

Super Models

Advanced Intelligence Marketing for Casinos

by Gary Border

Over the past two decades, the path to winning market share has caused dramatic evolution in the casino gaming business.

Zealous marketers have adopted direct mail, player reinvestment, same-day cashback, database marketing, a broad range of promotions, modeling and prospecting. In 1985 any one of these techniques would have captured market share. Today all of these techniques are important to sustain market share.

So where will future marketers find new players? By looking where others are not looking today.

First, there is a dynamic concept used to evaluate success in the industry we should question: rated play. It is the most pivotal measure of success. Why? Obviously because it's the only detailed measure available, but here is the problem. If a casino rates 60 percent of its play, how many of its players does that represent? Thirty percent of the players, or about half the percentage of tracked play, is a close approximation in most cases.

If this is true, then it is implied that 70 percent of the players visiting your casino are not rated. If you can't rate players then you have no control over their future play. It's easy to rationalize that you're rating the best players. After all, if 30 percent of the players give you 60 percent of the play, then they have twice the value of other players. Or do they?

Do better players get rated or are rated players taught to be better players? Both may be the right answer, but as you ponder this question consider the following: While writing marketing plans during 1980 we decided to target slot and table players differently. At this point, table players were rated manually, much as they are today, and slot players were not yet systematically rated.

Slot play was a smaller fraction (about 40 percent) of overall play in the early '80s. Slot player ratings were introduced around 1983. Players were rewarded with comps, then cash and gifts. There is an adage that goes: "What gets rewarded gets repeated." By 1985 slot and table play were at parity in the industry. Today slot play is roughly 80 percent of all casino play. By better rewarding slot players the industry created a better player. Without ratings this could never have occurred. So what is the value of an unknown player? We don't know, and unless you rate them, you'll never know. We do not track enough players in this industry.

Only when you are tracking players to the peak of your ability can you begin to understand the best way to build a reinvestment program. And only then can you prospect with a great deal of authority otherwise not possible.

Common Ground

Think about your competitors for a moment. Who among your competitors poses the biggest threat?

Each competitor applies a modified approach to the basic marketing tasks. But it is obvious when you follow market share that some casinos are more proficient than others at attracting and keeping customers. It is the most proficient casino that you least want to have your gamblers' identities. Your competitors, however, can identify your players and additional new players by applying current prospect marketing techniques used regularly in other industries.

The use of advanced marketing tools requires a command of conventional marketing tools. Only with the mastery of conventional marketing techniques can marketing executives assess the value of each technique and deploy them at the proper moment and with the required impact to attain the best profits. If you have a good grasp of the current tools then you are ready for the following steps, which are productive but yet to be adopted by many casinos.

Today, 26 percent of the adult population gambles. How many people is that? About 50 million players, according to Harrah's newly published study. This number may be low because some folks won't admit that they gamble. Even so, the number of casino gamblers is enormous. Are you identifying and tracking all that you can?

Player tracking is limited at most properties. The largest percentage of overall tracked play in a property that we've encountered is 85 percent. The norm is closer to 45 percent. Remember, this is the percentage of tracked play, and the percentage of players is around half that percentage, leaving most players anonymous. Most analysis, therefore, is evaluated on fractional information compared to the true overall player activity. Casinos generally don't measure play adequately. Improve measurement and you'll improve results while acquiring more knowledge to successfully improve campaigns. We believe, "The casino who knows the player best and applies that knowledge will win most of their wallet for gaming."

Modeling and Information Enhancement

In 1979, I had the unique opportunity to create the first predictive economic model of the food service industry with an enterprise called Chase Econometrics. They were white-lab-coat guys with big computers. The model was very practical and predictive. It could help understand broad economic trends and/or it could illustrate the specific importance of pending proposals, such as the impact of an increase in minimum wage on the consumption and pricing of fast food. As the user, you could enter a variable—like a 40-cent increase in minimum wage—and the model would illustrate the impact on consumption and pricing among restaurants in all sectors of the food service industry. The lobbyist for the National Restaurant Association used these results to persuade legislators that a minimum-wage increase was not a sensible move at that time.

The model illustrated that many minimum-wage workers would be laid off in the wake of a wage increase, as companies could not sustain workforce levels at a higher cost. Using the "loss of jobs argument" as ammunition, the mandatory increase in the hourly wage was stalled to the benefit of the industry and the employees who would have been laid off.

