

Tokens and Tokenization

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What is Tokenization?

Tokenization is the ability to use one single token denomination, usually the \$1 token, to play all slot machines with denominations of \$1 and below. For example, if the player wishes to play a 5-cent game, the player drops a \$1 slot token or inserts a \$1 bill and the customer receives 20 credits. Essentially, the slot machine acts the same whether a \$1 bill is inserted or a \$1 token is dropped. Most operators have tokenized some games, but the real profit increases and customer satisfaction increases happen when the entire floor is tokenized. When the entire floor is tokenized, all slot machines of a \$1 or less only accept bills, \$1 tokens or tickets if using a ticket system. Sorting, handling, storage and impressments of other denominations less than a \$1 is no longer needed. Hopper jams become a problem of the past and hopper fills are greatly reduced. Labor is dramatically reduced and win/machine increases. Studies have shown that a fully tokenized casino can bank a bottom line increase of almost \$1,000,000 for every 1000 slot machines. Tokenization has been seen as an alternative to Ticket In/Ticket Out systems but Tokenization actually works very well with TI/TO where operators want tokens to continue to be in play for the “Las Vegas Experience”.

How does tokenization improve the customer experience?

TI/TO has moved into the slot floor because of the cost savings of reducing labor on jams and hopper fills. Many casino operators have seen however that customers continue to want the token excitement and sounds that accompany slot play. Tokenization is a way to accomplish the saving of TI/TO with a much improved customer experience.

This enjoyment of utilizing coins/tokens is documented by a series of research studies that have been published. The customer indicated that the sounds and feel of the tokens is an important part of the casino experience. The sound of tokens hitting the tray increases their desire to play.

Also as a positive, the customer does not need to handle hundreds of small denomination coins or tokens. The customer can move from machine to machine, playing a variety of denominations without having to insert another bill or convert the token denominations by waiting in line at the cage. So, the customer has more choices of where to play their winnings or cash-outs. They can play any individual slot machine of \$1 or less and a \$1 token allows play on the Multi-Denomination machines that have become very popular. And, importantly, they can play faster. With dollar tokens, they can load a slot machine with credits 20 times faster than they could with nickels or nickel tokens.

Why are tokens important to casinos?

Tokens, especially X-Mark tokens, are a secure, proven, method of financial transaction in casinos. Tickets may also prove to be secure, but at this point they are unproven over a long enough period of time. Players like the positive aspects of tokens and tokenization removes the negatives associated with small denomination tokens like heavy cups,

difficult to feed quickly and other complaints. **But most importantly for casinos, tokens are an excellent marketing tool.** In all other industries tokens are used for marketing. Many casinos are starting to use tokens in marketing and seeing the benefits. It is well known in the industry that table game chips are produced in special sets and editions to bring collectors into casinos. Most casinos turn over their chips frequently with special editions to generate additional profits. Casinos are seeing that they can do the same thing for slots and increase the table profits at the same time. One dollar live slot gaming tokens are often used on table games. Casinos are buying special gaming tokens that used on the tables and seeded in the slot machine hoppers. The most popular with customers are the slot tokens with holograms affixed. These are realistic photopolymer holograms with real depth and multiple angle viewing. These are popular not just with collectors, but with every casino slot and table customer. Everyone wants to take one home. As with any marketing tool, the marketing group first sets the aims of the marketing. Do we want new customers to come to the casino? Do we want current customers to come more often? Do we want to pull regular customers of another casino to come in? Then a hologram/token program is designed to fulfill the aims with, perhaps, a series of images, each brought out each month for four months and supported by advertising and direct mail. Normally a dollar token is used, but holograms have also been used to good effect on \$5 and \$25 tokens. Often a patriotic theme or property specific theme is used. American flags are very popular right now. Customers come into the casinos and see the tokens in the table game area and also play the slot tokens. The dual benefit for casinos is the marketing effect of increased traffic and the bottom line effect of profits from the gaming tokens leaving the property.

How does tokenization improve the profitability of the slot floor?

In addition to these positives for the customer, the casino operator also increases profits and reduces costs. Tokenization reduces hopper fills and hand payouts because the machine can pay higher jackpots. With tokenization there are no low denomination tokens, so no sorting problems, no mixed tokens and no jammed hoppers on the floor. This means less machine downtime and more play time on the machine by the customers. The win per machine goes up.

And, importantly, coin handling costs are greatly reduced. Sorting and sorting equipment (JetSorts) are no longer needed! \$1 tokens can be counted with simpler equipment. Cage and finance departments have less counting and much simpler reconciliations to perform. **The bottom line affect of all these things can be huge. A typical casino with 1000 slot machines which goes completely tokenized could save upwards of \$1,000,000 per year.** Additionally, marketing programs designed around gaming hologram tokens can dramatically add to the bottom line.

What are the security implications?

Today, the security record of optically encoded tokens used with the appropriate coin acceptor is more than excellent. The largest security problem in casinos today is at the cashier. The current problem at the cashier/cage is caused by sorting and counting equipment that sorts by dropping coin and tokens through a series of increasingly larger

sorting holes. There is no alloy or code reading. That means anything of the right size can be dropped and counted. Slugs and foreign coin and tokens can come into the casino. The slug is accepted and paid for at the cashier and what's worse, will end up in a fill bag that will be impressed back into the slot machine as a hopper fill. The customer will then win a slug that cannot be played in the slot machine!

Incomplete sorting also allows smaller size coin and tokens to drop through larger holes and be counted as that larger token (dime in quarter hole). Not only are the counts incorrect, but worse yet the incorrect size coin will most likely be impressed into a slot machine will a bag fill and in the case of dimes, cause a jam that stops play, irritates the customer and causes a tech to have to open and fix the jam.