

Chapter 1

Introduction to Casino Marketing Topics

Why is it so difficult to measure casino marketing activities?
What is the relationship between the player's average bet and the casino's profitability?
How is the customer experience affected by line-item management?

Abundant Expertise

When people are faced with legal issues, they seek the counsel of an attorney. When people are faced with income tax issues, they seek the counsel of an accountant. When people are faced with marketing issues, they rely on their instincts. The gaming industry is no exception, as casino marketing "experts" are in great supply.

Successful Until Proven Otherwise

Without rigorous and objective analysis of a marketing activity, a declaration of success or failure is nothing more than an unsupported theory. Despite the temptation, management must resist the urge to assume a marketing activity is effective unless proven otherwise. That is, the burden of proof must be on the marketing activity.

Casino Marketing & Measurement

A proposed marketing activity and a rigorous measurement plan should be inextricably linked. Without such a plan, management must rely on conjecture and faith-based evaluation methods, including, but not limited to, tarot cards, crystal balls, and palm reading. In all seriousness, the single greatest problem with casino marketing activities is the absence of objective measurement plans. However, feedback from marketing efforts is often difficult to produce in the gaming industry, as many of the transactions go unrecorded. As a result, sophisticated statistical methods are sometimes needed to estimate the effectiveness of marketing activities.

Casino marketers should try the activities that they believe will be effective. It is important to remain creative and innovative with respect to the marketing idea-generation processes. However, this creativity and innovation needs to make its way to the measurement phase of the process as well. Too often the excitement of an idea overwhelms the measurement phase of the process, moving management straight into the implementation phase. This often results in the creation of negative cash flows.

Unrecorded Transactions

Unlike conventional retail businesses where each transaction is recorded, many casino transactions go unrecorded, or are not directly attributable to a particular person or marketing activity. In fact, each day, a tremendous number of gaming transactions are not recorded. For example, many table game players win or lose substantial sums of money on a single hand. However, these individual outcomes are often not captured.

In today's casino, most players are certainly aware that they can earn complimentary awards, if they are willing to identify themselves. Typically, this is accomplished via player tracking cards. In spite of this incentive, many slot and table game transactions go unrecorded. With respect to table game operations, many transactions go completely unrecorded. As for slots, some Las Vegas Strip casinos fully record as little as 35% of the transactions. That is, management does not know which customer placed these wagers. This occurs when players do not insert their tracking cards. Worse yet, many casinos throughout the world do not have online slot systems. These operators are not recording the source or the amount of the individual customer's wagering activity. Such limitations can greatly affect the ability of casino marketers to accurately measure the effects of their activities.

Complex Environment

Another challenge that must be overcome by casino marketers is related to the identification of incremental revenues. For example, how much incremental gaming revenue was generated by a specific promotion? This is a daunting task, which often requires the use of sophisticated statistical methods. For example, how can marketers know that it was the lottery promotion that increased gaming revenues? They must consider the effects of many other potential sources of influence such as the following: Day of the week, hotel occupancy, food offers, holiday periods, special events, or direct mail offers. Although lengthy, this is an abridged list. With many forces simultaneously affecting gaming volumes, identifying the effect of a specific marketing action can be most difficult. Without knowledge of these specific effects, casino marketers often cannot adequately evaluate promotions, events, and other activities.

Casino Marketing History

While not obvious, the history of casino marketing and the difficulty of measuring marketing activities have combined to greatly influence modern practices. Identifying the specific authors of the activities employed today is less important than identifying their common origin. Specifically, many of today's casino marketing practices stem from a time when supply and demand conditions were very favorable. Many of these marketing activities are causally associated with the financial success of former periods. However, the success of these casinos was most likely due to the favorable supply-demand conditions of the time. That is, there were a great number of gamblers, and a limited number of casinos.

Let's connect this phenomenon with the previously mentioned measurement challenges. When casino marketers cannot accurately measure the effects of their efforts, the assumption of a causal link between historical marketing activities and the overall financial success of early operators is a tempting notion. Such dangerous and presumptive thinking is not recommended or endorsed. It is only offered as an explanation for the otherwise confusing behavior of many casino marketers.

