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Bus Programs and the Abandonment of Common Sense

Few areas in the casino receive more scrutiny from senior managers for their business practices than the casino marketing and advertising department. Direct mail campaigns are carefully tracked by redemption rate, average daily spend and trip frequency. Print advertisements routinely contain coded coupons and each publication is evaluated based on their effectiveness. Player reward programs are evaluated using a variety of measures. Casino executives pride themselves on being able to measure the efficacy of every marketing program. That is, with the exception of bus programs.

Bus programs are an anomaly in casino marketing. They are expensive and, in many casinos, represent the second largest marketing expense behind player reward program costs. Yet despite their high costs they manage to defy measurement. Bus programs satisfy casino management's lust for bodies in the casino. They deliver customers in waves but few casinos are able to justify the expenses associated with acquiring those customers.

Think for a moment and try to identify one other industry that not only pays an outside entity a hefty fee for delivering wholly unqualified customers to its doors but gives additional compensation to each individual delivered, buys them a meal and then does absolutely nothing to measure their profitability. How many restaurant chains pay to have buses stop at their doors and then give each patron a coupon good for a free meal? How many hotels pay bus operators to book blocks of rooms and then offer a free room and meal to each customer delivered? How many businesses conduct such practices and then blithely forego any attempt to measure their effects? Only the casino industry can boast of this practice. Casino bus programs not only defy sound business principles, they represent a wholesale abandonment of common sense.

History of Bus Programs

Bus programs have evolved over many years. They have roots in both Nevada and Atlantic City. Prior to the expansion of frequent and affordable air service from Southern California bus operators represented a means of delivering eager gamblers to Nevada casinos, particularly those who were too old to drive. For many years casinos paid bus operators to deliver patrons to their properties and offered additional subsidies in the form of free coin and food. However, as access to Las Vegas improved and demand for gaming increased, most casinos abandoned bus programs in favor of more profitable customer segments. Today, those casinos in Southern Nevada that still buy buses are either third tier properties or those located on remote highway locations, miles away from the action on Las Vegas Boulevard.

Atlantic City has its own unique transportation problems. Access to Atlantic City is limited to congested parkways. A sizable portion of residents in the Northeast United States,

particularly those living in urban areas, do not own cars. Further, buses and other forms of public transportation are a common mode of transportation for many residents. As such, casinos came to rely on private bus operators as part of their distribution mix. However, casino operators have long recognized that bus customers represented the least profitable gaming segment and attempted to closely monitor bus program expenditures. Some casino operators have abandoned the bus segment entirely while others struggle to manage their bus programs profitably. Patrons arriving by bus have continued to decline from their high point in the mid 1980s.

The Cost of Bus Programs

While bus programs are not cheap many tribes do not understand the full costs and net revenues associated with bus programs. First, casinos maintain a staff of marketing personnel who are tasked with booking buses, greeting and counting bus customers as they egress, dispense vouchers to patrons and monitor the number of hours a bus remains on property. Casinos pay bus operators a flat fee or a per-head fee ranging from \$10-\$20 in order to get bus operators to deliver patrons to the property. A few bus operators demand both. Some casinos also participate in co-op advertising in feeder markets. Then there are the premium costs received by customers. Customers get cash, ranging from \$10-\$20. They also get a meal voucher and miscellaneous gaming coupons valued at \$2-\$5. The meal voucher is most often redeemable at the property's buffet and, while casino marketing is billed the retail value of the meal, the actual cost of serving that meal is often much higher than the retail cost. The loss is absorbed by the F&B department. An \$8 buffet can cost the casino \$12 in true cost.

It is not uncommon for a casino bus program to spend \$40 in direct costs for each customer delivered to the property by a bus operator. The hope is that each customer will spend far in excess of that \$40 cost. The problem is that most casinos do not have a reliable method to track associated revenues.

Bus Programs Defy Measurement

Those people tasked with managing bus marketing programs point out the difficulties in getting bus customers to use their slot club cards. They note that it is impossible to accurately measure player behavior for a variety of reasons.

Casino marketing personnel often lament that bus operators do not instruct their passengers to use their player tracking cards in the casino. And why should they? What bus operator in his right mind would encourage his patrons to use a measurement tool if a negative outcome would give the casino a reason to reduce the fees paid to him? The notion that it is the accountability of the bus operator to ask his patrons

to use slot club cards is ludicrous. It simply is not in the bus operator's best interest to do so. So forget about expecting bus operators to help the casino marketing department. It just is not going to happen.

