

## Marketing Trends II ..

### REJECTION VS. NON-RESPONSE: DETERMINING THE CAUSE IS DIFFICULT — AND CRITICAL

BY PATRICE GIANNI

No means no in many avenues of life. But in the casino industry, and in direct marketing, no doesn't always mean never.

One of the key factors in the present trend of data modeling is the focus on response rates as a means of determining mailing list criteria for direct mail. In other words, those players who do not redeem their most recent offers are cut — no matter the recency of their last visit — from the next mailing. This strategy may fail to acknowledge the majority of the list's recipients — the players who have not responded to the previous mailings.

In the mid 1990s, an Atlantic City casino implemented a daily trip program that was achieving response rates up to 45 percent. This was a strong response for a property in a fiercely competitive environment. However, 55 percent of those mailed were not responding.

Rather than waiting for these customers to fall into a bimonthly inactive program or have them possibly defect to a competitor, the decision was made to make an immediate second attempt at these players. On the day after the offer expired, the nonresponders received a second letter extending their original offer for an additional three weeks.

The result was a response of more than 20 percent from a list of customers who previously did not respond to the identical offer. Personal factors, as noted below, may have played a part, as well as mailing concerns. The second attempt could have served as a reminder that they had a valid offer at the property. Those who responded were not rejecting the first offer — they just needed prodding.

For the price of a stamp and a letter, the Atlantic City casino achieved a response from a very profitable segment of players who might otherwise have been neglected. Although this example dates back over a decade, this is still a prevalent concern in database marketing today.

Nonresponders are difficult to analyze, but the Direct Marketing Association recognizes nonresponder rates by being knowledgeable about positive responses. In its 2004 Response Rate study, DMA analysts determined that "The overall average response rate for direct mail, including mailings to both house and prospect files, was 2.73 percent, up slightly from last year's 2.54 percent." Nearly reaching 3 percent seems dismal, but "direct mail was again our leading direct marketing medium."

In the more specific genre of direct marketing, the casino industry has determined that local based players generally respond to direct-mail offers at a percentage of 25 percent to 50 percent. Destination markets, such as Las Vegas, may have response rate from 4 percent to 15 percent. The industry still must determine what happens to the remaining 50 percent to 96 percent who do not respond. Assumptions and modeling criteria may be eliminating this majority without ever factoring in the personal nature of any player.

The measurement of successful response rates is not straight across the board in any form of marketing. Direct mail is no different. One marketing program might embrace a 2 percent response rate, while another might scoff at a 5 percent, but both are not factoring in the other 98 percent that were affected by the mailing.

Analyzing campaigns without all of the facts, even unforeseen facts that may appear trivial, results in abrupt assumptions that the players' lack of response is in fact a rejection, rather than the result of other personal factors.

Non responses can be the consequences of a list of everyday motivations: players may have personal conflicts with the scheduling of the offer, a customer's household budget may not allow them to gamble at this time, even an impending holiday may impact the gambler's intentions.

In addition to the "personal" motivations that may cause non response, marketers must consider the very logical reasons that may have caused it: the offer never reached them in the mail, the address is no longer valid, the offer arrived in an untimely fashion or was even misplaced. These factors cannot be determined by modeling criteria, but they may be solved by changing a mailing schedule, targeting the players with a more creative and clearer message, or simply by designing an envelope that does not connote "junk" when it arrives.

Visibly, there are just too many motives for a player not to have responded, a clear indication that there are many reasons to contact them again.

Recency is a key factor in projecting a customer's likelihood to repeat a behavior. If marketers expect recency from their customers, so do their customers from marketers.

Determining rejections vs. non-response in direct mail is not a clear-cut action. A responder may lay dormant for months or over a year depending on geographic considerations. But it is also safe to say that after four to five failed attempts without response, the player has chosen rejection. This leads to the obvious question: Why? And that answer requires research. A definite "no" in direct mail can help in targeting your research and your modeling criteria. The definite no is a positive response when it comes to further analysis of customer behavior.

Properties' handling of non-response needs to be premeditated. By shaping recency bylaws before the data analysis phase, mailing criteria will include such factors as how long since the last visit and how many times they have been contacted without an acceptance. Most well-marketed casinos would never pass up the opportunity to extend an offer for a return visit to a profitable new member, so why would the decision be made to stop communicating with a customer who was once profitable and hasn't responded recently? No doesn't always mean never.

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## Regulatory trends ..

### NEW JERSEY'S SPEED, FLEXIBILITY SENDS BUSINESS-FRIENDLY MESSAGE

The New Jersey Casino Control Commission in recent months has made enough business-friendly decisions that it can fairly be described as "progressive."

The state has had a reputation of being the most regulated gaming jurisdiction in the United States. Tough licensing processes and compliance regulations have kept the jurisdiction free from major scams or financial scandals. The bottom line in New Jersey has always been this: Operate with the highest degree of integrity, ethics and compliance or your operating license will be at risk.

While not sacrificing that reputation, New Jersey regulators have displayed the following progressive signs in creating a sensible and flexible casino operating environment:

- Approval of Three Card Poker before Nevada approved the table game.
- Approval of Texas Hold 'em tabletop game prior to Nevada's approval.
- Approval of the Harrah's-Caesars merger without restrictions.
- Proposed regulation to relax the dollar spend limit on requiring vendor licensing.
- Proposed regulation to provide greater flexibility in casino floor product configurations.
- Eliminating the requirement for fixed security posts.

The message to the gaming and investment community is clear. The regulators surely see that Atlantic City operators require a faster and more flexible regulatory environment as they prepare for competition in Philadelphia and New York City next year. ■