Bottom-line Justification

Another extension of the measurement challenge is a phenomenon referred to as bottom-line justification. For example, when the effectiveness of marketing activities is questioned, casino executives will often point to the overall financial success of the department or property to justify these activities. Unfortunately, marketing failures are often obscured by the success of other areas of the operation, which are also reported at this level. This pooling of results has led to the continuation of many damaging promotions and programs, several of which are discussed in subsequent chapters. Again, one of the great challenges facing casino marketers is analysis of the results produced by their actions.

The ability to conduct meaningful analyses is of tremendous value to any casino marketer. Unfortunately, the monthly financial statements are often used to measure the effectiveness of casino marketing activities. While these statements are certainly valuable, they are often insufficient in the analysis of a specific marketing activity.

The positive and powerful effect of favorable supply-demand conditions has been previously noted. Under such conditions, the genius of casino marketers will appear undeniable. As a result, these conditions often foster the continued employment of marginal marketing activities. The success of these activities is justified by the profitable bottom line of the property. Operators in such jurisdictions must endeavor to isolate the incremental effects of casino marketing activities if they wish to optimize cash flows. Such analyses offer casino executives a legitimate opportunity to highlight their incremental value to the company, regardless of the economic conditions.

Technology vs. Analysis

The culture of measurement in the world of casino marketing is dominated by technological solutions, as opposed to analytical solutions. While technology has given the gaming industry some great innovations, it can be slow to develop, expensive, often inflexible, and sometimes unreliable. This is not to say that casino executives should not embrace technological solutions. In fact, such solutions will play a vital role in the success of future casino marketing efforts. The point is that analytical approaches to casino marketing problems are often underutilized. Investment in research and analysis is much less expensive, more flexible, and provides much quicker results. For example, estimation sciences are vital to the success of casino marketers, as few transactions are fully recorded.

Activity vs. Success

Casino marketers are often pressured to produce changes in business volume. This pressure often comes from owners and corporate offices. Unfortunately, it is easy for marketers to buy revenues. Worse yet, given the gaming industry's measurement challenges, it is also easy to pay too much for these revenues. If casino marketers could produce one truly innovative activity each year, they could consider themselves wildly successful. Unfortunately, many executives consider activity more valuable than results. Such a view leads to the execution of many poorly contrived marketing activities. This, in turn, leads to less than optimal cash flows. Sometimes, the best decision casino executives can make is the decision to *not* do something.

From Innovation to Failure

There have been many great marketing innovations in the gaming industry, such as the invention of the virtual reel, the bill validator, and voucher- or ticket-based currency systems. Casino marketers have also created many tremendously successful promotions and events. In fact, the list of these activities is too long to mention. However the following bullet points describe a troubling pattern, with respect to the life of an initially successful marketing activity.

- A successful activity is created
- Because of its success, it is replicated too often
- The excessive frequency leads to diminished results
- Once it produces less than acceptable results, marketers attempt to make the results appear acceptable. This usually involves creative accounting, characterized by delaying or hiding expenses
- Finally, the creative accounting fails, and the activity dies

Ideally, it would behoove marketers to recognize over-promotion and reduce the activity frequency. A close second would be to recognize the death of an activity sooner, rather than later. That is, early recognition of a failing marketing activity saves the property money. This money can be used to develop new ideas.

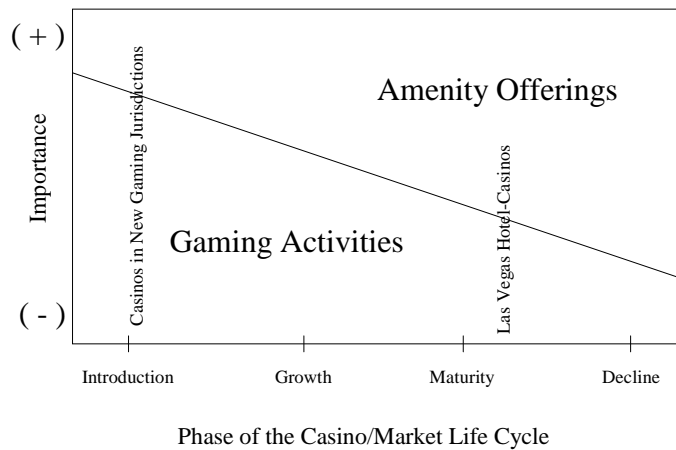
Existing Markets & New Jurisdictions

Many new gaming jurisdictions look to established ones for casino marketing direction. This is not always a good idea. Again, the competitive framework of the market should drive the casino marketing activities. That is, what is necessary to one market may be ill-suited for another.

