

# CARD PAYMENTS IN GAMING CREATE WIN-WIN SCENARIOS

BY NIGEL BIDMEAD

The casino and gaming market has traditionally been an industry based around cash. Now, the gambling industry is increasingly recognising the benefits of card and electronic payments as a platform for gaining greater efficiencies, enabling better customer analysis in order to increase competitiveness, comply with stricter regulation, and improve social responsibility. The huge growth in online gaming has opened up new opportunities for electronic and value-added payment services which are now being transferred into real-world casinos and gambling establishments worldwide.



Secure electronic payment technologies are becoming ever-faster and more ubiquitous, and are now an expected part of the consumer payment experience, even in previously cash-based markets such as the Quick Service Restaurant (QSR) sector. The introduction of Chip and PIN technology has reduced the incidence of fraudulent activity at the point of sale, and continued advances in security are helping to ensure the integrity of electronic transactions and maintain cardholder trust and confidence. As a result, consumers are becoming more and more comfortable using plastic instead of cash or cheques, to the extent that it has become the preferred method of payment for the majority of transactions. Card payments incorporating new technologies such as contactless are becoming more widely used for smaller, high-volume transactions, replacing what would traditionally be thought of as cash-only purchases. The market opportunity for deploying electronic payment systems within gaming settings in the UK and across Europe is strong. An ongoing wave of mergers and acquisitions is making competition within the gaming and casino industry far more aggressive and the pace of change is rapid. Many companies are expanding worldwide and are looking for global business solutions that will provide efficiencies and economies of scale within their organisations.

When it comes to payment, there is a clear opportunity for modernisation within the casino and gaming industry. At present, the majority of gaming machines still use cash or tokens, which have many disadvantages over card payments.

## LIMITATIONS OF EXISTING CASH-BASED SYSTEMS

The most obvious disadvantage to using machines which

dispense cash or tokens is the amount of manual support these machines require in terms of replenishment, cash handling and banking. In addition, the support for these machines is high: they need updating when new coinage comes in; there is the risk of 'shrinkage' through theft, abuse of the machine and use of foreign coins; and precious staff resources can also often be tied up with frequent queries about inadequate dispensing of cash, or coin jams.

While the casino and gaming market is still a predominantly cash-based business, many gambling establishments are now moving away from these cash-based systems and towards the benefits of electronic payment technology.

Many other retail-leisure outlets, for example restaurants, are adopting faster and more convenient methods of payment and as a result are seeing greater efficiencies and customer throughput. Casino and gaming establishments that evaluate all of their current cash-based operations will soon see where the latest payment

technologies can help them become more efficient, while at the same time providing greater convenience for customers and facilitating compliance with the raft of rules and regulations to which the industry is subject. For the gaming business owners, analysis of these issues now will certainly pay dividends for the future: the latest payment technologies will undoubtedly play a key role in enabling the future operations and growth of the casino and gaming market.

There is a wide range of card payment acceptance solutions available today, from stand-alone payment systems to sophisticated, fully integrated solutions which link to back-office systems, making it easier to monitor customer behaviour, set limits on credit and to offer help and supporting information to customers who require assistance in managing their gambling activity.

The latest generation of card payment acceptance systems, from portable, hand-held wireless systems to counter-based or integrated kiosk-based solutions, are now delivering significant advantages and a competitive edge in a

## THE SELF-SERVE REVOLUTION

Electronic payment is fundamentally built on trust—trust between the consumer and the retailer. Now a new generation of secure, consumer-oriented self-service devices is changing the face of card payment acceptance.

The introduction of Chip and PIN has opened the way for widespread unattended card payments—a point of sale phenomenon that is transforming customer behaviour, fuelling today's self-service transaction culture, and enabling a new generation of unattended payment services to be rolled out. As millions of consumers make the transition to smartcard and PIN-based transactions, secure, high value self-service payment transactions are now becoming feasible for business operators and consumers alike.

As a result, unattended card payment terminals, employing enabling devices such as the VeriFone V<sup>x</sup> 700 and Secura 720 PCI PIN pads, are emerging as a rapidly growing trend across a variety of environments, including vending machines and kiosks. This is not just a phenomenon of low-value payments but has also promoted an increase in high-value products and services being sold through vending machines.

Card usage equates to convenience – consumers are consistently demonstrating a growing preference for making card, rather than cash, payments. In addition, in today's sophisticated payment environments consumers expect speed, convenience and simplicity when paying for goods. Increasingly impatient with queues and waiting, time-pressured customers are now viewing unattended payment terminals as a simple, safe, secure and effective solution.

