



Developing More Effective Promotions

by Andrew Klebanow

The recent rise in fuel prices coupled with a decline in this nation's economic growth has had a significant impact on casinos throughout the United States. Once thought immune to economic downturns, casino operators have come to realize that their industry is as vulnerable as others.

To maintain revenue streams and gain market share in this tough economic climate, casino operators have increased the level of promotional activities that they use to attract new gamers to their properties and maintain visitation levels among loyal customers. Often these activities include an increasing number of direct mail campaigns, special events that target premium players and traditional large-scale drawing drum promotions. It is the latter marketing program that this article addresses: the design, implementation and measurement of traditional drawings in which a large marketing net is cast across the gaming population by offering a drawing for a new car (more often these days, a hybrid vehicle), a series of large cash drawings or some combination of the two.

Often referred to on financial statements as "prizes and awards," these promotions represent a significant expense to the casino operator and one whose effects often defy measurement. Casinos deploy large amounts of resources, both human and economic, in implementing such promotions yet they are often done with little regard to identifying particular customer segments, defining achievable goals or developing sound measurement tools. They are often done to increase volume in the form of bodies in the casino with little regard to understanding who those bodies are.

Define Your Target Market

Before embarking on a promotion, it is critical to first understand what kinds of people the casino hopes to attract. Ostensibly, most promotional design worksheets begin by stating that the purpose of the promotion is to attract new gamers to the property, move customers from competitors' properties, gain share of wallet, foster loyalty and/or create excitement on the gaming floor. All of these are reasonable goals but they neglect to understand the kinds of gamers that exist in every market and the risks associated with attracting the wrong segments.

Gamers fall into five distinct psychographic segments: reward seekers, escapists, socializers, value seekers and advantage players. By understanding what motivates each of these segments, casino operators can design more effective promotions that deliver the right people to the property.

Recognition seekers enjoy the acknowledgement and respect that they receive when they visit their favorite casino.

Being greeted by name by the valet, approached by a familiar host and being recognized by the restaurant's Maitre d' invigorates these players. They like being recognized. While they require high degrees of personalized service, they are an intensely loyal group of players and are consistently the casino's most profitable customers.

Escapists visit a casino to escape from their everyday lives. They come to a casino to forget about work, forget about their troubles, and to be left alone so they can focus on gaming. They do not want interaction with others; they have no need for hosts and would prefer to avoid contact with personnel at the rewards center. They want to play, be left alone and escape. While they may share their loyalty among a small group of casinos, they require little or no maintenance and thus are a very cost-effective player segment. They are not the kinds of people who will wait for a slot floor person to give them a drawing ticket or stand in line at the rewards center and ask for their drawing tickets. They want minimal interaction and, for them, electronic redemption of comps and kiosk promotions define great customer service.

Socializers come to casinos to socialize. The casino is their recreation center. They may come to play bingo, low-denomination slots or low stake table games but they visit the casino primarily to socialize with others. While their daily spending levels are low, they visit often, sometimes five to seven days a week. They know the names of dealers, hosts and slot personnel as well as other frequent players. As such, they are intensely loyal and usually make one casino their home. They also do not like it when outsiders intrude upon their property when a drawing is about to take place.

Value seekers play at the casino that offers them the best deal. They comb through each casino's mailers, clip coupons and seek out those casinos that have the best promotion. These may be 10x point days, half price meal coupons, free merchandise or other offers. Further, once the promotion is over, they take their gaming play to the next casino. They are one of the least profitable gaming segments yet the ones that are most attracted to traditional drawing drum promotions.

Advantage players are professional gamblers. They visit a casino with the sole purpose of making money. Sometimes referred to as wise guys or chiselers, advantage players seek out casinos with the most favorable odds. These may include full-pay video poker games or single deck blackjack. They usually break even or make a little money on the game and make additional money on the cash back component. Then, when a casino offers a promotion that gives them a mathematical advantage, they pounce on that property.