The same could be said for the role of non-gaming amenities. For example, executives operating in highly competitive and mature markets often rely on non-gaming amenities to attract customers. To the contrary, such investment is not needed for those operating in new jurisdictions, featuring a limited number of competitors, or favorable supply-demand conditions of any stripe.

Figure 1.1 attempts to portray the basic relationship between the use of gaming activities and non-gaming amenities, within the product life cycle. As shown, new jurisdictions can often rely on gaming activities to attract customers, while operators in more mature markets, such as the Las Vegas Strip, have an increased reliance on amenities. The novelty of gaming itself is often enough to attract customers to new gaming jurisdictions. Developers and operators must consider the competitive landscape, when attempting to optimize scarce investment capital.

Figure 1.1.
Customer Draw Power: Gaming vs. Amenities



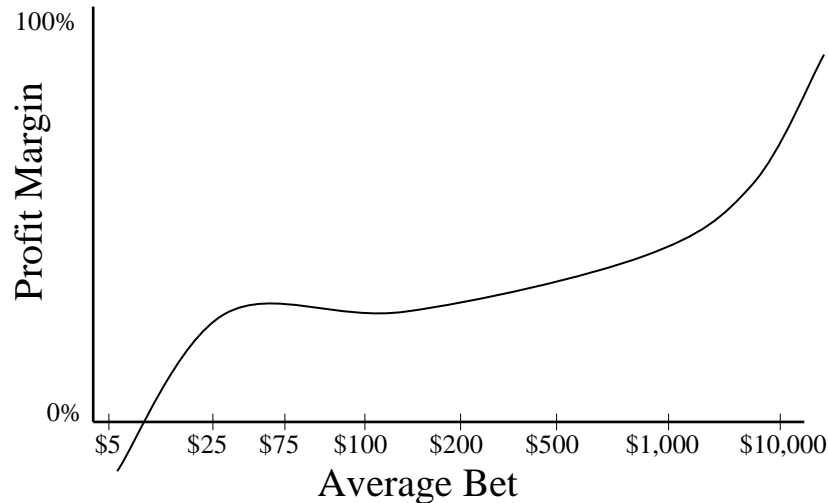
Profit by Bet Size

Table Games

Many casino marketers do not have a clear vision, with respect to their target markets. Analyzing profit margins by bet size can provide a certain amount of guidance in this regard. To this end, Figure 1.2 provides a visual aid. However, it is only an approximation of profit margin by bet size, as this relationship is not only difficult to compute, but varies by property and market. Note that Figure 1.2 portrays this relationship by plotting profit margins after operating costs, but before any play-incentive costs, such as discounts¹.

¹ Discounts are play incentives employed to attract premium players. Also known as rebates, these incentives reduce the amount owed to the casino, by losing players. Discount terms are often offered in advance of a player's trip to the casino.

Figure 1.2. Table Game Profit Margin By Average Bet: After Expenses (comp, labor, gaming taxes, etc.)