Unattended payment certainly delivers effectively against many consumer expectations; for example, in retail environments, self-check out options have been shown to generate a 40 percent reduction in average queue times, with increased throughput of up to 20 per cent, enabling retailers to cope with the peaks and troughs of demand.

What's more, retailers report that unattended and self-service options are being enthusiastically embraced by all customer segments and demographics—from the elderly to younger and more IT-literate customers. Making card payment accessible and available to all has long been a key goal of the payment industry, and building in the ease of use and practical functionality already offered by familiar acceptance devices

remains a primary objective for delivering unattended systems.

For casino and gaming establishments, the gains of unattended payment are clear. With the drive to offer increased choice and greater flexibility to consumers, companies are now investing in their ability to take secure payments in unattended environments and deliver enhanced 24/7 self-service options for customers.

The experience of the retail sector illustrates that the introduction of unattended payment terminals can actually increase customer spend, as a result of faster transaction times, improved utilisation of space and the redeployment of staff resources to greater customer service roles – all areas of improvement from which the gaming industry can readily benefit.

Sectors at the forefront of spearheading and implementing unattended payments have experienced significant gains from providing safer and easier transaction solutions; self-service ATM banking generated major dividends for the financial services sector, including improved customer service, convenience and business efficiency.

In the US, the usage of unattended payment terminals is growing by between 17 per cent and 20 per cent each year—a usage evolution that is being replicated across Europe. As contactless card payments take off in Europe, unattended payment solutions will support similar functionality, enabling the widest possible choice of unattended payment options and delivering more robust solutions – providing flexible payment choice to consumers in an array of settings.

In the UK, many retail organisations are employing unattended payment solutions. The sophistication of today's top-of-the-range payment systems, is even offering the ability to provide value-added services and generate new revenue streams at the point of sale. Utilising the latest multimedia card payment systems, for example the VeriFone OP4100, MX700 and MX800 series of devices, opportunities exist to develop partnerships with content providers and to stream advertising and promotional information to customers on high-spec VGA screens to customers as they make payment transactions.

As consumers everywhere embrace the convenience of self-service and unattended card payments, VeriFone is helping to make expedient payment part of the fabric of every retail, service, hospitality and leisure environment.

variety of gaming environments. Here is a brief overview of the type available and how they can be adopted by the casino and gaming industry.

#### *Customer Operated Systems*

Current multimedia, kiosk-based solutions can deliver self-serve payment transactions as well as offering an information resource for clients. These unattended systems deliver an invaluable, automated platform for managing time-consuming tasks such as membership applications, as well as providing an information or entertainment device in areas where queues tend to form. These systems can also be an extremely useful addition in any casino or gaming environments to inform clients on the rules of a game such as Poker, Blackjack or Roulette.

#### *Pay-at-table wireless solutions*

Handheld wireless solutions, such as the VeriFone V<sup>X</sup> 670, make it easier for service staff to bring food and drink to gaming tables and complete the transaction on the spot. Studies have demonstrated increased customer throughput as a result of deploying these hand-held solutions and on-the-spot payment transactions. For the customer, they also provide greater peace-of-mind that their payment is secure, because their card remains in view at all times.

#### *Countertop*

Counter-based solutions reduce the time for a secure financial transaction to be processed, providing important financial checks and verification in real-time. Many counter-top solutions, like VeriFone's new V<sup>X</sup> 810 Duet, are modular and so are scaleable as the number of transactions and new

technology applications increase and they can be fully integrated with systems both front and back-of-house.

### **POSITIONING OF PAYMENT SYSTEMS**

Before implementing any solution, a gambling establishment must think through its obligations to the customer by allowing a cooling-off period before obtaining more credit for gambling. Positioning of payment systems need to be borne in mind when providing easy access to cash or credit. The Gambling Commission's latest Code of Practice for the Gaming industry specifically states that if any customer wishes to use an ATM on the premises, for example, it must be in a position which ensures the customer ceases gaming in order to do so. While the industry obviously needs to be sensitive to the responsible positioning of payment terminals, today's systems can provide enormous value and actively assist in ensuring compliance with industry rules and regulations.

### **MEMBER-BASED SMARTCARDS**

There are significant opportunities for casino and gaming establishments to adopt electronic top-up cards, eliminating the need for cash-based transactions altogether and making it far simpler for customers to pay and play.

The use of pay-as-you-go and electronic top-up cards as payment methods is becoming increasingly popular, especially in the travel and transport sector. In the UK, recent electronic top-up initiatives such as the Transport for London Oyster pay-as-you-go travel card have enjoyed rapid adoption and similar schemes are proving effective across Europe. This increase in usage will inevitably result in greater user acceptance, familiarity and a willingness by consumers

to spend more on top-up cards as a form of electronic payment. These cards, which have far greater traceability than cash, can also help casinos and gaming establishments to comply with regulations and have greater accountability to the relevant regulatory authorities.

