



## The Marketing Dashboard

It is generally understood that the sum of all marketing and advertising expenditures is the second largest expense in U.S. casinos. However, despite their impact on a property's profitability, it is difficult to easily identify all of the costs that make up marketing and advertising on a property's profit and loss (P&L) statement and see their effects on both property revenue and cash flow performance.

### The Problem with the Property P&L

Most casino P&Ls do an excellent job of detailing each operating department's revenue and expenses. However, marketing and advertising expenses can be found on multiple pages of this report. For instance, system generated comps (those generated by the casino's player rewards program) normally appear in the slot club department. In addition, comp expense can be found in slots, table games, hotels and on almost every revenue-generating department's monthly operating statement. Thus, answering the simple question, "what is the ratio of comp expense to property revenue?" becomes a time consuming task.

Other marketing and advertising expenses are just as difficult to identify. Direct mail is divided into a number of categories. The design and printing of mail pieces may be booked as an advertising expense under "print production." Postage may be booked to casino marketing while the actual value of the offers redeemed might be booked to the slot club. This in itself is ironic since no other marketing activity has a greater impact on property revenue than direct mail and yet it is difficult to answer simple questions as, "what is the relationship between direct mail expense and property revenue?" or "did direct mail have an impact on cash flow?"

A similar problem occurs with promotions. Take a simple scratch card promotion that offers such premiums as cash, merchandise, food comps and hotel stays. Each of these redeemed offers ultimately appears on a different line and often on different pages of the P&L, as do the costs of designing and printing the scratch cards. Thus it becomes difficult to accurately assess the total cost of a promotion and its impact on net revenue and profitability.

### Building a Marketing Dashboard

Managers of casinos in a several jurisdictions have come to recognize the importance of being able to monitor each component of marketing

and advertising. To better illustrate the effects of these expenses, they enlisted the help of their Accounting departments to produce a monthly analysis of all marketing and advertising expenses and their relationship to property revenue and earnings. This monthly analysis allows property leadership to closely monitor the effects that each marketing and advertising activity has on overall property revenue as well as earnings before interest, depreciation and amortization ("EBIDA"). Used properly, this analysis acts much like a dashboard of gauges, displaying key indicators of marketing performance.

Table 1 illustrates a simple marketing dashboard. It shows net monthly property revenue along with EBIDA, then details key marketing and advertising expenses and their relationships to revenue and EBIDA. Ultimately, each property would design its own analysis, offering differing degrees of detail. By understanding the total cost of all promotions, direct mail, comps, bus marketing and advertising, marketing directors, departmental managers and tribal leadership can gain an understanding of which marketing activities have the greatest effect on revenue and EBIDA.

Once they can see each of these expense categories every month, property managers can then adjust the gauges to see

TABLE 1: Marketing Dashboard

<b>Net Property Revenue</b>	<b>February</b>		
<b>EBIDA</b>	6,000,000		
	1,920,000		
<b>MARKETING</b>		<b>% of Rev</b>	<b>% of EBIDA</b>
Salaries and Benefits	125,000	2.1%	6.5%
Total Comps	180,000	3.0%	9.4%
Total Promotional Costs	75,000	1.3%	3.9%
Points Redeemed for Cash	66,300	1.1%	3.5%
Mail Offers Redeemed	200,000	3.3%	10.4%
Mail Production/Postage	15,000	0.3%	0.8%
Bus Marketing Fees	30,000	0.5%	1.6%
Bus Marketing Coupons/Cash	65,000	1.1%	3.4%
Total Marketing Expense	756,300	12.6%	39.4%
<b>ADVERTISING</b>			
Production	22,000	0.4%	1.1%
Print Placement	35,000	0.6%	1.8%
Television Placement	75,000	1.3%	3.9%
Radio Placement	51,000	0.9%	2.7%
Outdoor Placement	45,000	0.8%	2.3%
Other Adv Placement	15,000	0.3%	0.8%
Supplies & Equipment	10,000	0.2%	0.5%
Total Advertising Expense	253,000	4.2%	13.2%
Total Marketing & Advertising	1,009,300	16.8%	52.6%



if they can improve property performance. As an example, promotional expense may be reduced to see if revenue declines. Conversely, a portion of marketing could be re-allocated to direct mail to see if EBIDA can be increased. Over time, the property's managers learn what range of spending for each marketing activity is right for their property.

### Measuring Buses and Promotions

Bus marketing is another gauge that can be easily monitored and adjusted to see its effects on property performance. While it is often said that bus marketing is an important component of the marketing mix, it is usually poorly controlled and rarely measured. By consolidating bus marketing expenses and comparing those costs to net revenue and EBIDA, property managers can first benchmark bus marketing expense. Then, by dialing down the marketing dollars allocated to bus marketing, managers can then see what effect, if any, bus marketing has on property performance.

The marketing dashboard can be used in a similar manner to track the effects of promotions. Often marketing directors are besieged by suggestions from other property managers as well as tribal leadership to give away a few cars or advertise

more on television. Often these suggestions are based on what people observed at other casinos. That in and of itself does not make such marketing tactics more effective. It may or may not be what another casino market reacts to, or those tactics may not have a positive impact on property performance. With the marketing dashboard in place, property managers can adjust marketing activities, re-allocate marketing dollars and see from month to month the effects that changes in various promotional expenses have on both revenue and EBIDA.

Perhaps the most important reason to develop a marketing dashboard is to answer the two most fundamental questions of casino marketing: what percent of every dollar that comes into the building is spent on marketing and how is it spent?

No one would consider operating any kind of vehicle without a proper set of gauges. The same rule should hold true when marketing a casino. Only accurate gauges can assure profitable performance and answers to the most important of marketing questions. ♣

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