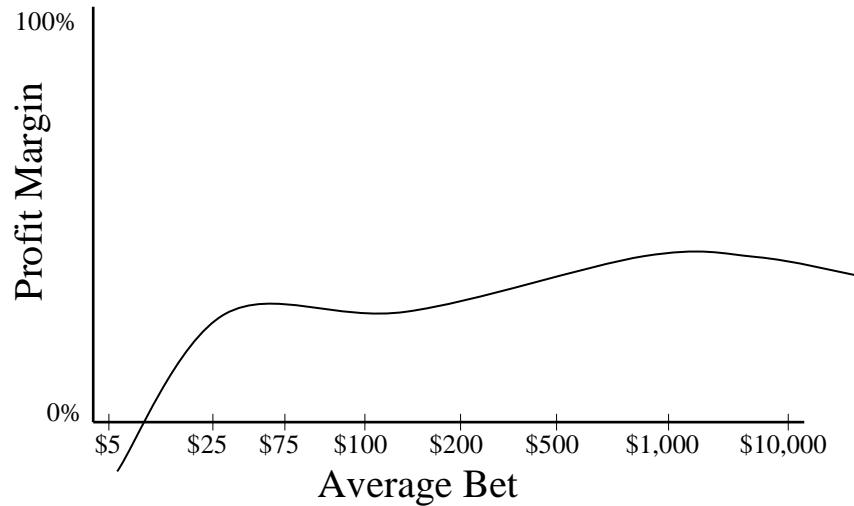
Notice that the profit-margin line begins in negative space, indicating an operating loss at the lower average bet levels. The line then reaches a local maximum near the \$50 average bet mark, where it then levels and begins a slight decline. This portion of the line is meant to represent the introduction of complimentary (comp) expenses. That is, players with average bets of \$50 or more become eligible for comps, reducing the casino's profit margin. From this point, the profit-margin line begins to rise again, recovering from the burden of comp expenses. The profit margin increases, as comp expense is limited by consumption constraints. That is, the daily room, food, and beverage expenses are limited by the player's ability to consume them. Even with the addition of airfare reimbursement, the increase in theoretical win (t-win) from the rising average bet outstrips the increase in comp and airfare expenses.

Executives from one major gaming company estimated operating costs to be \$50, per hour, per game. Let's assume five players are wagering on a game, and that the casino wins one average bet per player, per hour. Given these assumptions, each player would need to produce a \$10 average bet for the game to reach the break-even point. As shown in Figure 1.2, an average bet near that of \$10 marks the point at which the profit-margin line intersects the horizontal axis, representing the previously computed break-even point (i.e., zero profits).

Per Figure 1.2, the profit margin begins to recover from comp expenses near an average bet of \$200 per hand. As mentioned in this section, the constraints associated with comp expenses allow the profit margin to steadily increase with increases in the average bet. This high-margin area of Figure 1.2 is produced by the patronage of premium players, also known as high-rollers. Given the profitability of these players, casino marketers actively compete for their business. Costly play incentives such as discounts are offered

to players in return for their patronage. However, these costs are not reflected in Figure 1.2. Figure 1.3 illustrates the effects of these added player acquisition costs on the profit-margin curve.

Figure 1.3. Table Game Profit Margin By Average Bet: After Expenses and Discounts

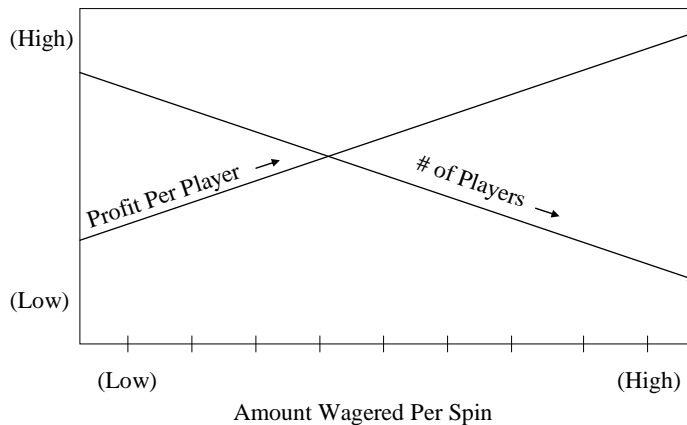


When Figures 1.2 and 1.3 are compared, the decline in the profit margin of the premium players becomes obvious. Notice the change in the direction of the profit-margin line of Figure 1.3, after the \$1,000-average-bet mark. Again, Figure 1.3 represents the general effect of such practices. This figure does not reflect the actual performance of any casino or market. The mechanics and effects of discounts are discussed in subsequent chapters.

Slot Machines

Figure 1.4 illustrates the relationship between profit per player, average bet, and player supply. Figure 1.4 is intended to describe the general relationship between these variables, as it is not based on actual data. The profit-per-player line is more linear than the profit-margin lines depicted in Figures 1.2 and 1.3, as no minimum wager is required for slot players to earn and receive comps. Also, in most U.S. casinos, the wagering activity of any player who chooses to insert a tracking card is automatically recorded.