The benefits of ubiquitous card payment technology in gaming environments are manifold. Imagine the following scenario: a new customer walks into a casino or gaming establishment and fills in a membership form via an unattended electronic multi-media device. A simple credit or debit card PIN-verified transaction, via a self service PIN acceptance device such as the VeriFone V<sup>X</sup> 700, confirms that the person filling out the questionnaire is who they say they are, that they are not under-age, that they have no criminal record in terms of money laundering, are not registered as an excluded guest and that they have sufficient funds to be able to participate.

Once this verification has taken place, the guest is provided with a membership top-up card on which they can specify the exact amount of money they would like to put on it. This card is then used for all the transactions within the gaming establishment and provides a quick and easy method of placing bets, playing on gaming machines and ordering food and drink.

For the customer, the top-up card is a far more convenient method of payment since, firstly, it does not require the customer to carry around a bag of cash or tokens; secondly, it allows the customer to set a limit on their spending; and thirdly, it offers a far more secure method of payment in that a PIN number can be allocated and employed, thereby greatly reducing the opportunity for theft.

### INTEGRATED PAYMENT APPROACH

The technology for combining a membership and payment card is available now and provides an easier, faster and more convenient method of payment for gaming customers and establishment operators alike. By deploying card payment acceptance devices at each gaming table and within gaming machines, the speed of each game can be increased, allowing more games to be played per hour, thereby increasing efficiency. In addition, winnings can be added to individual smartcards at the gaming table, also saving time in collecting winnings during the evening.

Moreover, by allowing a more integrated approach, today's payment technology can help organisations become far more transparent in their approach to money handling. Card payments are enabling today's gaming establishments to develop greater accountability and corporate social responsibility practices, as well as derive considerable benefit from productivity gains.

### MONITORING CUSTOMER BEHAVIOUR

Subject to Data Protection Laws, the use of top-up cards combined with transactional software can provide valuable information for the casino or gaming operator. Electronic transactions offer a highly traceable method of handling money and can provide the casino and gaming industry with key customer information upon which improved business decisions can be made. If a company can track average spend per person, per gender, and per age group, precision targeted marketing strategies can be implemented. In addition, the data provided by customer transactions can provide valuable business information such as the most

profitable times of the day as well as help identify periods where an organisation could be more efficient or profitable.

### SOCIAL RESPONSIBILITY

Gambling establishments are under increasing pressure from industry regulators to demonstrate that they are operating in a socially responsible manner, for example by clearly providing information about organisations which can help with gambling addiction and ensuring a proper duty of care to gambling customers.

Electronic payments and tracking may be a positive step forward in delivering this greater social responsibility and supporting existing and future regulations. Advanced card payment software can allow consumer spending patterns to be evaluated for signs of early addictive behaviour. Early addictive behaviour patterns may include frequent over-spending of a pre-determined budget, spending more than might be expected on a given income level or significantly increasing the frequency of attendance at a casino or gaming establishment. At this point, marketing to that individual could stop and support services can be offered, thereby encouraging those with a problem to self-exclude or seek help from appropriate organisations. Once a customer has self-excluded, any financial transactions by card can be put on 'stop'.

A self-service kiosk-based solution also offers an excellent opportunity for information to be displayed to 'at risk' individuals in a way that is objective and un confrontational, yet useful for anyone who is questioning their ability to control their gambling habits.

There can be little doubt that along with the continuing increase in popularity of all forms of gaming and the huge potential for further growth in the casino and gaming industry, there comes additional pressures. In the future, we are likely to see an industry characterised by greater consolidation, further mergers and acquisitions, and increased competition and regulation. Business operators who embrace advances in payment technology, work with regulatory bodies and harness the latest trends in operations are the most likely to gain competitive edge and win the race in this increasingly fluid but exciting market. **CGI**

### NIGEL BIDMEAD



Nigel Bidmead was appointed Managing Director of VeriFone EMEA division (Europe, Middle East and Africa) in September 2002. He has responsibility for all aspects of VeriFone's business in this region.

Nigel has an outstanding track record in the international payments arena and has worked in Senior Management positions in the industry for over 20 years. Leveraging strong management and leadership skills, Nigel continues to bring his wide experience in the transaction processing market to bear in seizing key opportunities throughout the region, helping to develop the market solutions that have won many high-profile customers for VeriFone in EMEA.

Nigel Bidmead is based at VeriFone's EMEA headquarters located in the Greater London area of the UK.