Professional video poker players in particular look for

point-multiplier days where they can increase their cash-back accrual rate or drawings that award drawing tickets predicated on coin handle. Often they will team up with other advantage players. Their goal is to tilt the odds in their favor by having a very large percentage of the total number of drawing tickets in the drum. They tend to win, take the cash, and divide the spoils. Worse, since their gaming activity generates such high coin handle, casino hosts often think they are profitable customers deserving of generous comps when in reality they are not.

Define Achievable Goals

With an understanding of what motivates players to visit casinos, casino operators can design promotions that target the most profitable segments (recognition seekers, escapists and socializers) while reducing their attractiveness to unprofitable segments (value seekers and advantage players). This, however, takes effort. It requires that casino operators design promotions that do not reward players who solely generate large coin handle volume. It requires the use of technologies in the form of kiosks and systems that award drawing tickets predicated on theoretical or actual win. It requires methodologies such as electronic drawing drums that

mitigate the crowds that so often appear on drawing days and negatively impact loyal customers. In other words, it takes some work.

Once a casino operator defines which player segments it wishes to attract with its promotions, the task of developing achievable goals becomes much clearer. Rather than just focus on volume, often measured as gross coin handle or number of visitors per day, the casino can focus on the kinds of players it hopes to attract, whether they be new members or inactive players. While it would be impossible to achieve a goal of "increasing the number of socializers by 50%," increasing the daily win per player by 15% from people who visit four or more times a week is an achievable and measurable goal.

Clearly Define All Costs

Most casino operators require that their marketing teams prepare a list of expenses that are associated with the implementation of a promotion. Often included in these lists are the costs of the premiums (the cash, vehicles and merchandise that are to be given away), the cost of internal signage (slot toppers, machine warblers, ceiling danglers, rules posters, employee t-shirts and lapel buttons), and the postcards and other communications sent to the casino's database announcing the promotions.

However, other real and significant costs are often left out. The most significant are the costs associated with advertising the promotion to the general public. Oftentimes, the costs associated with renting a billboard are excluded from the ProForma. The logic is that, since the casino had already entered into a long-term contract for the billboard, the cost of the monthly rental is a sunk cost. The same logic is used when excluding print advertising costs from a promotion's ProForma. A promotion's advocates would say that since the casino entered into a long-term contract to buy advertising space, the money would be spent regardless of whether the promotion took place or not. However, this logic precludes the fact that the casino entered into the billboard and print advertising contracts specifically to advertise promotions. Consequently, all advertising costs must be included when analyzing the expenses associated with a promotion.

Few casinos in the United States have not felt the sting of rising fuel prices and a stagnant U.S. economy. Promotions are often a logical response to stimulating business demand. However the challenge for every casino operator is to design promotions that attract the right players, develop realistic and measurable goals, delineate all relevant costs and measure the results. Anyone can devise a way to give away a sack of cash or a new car. The hard part is figuring out how to make more money for the casino. ♣

Andrew Klebanow is Principal of Gaming Market Advisors. He can be reached by calling (702) 547-2225 or email andrew@gamingmarketadvisors.com

LABOR UNION AWARENESS TRAINING

Experienced Labor Relations and Employment Law Counsel

- ❖ Union Organizing is a reality in Indian Country.
- ❖ It is crucial that Gaming Tribes are familiar with this topic. Attorney Scott A. Wilson offers a comprehensive one or two-day course in Union Awareness.
- ❖ Extremely valuable learning tool for upper management and front-line supervisors.
- ❖ Scott A. Wilson has over 32 years' experience in representing employers in union-management relations. Visit www.pepperwilson.com for a description of the course and labor and employment law services offered by the Law Offices of Scott A. Wilson.

All services involve the practice of law and are subject to the attorney client privilege.

Law Offices of Scott A. Wilson

711 Eighth Avenue, Suite C
San Diego, CA 92101

Telephone (619) 234-9011
Facsimile (619) 234-5853
Cellular phone (619) 851-8441
Email: scott@pepperwilson.com