Modeling has moved from government and Fortune 500 applications to mainstream business. It creates an opportunity to understand and manage the casino gambler market like never before. Modeling has seen limited use in gaming, while other industries consider it essential to routine operations and marketing. Following are a few practical applications of modeling.

Modeling as a Unique Advantage

The tools casinos use to attract players are all very similar. For example, how many casinos have promotions called "Gift of the Month" or "Cash Giveaways" or "Same Day Cash?" Most casinos offer promotions, tournaments, entertainment, and loyalty card programs. This is an industry that copies competitors' moves so fast that seldom does any casino own a unique attraction. Each will imitate whatever successes emerge, leaving the market at parity and customers confused.

Winner take all.

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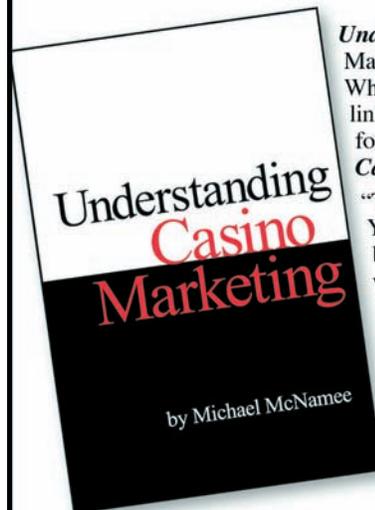
Gaming transactions, February through October 2003
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<p>October 2003 \$45,000,000 Private Placement of Common Stock \$40,000,000 Retirement of Principal Amount of Senior Secured Notes MIKOHN Mikohn Gaming Corporation Sole Placement Agent</p>	<p>September 2003 \$260,000,000 Majestic Star CASINO The Majestic Star Casino, LLC Senior Secured Notes Offering Lead Manager</p>
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What Works! What Doesn't, And Why! UNDERSTANDING CASINO MARKETING

By Michael McNamee



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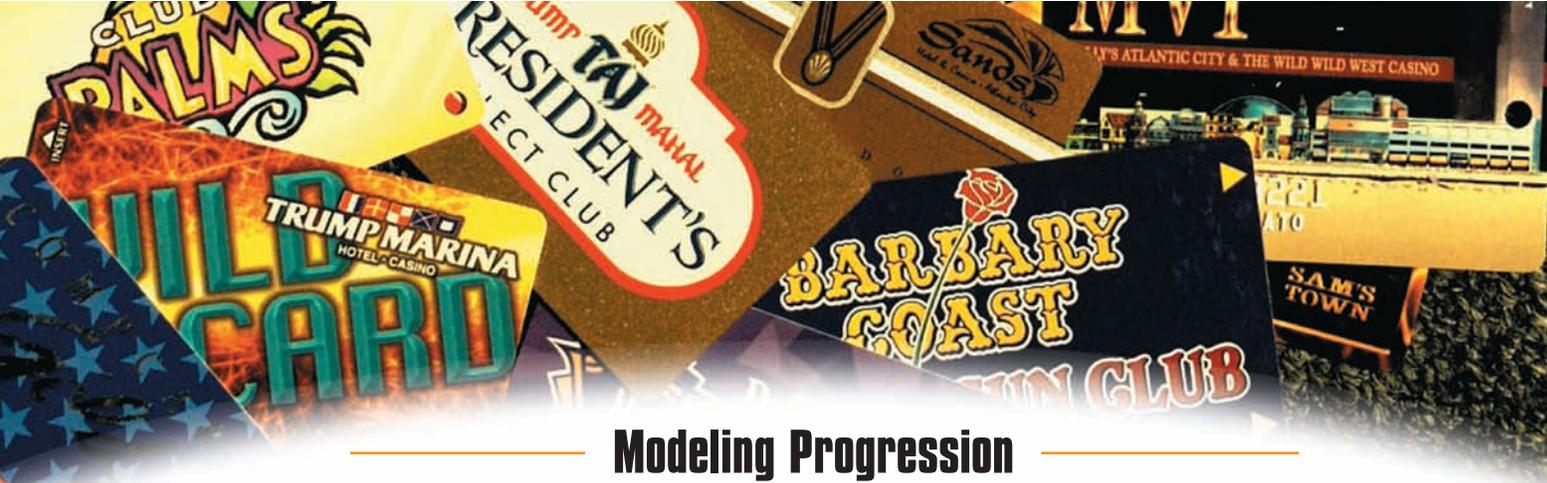
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Modeling Progression

1. Profile Model

Finds look-a-likes to your existing players

2. Response Model

Refines the market to responders to casino offers

3. Profitability Model

Further refines the model to the most profitable gambler segments

4. Opportunity Model

Identifies off-season players

But a few casinos *do* use different tools, and these tools, coupled with aggressive player tracking systems, supply the pivotal advantage casinos need to leap beyond their competitors.

