounts. CCCA transactions can range from \$20 to more than \$100,000 per transaction and are facilitated by Visa, MasterCard, Discover and AMEX.

It’s important to note patrons who enter a casino with a valid bankcard with a credit facility already have an approved and active credit limit. Generally, a percentage of the approved limit is available for quasi-cash transactions or CCCA, generally 50-70% of the limit. I have had many discussions with gaming commissions and operators around the world regarding bankcards with a credit facility versus the issuance of credit within a casino. It’s a

sensitive subject and extends to all forms of quasi cash transactions (ATM, DCCA and CCCA). I agree with the notion valid bankcards with an existing approved credit facility presented at a casino should not be interpreted as the casino extending credit. The cardholder has an existing agreement with their card issuing bank, the bank has enabled the card to perform quasi cash transactions and through their own due diligence and scoring, the bankcard issuer has applied and made available an acceptable credit facility and quasi-cash limit.

One of the most common questions from GEs around the world is, “Can we process China Union Pay CCCA transactions?” I have met with China Union Pay (CUP) executives in Beijing, Hong Kong, and Las Vegas, and the answer is a collective and definitive, “No.” While CUP allows for PIN-based ATM transactions, CUP-endorsed cards may not be used for “quasi cash” transactions within a GE anywhere in the world. In many markets, small retail locations exist in and around GEs that allows customers to purchase merchandise with a CUP card, and then immediately issues a refund in cash—usually with a fee in the 6–12% range. The Chinese government and CUP have cracked down on these establishments in recent years.

DCCA and CCCA are regularly pushed from the cashier to an ATM, SSK, or POS device to gain authorizations. This is done for two reasons: (1) minimize wait times and lines at the cashier as CA transactions can be lengthy (3–15 minutes) and (2) allow the cardholder privacy in case of a declined transaction. Many GEs will also waive or reduce CA fees for VIPs through proprietary software or manual processes. Some VARs like Passport Technology have introduced feature-rich back-office solutions whereby this process is automated through dynamic VIP alerts and player card/number recognition. The first VAR to introduce a real-time process to offer the cardholder the option to use player rewards to offset CA fees at the POI will have a compelling advantage.

Important fact: many VARs have “opt-in” language printed on their CA receipts, which is rarely read by the cardholder and once signed, allows the VAR to sell the transaction details, including cardholder name and address, to any GE for direct marketing purposes. This presents a question for GEs: “Who owns the CA customer – the VAR providing the CA service or the GE?” I think the answer is clear. The operator has invested a huge amount of resources in developing the customer relationship over time and should be very wary of CA providers selling customers’ data and putting this valued relationship at risk.

Final thoughts...

We have barely scratched the surface on CA in this article and there is a deep well of related representations, warranties, and SLAs in CA agreements. Some GEs do a superb job of protecting their businesses while others simply don’t know what they don’t know.

Tips for negotiating CA and technology agreements:

- Ensure there is no “opt-in” language on DCCA or CCCA receipts unless you are comfortable with the associated risks
- Negotiate a “technology clause” allowing you to source new and innovative technology if the incumbent cannot provide it within a specified time frame (Responsible Gambling, AML, PCI)
- Require detailed monthly reporting on all CA transactions and specifically CA transactions not receiving a commission
- Negotiate financial penalties for system downtime based on lost cash to the gaming floor, one-time fees for customer disablement, and SLAs for all service disruptions at the POI
- Coordinate timing of your CA and Merchant Services agreements to leverage payment and technological synergies
- Ensure your PCI accessor understands the complete Card Data Environment (CDE) and related contractual, hardware, and software dynamics with CA, Merchant Services, Software, Hardware, ERP, and hosting providers

New technology and schemes seem to come and go in the CA space with limited success due to an unproven value model, poor execution, or a breakdown in stakeholder cooperation. TITO at the gaming table, wireless POS, ticket vs. cash dispense at the SSK, cash recyclers, biometrics, e-wallets, and pre-paid debit cards all offer interesting value propositions...but none have caught on yet. The only material technological innovation making a real impact in CA over the past 10 years has been TITO, SSK and more recently EMV (Chip & Pin).

The ongoing and costly migration to Euro MasterCard Visa (EMV), Chip & PIN, and Chip & Signature (US markets) at the POI is likely to fail, and NFC will emerge as the “go-to” payment technology of the future. Payments within the GE and broader resort are convoluted, segmented, and simply not synergistic. There is a smarter way, and I look forward to seeing technology and payment leaders break the complacency that has governed this industry for too long.

The real CA opportunity for operators lies in improving cardholders’ access to cash, increasing their awareness of CA options, and minimizing the amount of physical cash required on the gaming floor. A disciplined CA strategy—combined with collaborative partnerships and a robust toolset—will increase CA revenue and operational efficiencies while elevating the patron experience and cultivating unprecedented levels of customer loyalty.