

Baccarat not just for high-rollers

By Christopher Palmeri, Bloomberg Businessweek

Mention the game of baccarat and images of international spies, playboys or tuxedo-clad royalty come to mind. But don't tell that to Dallas Teerlink, director of table games at the Running Aces Harness Park in Columbus, Minn.

After he introduced the card game to his Midwest customers two years ago, it turned into a surprise hit at the casino 30 miles northeast of Minneapolis, in part due to side bets that can pay as much as 40 to 1. A computer monitor at the table lets everyone know if the right cards come up. Explains Teerlink: "When that light goes off, the floor goes nuts."

Best known as the second-favorite evening pastime of James Bond, baccarat has become the world's highest-grossing casino game, thanks to wealthy Asians who sometimes bet tens of thousands of dollars a hand. Now, with China's slowing economy pinching the purse strings of mainland gamblers, casino operators are seeking growth by taking baccarat from private salons onto the main gambling floors catering to the masses.

"High rollers get all the attention, but there is an enormous amount of play that is outside that category," says Robin Powell, a consultant who helped develop a more accessible version of the game called EZ Baccarat, which is played at Running Aces.

Casino winnings in the former Portuguese colony of Macau grew tenfold in the past decade to \$33.5 billion last year, 90 percent from baccarat, in which players bet on which of two hands will add up closest to nine. At tables in Macau, China's wealthy stand two or three deep, sometimes squeezing, folding and blowing on the cards for good luck. "It's all new money,"

Stephen Wynn, the founder of Wynn Resorts, said in a May conference call. "What you're seeing is an explosion of pent-up demand for the good life."

In Nevada, where baccarat revenue has tripled since 2002, the game was bigger than blackjack, craps and poker combined at \$1.4 billion for the 12 months ended in September. "I always knew baccarat would be big in Macau," says Las Vegas Sands Chief Executive Officer Sheldon Adelson, whose \$20.4 billion fortune is due largely to the game. "Those players coming to Las Vegas are the frosting on the cake."

The cake itself may be getting a bit stale. The high-roller business in Macau has fallen for three consecutive quarters. Wynn Resorts saw casino revenue in China decline 4 percent, to \$857.2 million, in the third quarter, led by a drop among VIP customers. Table game winnings from its mass market clientele rose 8.3 percent, to \$211 million. Those lower rollers are the new target for gaming houses. "What has been a VIP-fueled growth engine is now transitioning into mass growth," Robert Goldstein, Las Vegas Sands' president of global gaming operations, said in October.

On the Las Vegas Strip, baccarat is still mostly an upscale pursuit. At the Mansion at MGM Grand, guests stay in 29 villas, each with its own pool. The Tuscan-themed courtyard adjoins a restaurant featuring bean curd cakes and dried squid snacks. Nearby, gamblers with \$1 million credit lines can play baccarat in six semiprivate salons.

It's a different story across town. Station Casinos, which caters to Vegas locals, has increased the number of tables it devotes to lower-stakes versions of the game, including mini-baccarat, where players don't get to touch the cards and minimum bets start at \$10. International Game Technology, the largest maker of slot machines, is even pitching Golden Baccarat, an electronic version for customers who may be intimidated playing at tables with others. Boasts the

company's marketing material: "Neither high-stakes wagering nor special agent status is required to play."