Database Marketing

Database marketing empowers casinos to create meaningful relationships with players. The database provides astonishing insights into distinctive players. When you apply these insights with resonating creative and copy filled with personality, you can improve response rates and build loyalty. The casino that knows its players best wins! Pages of coupons create the opposite effect, actually resulting in a negative effect on loyalty. Coupons buy visits, while personality creates relationships that encourage loyalty. Both may contain offers, but the difference in positioning the casino is crucial. The difference is speaking to gamblers in the best voice, either "Relationship" or "Reward."

Prospecting

GOAL: Attract new players to your casino by targeting the characteristics of your best players.

External prospecting introduces knowledge from outside the casino to identify gamblers who have not yet visited your property. How do you know players are players if they haven't been rated in your casino? In our new world of information, there are many scientific ways to acquire knowledge about your marketplace of players. Employing information sources that include major, national fact-finding companies, prospecting has become and remained a success over the past 10 years. What defines success?

Immediate-term profits?

Long-term profits from sustained loyalty?

Accelerated growth in your database to new, higher levels of play?

Compare overlapping duplicate identities from modeled or prospect sources. Your approximate market share of gamblers should exist in a prospect file if you've truly identified

players. When you compare the value of players, in effect, you have profiled the prospect list and created a simple model. If the players who match are the kind of players you want, then the prospect campaign can succeed. Remember, this is a distinct niche with limited knowledge of your facility. Re-treaded campaigns designed for other niches probably won't serve as compelling attractions.

Tracked play is only a fraction of a casino's actual win. So why not focus on the masses of players who are not tracked today and harness their value? How? Improve your knowledge about existing and future players with modeling and data enhancement from external data sources. Better information leads to more complete profiles and superior models.

You can think of *internal prospecting* as the simplest form of modeling. By prospecting internally you can earn more play from your existing customers. This is the least expensive method to identify and attract players who gamble without a card. Sources of data for internal modeling are W2G forms for jackpots of \$1,200 or more, hotel records, cash advance records—essentially any information that identifies players without rating cards. Without tracked play, these gamblers fall outside most marketing efforts, causing casinos to overlook their value. Most properties ignore this low-hanging fruit.

GOAL: Expand the number of known players you can attract to create more control over the future demand for your casino.

Find some players you really like, and then take a detailed look at their overall behaviors. By applying known statistical techniques, you can identify gambler "look-a-likes" or "clones."

Why Modeling Works

Essentially, modeling is just statistical analysis of characteristics that can be measured.

Packaged goods companies developed modeling to identify buyers of difficult-to-advertise products such as alcohol and tobacco. The practice spread to pet foods and tourism, and is aggressively used today

in financial services. The information available has increased exponentially, as has our ability to organize and manage it with faster computers and programs. The characteristics available to model, even while respecting the privacy mandates of the government and the Direct Marketing Association, permit casinos to identify the broad market of players.

The procedure is to profile the audience you want to capture based on their measurable behaviors. Statistics identify which characteristics are predictive. When the predictors are identified, the model zeros in on matching candidates and prioritizes their similarity. You can then communicate directly with these players. It's like having a proprietary medium of gamblers. Responses increase with successive communications as you build their desire.

Compare a sample of the model to your database. If your market share looks about right and their play profiles are the type of player you want to capture, then the campaign will most likely produce the results you want.

Each model in the Modeling Progression chart above builds upon knowledge of the models created before it. At each step, the audience of gamblers becomes more specific based on their benefit to the casino.

Modeling and prospecting are outstanding sources of rapid player growth. They require a leap of faith from conventional marketing tools because, in gaming, they still are not commonplace. But then again, in 1985 neither was database marketing. Today every casino marketing executive would tell you they couldn't survive without database marketing. Many innovators from the 1980s are the leaders in gaming today because they adopted the practice of database marketing early.

Within the next five years, marketers will say the same about prospecting and modeling. □

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