Figure 1.4. Slot Profits, Bet per Spin, & Player Supply:
Before Premium Player Incentives



As shown in Figure 1.4, when the wager increases, the profit per player increases, but the supply of available players declines. All casino marketers would like to have a casino full of \$100 bettors, but the supply of these players is insufficient. As a result, casino executives must attempt to supply a slot machine mix that is attractive to their available target markets. This can be difficult, as target markets are often poorly defined, or not defined at all. Also, the issue of denomination, or minimum wagering unit, must be addressed in these mix decisions. This can be difficult as well.

The historically clear denomination lines have been blurred by the creation of multi-denomination machines as well as the increased wagering capacity of multiple-line units. It is for these reasons that denomination is not part of Figure 1.4. It is difficult to determine the role of denomination in the profit process, as it has become a nonlinear relationship. These wagering-related technologies offer increased flexibility, which can both aid and hinder the optimization of slot profits. They hinder optimization by allowing minimum wagers during peak demand periods and aid optimization by improving product variety and the number of price points.

Slot mix decisions are most important to casino marketers, as price points and product selection directly impact their ability to attract and retain players. Further, slot machines are not like table games. That is, the minimum bet cannot be increased during peak demand periods².

However, like table games, the profitability curve would begin to flatten once premium play incentives are considered. Although Figure 1.4 does not include the effect of such

² This assumes the absence of technology such as server-based slots, which affords management the ability to electronically change the game parameters, including the par and the minimum wagering unit.

incentives, the result would be similar to that depicted in Figure 1.3. Historically, the play incentives offered to premium slot players have not been as costly as those offered to premium table game players. Further, the aggressive use of play incentives has been more prevalent in the table game arena. However, premium slot players are receiving ever-increasing awards, following the established table-game precedent. In fact, an increasing number of slot players are negotiating and receiving discounts on loss.

The Customer Experience

No casino marketing programs or activities will appear successful in the absence of positive customer experiences. Given the increased competition for players and the rising acquisition costs in mature markets, a positive customer experience has never been more important. That is, no executive wants to incur these substantial acquisition costs, only to have the player suffer through a bad experience, and vow never to return. It is difficult enough for players to overcome the disappointment of losing trips. Therefore, the quality of the customer experience and casino marketing are inextricably linked. Of course, the customer experience can be dissected into more specific components, such as customer service, service delivery, and the physical environment, to name a few.

A well-managed customer experience leads to a profitable bottom line. Some Las Vegas properties have acknowledged this notion by hiring executives to manage the customer experience. Specifically, these executives are responsible for identifying both successes and failures, striving to constantly improve the guest experience.

Internal Marketing & Customer Service

Almost everyone has heard the adage that happy employees create happy customers. While the executives of most major gaming companies are quick to concur with this adage, few are able to commit to the idea. In fact, most gaming executives talk about customer service incessantly. Many create customer service mission statements and slogans that all sound incredibly similar. However, a deep and enduring commitment to this notion is rare.

Executives from one Las Vegas Strip casino required table game dealers to wear t-shirts bearing the slogan “Home of the Smiling Dealers.” The same management team routinely required dealers to submit to quarterly lie detector tests and created a secret witness program, allowing workers to anonymously incriminate fellow employees. Tips were investigated without regard for the credibility of the source or the accusations. Further, the investigations were based on the presumption of guilt. These actions created an adversarial work culture filled with distrust and suspicion. Any smiling by the dealers must have appeared forced or artificial. It is difficult to believe that such confounding ideas could spring from the same management team. That is, the belief that happy dealers were important and the belief that such programs would not affect the happiness of the dealers. This casino is no longer in business.

Line-item Management

Line-item management is common in the gaming industry. This practice is based on the assumption that each line of the income statement is independent. Most notably, this practice assumes that the revenue and expense line items are loosely related, if at all. Under this assumption, management cuts costs, with little or no concern for the possible impact on revenues. Line-item management is most often brought about by difficult economic conditions, austerity programs, a short-term profit focus, or a newly hired CEO, bent on cost cutting.

