

Marketing Trends III...

PENNSYLVANIA CASINOS CAN PROFIT FROM LOYALTY; BRANDING IS THE KEY

BY GARY BORDER

Gaming since the 1970s has evolved into an industry adept at understanding the sources of profit. The mightiest source proved to be gambler segmentation, which illustrated the impact of frequent loyal play evolving into better, more confident players. Better players studied harder to determine the best chance to win and selected casinos increasingly on this feature.

The planned racinos in Pennsylvania will have the best opportunity to build player loyalty with customer-centric services. Gaming in competing jurisdictions offer generally older and less player-friendly technology, dated facility designs, and less effective cycles of service. It will be important to seize this advantage at the outset. Customer relationship management and branding will play an important role as the Pennsylvania licensees begin operating.

Customer relationship management (CRM) was a negligible factor during the 1980s construction boom in Atlantic City, and it factored little into the Native American offerings built in the early '90s. Today, CRM is changing the casino experience.

Nowhere is this more evident than in slot machines, where ticket-in, ticket-out technology is replacing coins. TITO was derived from 25 years of continuous gambler research stating that the consistent and biggest player gripes were standing idle for jackpot payoffs and hopper fills. Tickets eliminate the players' waiting time and small jackpots no longer require heavy buckets of coins. In a CRM environment, the casino wins, too: ticket systems eliminate distribution and security for tons of daily coin.

The challenge is to constantly aspire to better customer-centric solutions. U.S. airports recently implemented passenger check-in kiosks to enable flyers to avoid a long wait and to select their seat. Imagine a casino hotel kiosk through which guests could select their rooms from available inventory based on their player status. This would diminish lines and empower players.

CRM requires powerful data management and analysis tools. For this reason companies often begin by focusing on the computer programs, but the focus belongs on the customer and the benefit first.

Branding is critical to CRM. If a company undertakes a customer-centric approach to increase loyalty without a well-defined brand it would be impossible to identify where to begin. The brand contains the relevant, unique benefits that gambler

segments seek. Knowing which segment and their unique needs points management to the needs and unmet needs of players.

A brand is nothing more than a consistent promise. Wherever the brand is encountered the stated promise is in play. The brand suffers if the promise fails to deliver. No brand is perfect, but consistent delivery will create a stronger brand.

Coca Cola, Budweiser, Marlboro, and Nike are among the most powerful brands in the world. Their products offer consistent costs, tastes, packaging, and availability. When you hear or say any of these brand names most consumers know exactly what to expect.

But when dealing with an organic product that requires human interaction with multiple business units, such as a gaming facility, the promise of the brand is more difficult to deliver consistently.

Real-world casinos are entertainment conglomerations. They include lodging, entertainment, the adrenaline rush inherent in gaming, food and beverage, retail, and many other services. Many other non-revenue services are also vital to a gaming environment: security, parking, events and promotions, sanitation, and environmental needs. The brand is judged on the delivery of all aspects, plus the less tangible aspect of excitement.

Brands with relevant and unique benefits enable operators to communicate with gamblers more effectively. The brand represents the operations that support the benefits gamblers derive from their visit. The brand conveys all of this in a single word. It makes the selection of a casino simple in the mind of a gambler.

Enter CRM. A gaming company attempting to keep pace with customer loyalty becomes aware of customer relationship management. The concept holds appeal because the underlying assumption is that gamblers will become more loyal when the business places a customer-centric approach in every aspect of its business. But it is unlikely that CRM will achieve an acceptable result without the direction a brand creates.

The industry quotes failure rates for CRM efforts of between 65 percent and 80 percent in a landmark 2001 study conducted by Gartner Group. It expects the failure rate to stabilize at about 50 percent in the long run. This begs the question of why a business should continue to pursue CRM.

Customer relationship management is the most powerful business growth initiative for a steady stream of future business. CRM creates a style of operating that gives the player every advantage to experience the emotion of gambling and the ego-stroking service that

is expected by premium players and appreciated by everyone else. The stronger the brand, the better a company can implement CRM initiatives.

CRM is often viewed as a software solution when, in fact, it is more a cycle of service that constantly improves the gambler's experience in each of three phases: planning the trip, during the visit, and immediately following the visit. Management tends to lose focus on the relationship that drives loyalty in favor of the

average daily theoretical value, which drives short-term profits. Loyalty drives a lifetime of profit while the theoretical drives only a day's worth of profit.

Casinos in the business of providing players with a superior experience will eliminate hassles. The leaders generally offer a brand that includes a commitment to superior customer service.

Pennsylvania gaming facilities have a golden opportunity to integrate CRM solutions and establish strong brands at the outset. This in turn, when combined with effective advertising, gives them the opportunity to position themselves as the preferred choice for not only Pennsylvanians, but also for players in neighboring states.

(The author is founder and CEO of Marketing Results Inc., which serves the gaming industry with offices in Atlantic City and Las Vegas. He has worked in and with the gaming industry for 18 years; in his most recent position with in the industry, he was the senior marketing executive with the Horseshoe Casinos, where he created and managed the branding of Horseshoe Gaming by featuring its founder prior to Horseshoe's sale to Harrah's Entertainment.) ■

M E R G E R
c o n t i n u e d f r o m p a g e 8

As gaming companies get larger and diversify their entertainment offerings — including adding more hotel rooms, restaurants and retail — they will create more revenue centers, and be better able to coordinate business models that were once in clear conflict.

This will further reinforce the view that gaming is evolving into mainstream entertainment, thus bringing the industry a bit closer to the long-discussed concept of mergers with other entertainment offerings.

The key lesson, though, is that gaming benefits from the accurate perception that it competes with all other forms of entertainment. This will, at the very least, encourage more mergers and acquisitions within the gaming field because regulators at the state and federal level are more likely to approve such deals. ■

A brand is
nothing more than
a consistent promise.