Casino marketing personnel also point out that many patrons simply refuse to use their slot club cards even when possession of one is required in order to receive premiums such as meal coupons or free coin. The fact is that many casinos fail to communicate the salient attributes of their player reward programs to their customers. In order to deal with the waves of bus patrons who besiege the club booth to get their cash and meal vouchers, club personnel sign people up and dispense club cards with no explanation of club attributes and no attempt to sell the benefits of membership.

Without meaningful incentives, bus customers have no reason to insert their cards in slot machines. No one told them what was in it for them. At best bus customers are told that they could "earn valuable bonus points good for cash and other benefits" without a detailed explanation of how points are earned and at what rate points can be converted to cash or comps. Is it a wonder that bus customers refuse to use their slot club cards if they do not see a tangible benefit?

Some bus customers are superstitious and believe that slot club cards can alter the outcome of a game. However, only a small portion of the gaming population actually believes this and a simple explanation that a regulated industry could not

permit such behavior would easily dispel this myth. More likely, these patrons simply do not understand the benefits of having their play tracked and thus forego participation in player reward programs.

Solutions to Bus Marketing Programs

The fact is that technologies exist today that allow casinos to demand participation in their player reward programs in order for bus customers to receive any premiums. New player tracking systems and upgrades to existing ones allow casino operators to load non-negotiable credits into individual customer accounts. In order to access this free slot play customers must insert their cards into a slot machine, enter a PIN and then play off their free credits. Casino marketing personnel can then track individual players, individual buses, individual routes and individual bus operators and determine which are profitable and which are not.

For years casinos abandoned common sense and paid to fill their casinos with unqualified prospects in the belief that bodies equaled profits. Today casinos have tools at their disposal in which to measure the effectiveness of their bus programs. Common sense dictates that casinos examine these new technologies and, if warranted, apply them to their business practices. ♣

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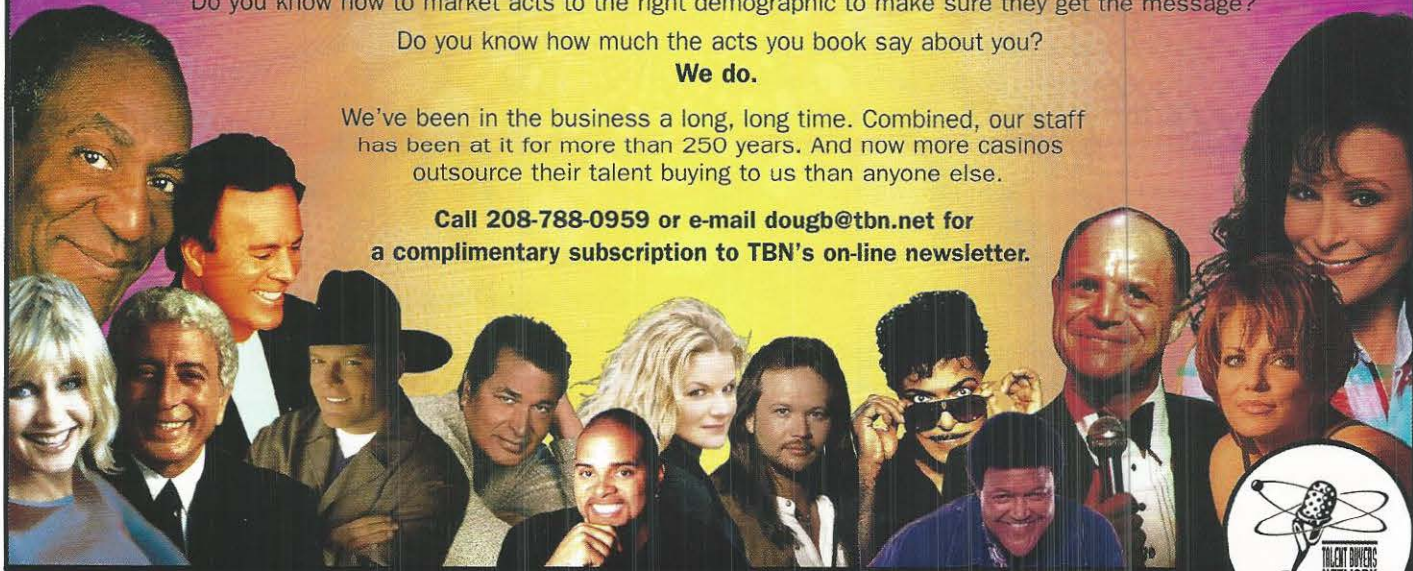
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