Unfortunately, short-term profit gains often follow these cost cutting adventures, as the impact on revenues does not occur immediately. This phenomenon provides false support for a short-sighted practice. The cost cutting ultimately affects the customer experience in ways too obvious to list. Each time customers endure a negative or unpleasant experience, the likelihood of their return decreases. The long-term effects on profit and the brand are almost always unfavorable. However, the philosophy is absolutely flawed. That is, revenues and expenses are undoubtedly related, as are the customer experience and long-term profitability.

Let's consider an example provided by a profitable Indian casino. Management provided customers with free bottled water, at a monthly expense of \$8,000. Management then decided that profits could be improved by eliminating the cost of the water. This single act would improve the annual profit by \$96,000. A great number of customers immediately expressed their disappointment, but management was unyielding, holding to the free-water embargo. Is it reasonable to assume that the elimination of free bottled water improved the casino's long-term profits? How do you measure the annual cost of disappointed customers? Is it greater than \$96,000?

In the throws of an austerity program, the management of one Las Vegas casino insisted that all departments reduce expenses by 10%. This across-the-board cost reduction tactic is commonly employed by gaming companies, during difficult economic conditions. However, in this case, there was no concern for differences in the cost structure of the departments. For example, the financial structure of some departments is dominated by variable costs. Casino marketing is one of these departments. Twenty days into the month of February, the head of the casino marketing department was forced to make a most perplexing choice. If a contingent of valuable premium players were to arrive from Asia, he would have to comp them and provide play incentives. Although this play was clearly profitable, allowing it would produce expenses. As of the 20th day of the month, the department had reached its mandated expense allowance. What was the department head to do?

The Value of Customer Service

“Not everything that can be counted counts and not everything that counts can be counted.”

- Einstein

The value of customer service is difficult to determine, hence the casual and often fleeting commitments. This is why senior management must define it and have unwavering belief in the idea. A former MGM executive once described the notion of customer service as “...providing the customer with a tissue *before* they sneeze.” Further, management must not only endeavor to anticipate the needs of the customer, but they must also supply delivery systems to satisfy those needs. To this end, great start-positions are provided by envisioning the customer’s experience from the customer’s perspective.

If happy employees create happy customers, could happy customers create happy employees? This seems like a hypothesis worth testing. After all, what is the worst that could happen?

The Cost of Customer Service

Unfortunately, the cost of customer service is often easier to calculate than the value or benefit of good customer service. As noted in the previous section, this condition has turned customer service into a business philosophy or ethos. For example, a customer-experience-oriented management team gives players free bottled water. A management team with a short-term profit focus will attempt to save \$8,000 per month.

Friendly and pleasant dealers are certainly an important component of any positive guest experience. However, this isn’t enough. Management touts the importance of friendly service because it doesn’t cost anything. An organization characterized by a commitment to the customer experience is willing to invest in it. Such a commitment might include actions such as hiring people to answer the phone, in lieu of an automated, menu-driven, call router.

Unfortunately, the primary focus of most corporate management teams is cost control. As a result, the customer-experience is often financially assaulted on all fronts. One solution may be to create a customer service department. The creation of such a department would acknowledge the importance of the customer experience to the long-term success of the casino. Additionally, when cost-cutting occurs, management may be forced to justify a decline in the guest experience. This exercise could prove challenging to the most committed cost cutters.

Introduction to Content

Casino Marketing Activities

Casino marketing activities vary by target market. For example, only premium players would receive a discount on their gaming loss. To the contrary, any player would be permitted to participate in a lottery promotion³. Activities can also vary by game type, with slot players receiving offers that are different from those received by table game players. Overall, there are many different forms of casino marketing, several of which will be discussed in subsequent chapters. Activity descriptions, reporting structures, and recommendations are provided.

Slot Clubs

It is difficult to find two slot clubs that are alike. That is, unless you are comparing the clubs of properties owned by the same corporation. Slot clubs allow management to identify and value players. The benefit structures and benefit delivery schemes are often confusing. For example, some awards are based on the amount of money wagered and some are based on the casino's theoretical win⁴. The evolution of slot clubs is reviewed along with benefit structure, membership structure, limitations, and much more.

Database Marketing

A great portion of casino marketing activity stems from the player database. Casino databases are populated with information gathered from player rating cards and online slot systems. However, there are a surprising number of inaccuracies in this data. Despite these limitations, players are graded and segregated into database tiers for purposes of determining offer eligibility. Another key issue is the standard industry approach to acquiring, retaining, and recovering players. Finally, data mining has received considerable attention in recent years. This complex process is promising, but is it feasible for most management teams?

Repeater Market Promotions

Casinos are said to operate in repeater markets when a substantial portion of the clientele visit the property on a regular basis. For example, customers of some casinos operating in the Las Vegas locals' market average in excess of three visits per week. However, this visitation frequency results in a reduced spend-per-trip, which is also a characteristic of a repeater market. Additionally, repeater markets are defined by conventions such as population proximity. For example, the number of people living within a one- and/or

³ Lottery promotions feature weekly drawings. Players earn tickets for these drawings during a designated qualifying period. Events such as top-award jackpots or specific hands in table games earn players tickets for the drawings. Management usually guarantees that a specific amount of cash prizes will be awarded.

⁴ Theoretical win (t-win) is the product of the amount wagered and the casino's advantage. If the casino has an advantage on the wager, t-win cannot be negative. T-win represents the amount of money the casino should have won from a player's wagering activity. A player's actual outcome is often different from the casino's t-win, but only in the short-term. Eventually, these two amounts must be equal.

three-hour drive of the property is often used to define markets. Clearly, there is a subjective component in the market designation process. However, due to the relatively frequent visitation, casino marketers have developed different forms of marketing for properties in repeater markets. Lottery promotions are an example of a repeater-market practice. These promotions along with market-modified cash mail and free-play practices are discussed.

Match-play Offers

These offers are very popular with U.S. casino marketers. In short, coupons are awarded to players for redemption on table games, usually blackjack. These coupons have a monetary value, resulting in a cost to the casino. To redeem the offers, the player must place a cash wager along with the coupon. There are both single-decision and multiple-decision coupons. The critical difference is that multiple-decisions coupons are wagered until lost, whereas single-decision coupons are valid for one decision. Match-play offer mechanics, cost structure, and closely-related voucher programs are all covered.

Dead Chip/Rolling Programs

These programs are usually aimed at international baccarat players. Given the high cost of discounting⁵, dead chip programs have recently become more attractive. A dead chip is so named because it is non-negotiable. Unlike negotiable cheques, dead chips cannot be exchanged for cash, at face-value. That is, for a player to recognize the full value of the chips, they must be wagered until lost. The dead chips are a wagering incentive. Once they are lost, the value of chips exceeds the player's buy-in, creating a premium for the player. Dead chip mechanics and program structures are reviewed. In fact, both successful and unsuccessful program structures are analyzed along with the structure of Macau's 40/40/20 rooms.

Discounting

This is a popular, yet costly, practice, whereby casino marketers refund a portion of a player's loss. Such discounts are usually negotiated in advance of the player's trip, making them a play incentive. As discounting is so misunderstood and damaging to property cash flows, three chapters are dedicated to this topic. First, the issue of mechanics is covered. Specifically, the cost principles are identified and explained. Second, the blueprint for a successful discount program is advanced. Third, actual discount deals are analyzed and examined within the established program framework. The discount policy of casinos is also reviewed and compared to the recommended structure, to determine the critical management issues.

⁵ This refers to the practice of discounting or refunding a portion of a player's losses. This is a popular, yet very costly, incentive offered to premium players.

Hosting & Credit

Casino hosts represent one leg of the three-legged casino marketing stool. That is, they represent the casino's link to the premium player market. Hosts identify valuable players, attempt to gain their patronage, and develop lasting relationships with them. Of course hosts also work to retain the patronage of existing players. In fact, existing players represent a valuable source of referrals, aiding hosts in the acquisition of new players.

To attract premium players, casino executives must grant credit. However, processes, guidelines, and policies are needed to determine who should receive credit and how much. Casino credit differs from commercial credit, in that management does not want the customer to repay the debt by way of installment payments. The primary concern is that the player has sufficient funds available to immediately retire the debt, as opposed to the ability to make payments. To this point, casino credit is issued by way of markers, which are nothing less than bank counter checks. Markers can be deposited for immediate payment, should casino executives choose to do so. However, players are often permitted to negotiate payment extensions.

The Role of Amenities

In the hotel-casino world, amenity is a difficult word to precisely define. For example, some would consider a bingo room to be a gaming amenity, as it is not usually a primary or material source of property profits. Non-gaming amenities typically include restaurants, night clubs, spa facilities, and entertainment outlets. Given the maturity of the Las Vegas market, these non-gaming amenities have taken on a new importance. One critical issue surrounding amenities is the estimation of indirect profit contributions. That is, many amenities generate insufficient direct profits, but management continues to operate them based on the assumption of substantial indirect profits. Unfortunately, the estimation of these indirect profits is difficult and could be improved. Going forward, amenity management is a growing concern for many gaming companies, especially those operating in mature markets.

The Marketing Plan

Unfortunately, formal marketing plans are fairly rare in today's casino industry. Of the gaming companies that do produce marketing plans, most complete them after the operating budget process. Most of these plans are in the form of a marketing calendar, which merely lists the events and dates of the various upcoming activities. Without a marketing plan, casino marketers become reactive instead of proactive. That is, without guidelines such as systematically derived strategies and objectives, marketers are left managing the moment. For example, casino marketers are much more likely to errantly imitate a competitor's promotion, if they do not have a clear vision of their own property's marketing strategies and direction. If you don't know where you are going, any road will do. Planning provides valuable direction. Strategically derived direction is the road to optimizing resources and profits.

Questions/Exercises:

1. With regard to the development of casino marketing activities, what is the greatest challenge?
2. Why is it so difficult to evaluate casino marketing activities?
3. What are some of the causes of line-item management?
4. What is bottom-line justification?
5. With respect to the life of a successful marketing activity, what was listed as one common cause of eventual failure?
6. With respect to table game play, how would you describe the relationship between the player's average bet and the casino's profitability (after operating costs & play incentives)?
7. With respect to attracting customers, how do the strategies of operators in new jurisdictions differ from those of mature-market operators?
8. In general, what are the characteristics of a repeater market clientele?
9. What is the chief concern of casino executives when granting credit to a player?
10. Describe the nature of the measurement difficulty that arises from simultaneous influences on gaming volumes?
11. How would you describe the consequences of line-item management?
12. What solution was offered to address the wavering financial commitment to customer service?

Answers:

1. The development of an objective measurement plan.
2. Many transactions go unrecorded. There are many simultaneous forces affecting gaming volumes, making it difficult to isolate the effects of a single marketing activity.
3. Difficult economic conditions, austerity programs, a short-term profit focus, a newly hired CEO, bent on cost cutting. For public companies, pressure from Wall Street (not listed in text).
4. Using the profitability of an operating department or the overall property to justify a marketing activity, with the implication that the activity contributed to the referenced result.
5. Excessive replication of the activity.
6. At the lower average bet levels (< \$10), no profitability exists. Beyond \$10, increases in the average bet are followed by increases in the casino's profit margin. This steady increase continues until the average bet nears \$50, at which point the comp costs level the profit-margin curve and produce a slight decline. Once the average bet nears \$200, the profit-margin curve resumes its pre-comp level. From this point, a steady increase in the profit-margin curve continues until the cost of play incentives sends it into decline. Reminder: This answer reflects an

- interpretation of Figure 1.3. The specific points at which the curve turns would depend upon management's comp and incentive policies.
7. Operators in new jurisdictions can often rely on the availability of gaming itself to attract customers, whereas operators in mature markets tend to rely on the draw power of non-gaming amenities.
 8. Frequent visitation and a low spend-per-trip.
 9. The availability of funds for immediate payment of the marker (i.e., at the end of the player's trip).
 10. It is difficult to isolate the effects of a single marketing activity from those produced by other potential sources of influence.
 11. Blind cost cutting damages the customer experience, leading to an eventual decline in profit and brand damage.
 12. Create a customer service department. The creation of such a department would acknowledge the importance of the customer experience to the long-term success of the casino. Additionally, when cost-cutting occurs, management may be forced to justify a decline in the guest experience. This exercise could prove challenging to the most committed cost cutters.