CRM In Gaming: It's No Crapshoot!

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Abstract

CRM, or Customer Relationship Management, though slightly more than a decade old, has become *the* management craze of the 21st century. Yet, managerial understanding of what CRM is, what it does, how to implement it, and the grounds for success or failure in CRM implementation, seem far from crystallized. This paper looks at why so many CRM endeavors fail, and proceeds to discuss issues critical to CRM's success. CRM projects in casinos will have a higher chance of success if CRM is viewed as a business philosophy and becomes a part of the corporate culture. Appropriate customer strategy, organizational transformation, and due attention to issues such as business processes, organizational collaboration, training, and data integration will enhance the success rates of CRM ventures.

Keywords: CRM, casino, customer relationship management, marketing, customer retention, internal marketing

Introduction

CRM, or Customer Relationship Management, may have taken the business community by storm. As one might expect, CRM, *the* buzzword of the decade in IT and marketing circles, has found its way into casinos. Success of CRM ventures at casino establishments such as Harrah's Entertainment, Inc. (numerous casino locations and jurisdictions) and Foxwoods (Indian gaming, Connecticut, USA) have created unprecedented interest in CRM among gaming professionals. The 2002 *Global Gaming Expo* in Las Vegas held a standing-room-only panel discussion on the topic, "The CRM Revolution: What It Means to Gaming."

Casinos have typically been at the forefront of realizing the enormous value of truly detailed customer information and using this information in managing their customer relationships. Data on player statistics such as average bet, duration of play, and win/loss have been a part of almost every casino's information system for several years. It is only recently that operators such as Harrah's have taken the idea of customer intelligence to a new plane altogether. Harrah's uses its CRM data warehouse as a marketing workbench to track twenty million guests visiting any of its casinos, restaurants, hotels, or entertainment locations. Its patented WIN network allows the company to analyze customer preferences, predict visit frequency and desired rewards, manage promotions and personalized offers, and, most importantly, drive marketing campaigns that have effectively generated over 20 percent growth in profitability since implementing the CRM strategy. On January 15, 1998, Harrah's stock (ticker symbol, HET) traded at around $19.50. On January 15, 2003, it traded as high as $38.49, almost twice the price, at a time when the market value of the industry as a whole had declined by more than 25%.

In the past, Harrah's competitors have tried to lure customers with ever-more-luxurious properties and spectacular hyper-realistic attractions. The current economic meltdown, accompanied by the uncertainty due to war and terrorist threats, is now compelling some competitors to question whether multi-million dollar structural investment is the most cost-effective way of attracting and retaining customers. They seem eager, as never before, to harness the power of CRM in order to maximize the

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return on their marketing dollars and to retain their best customers. Yet, many adopters of CRM are far from satisfied with the actual results of their foray into CRM. Nash (2001) reports that CRM technology got one of the lowest satisfaction scores in a recent survey by the consulting firm *Bain & Co*. Nineteen percent of the 245 senior managers polled actually dropped CRM projects compared to an average of 9 percent defection rate for the other management tools investigated in the survey.

This paper introduces the key facets of CRM and goes on to discuss the important factors accounting for both the success and failure of CRM ventures. It questions the implicit notion in the minds of many managers that CRM is all about technology. As we shall proceed to discuss, technology is one small, albeit vital, part of the CRM puzzle. A sound customer strategy, executive commitment across the board to CRM philosophy, customer-centric processes, appropriate metrics, dedicated internal marketing, and a thorough understanding of customer lifetime value are more important to CRM success than technology.

What is CRM?

CRM stands for *customer relationship management*. Pancucci (2002) observes that there are a number of definitions of CRM, even taking the discipline into the realms of social science where the psychology, socio-economic status, and the behavior patterns of groups of people are seen as crucial influences on buying decisions. CRM has often been defined as the holistic process of identifying, attracting, differentiating, and retaining customers (Strauss and Frost, 2001). In reality, CRM is more than a process. It incorporates an organizational focus on the behavior of, and communication with, the customer. It includes the harnessing of technology for mining data related to customer preferences and behaviors; it is the use of these data to design business processes that enhance efficiency and effectiveness. Above all, CRM is a commitment to simultaneously boost customer satisfaction and shareholder value by providing consistent, seamless, high-quality experiences for valued customers. In this regard, CRM is a direct outgrowth of the marketing concept (Grönroos, 1999).

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Part of the fascination for CRM may lie in its homespun wisdom. The point of CRM is to scale up, albeit considerably, what the corner store next to our house did at the time when I was a kid growing up in India, that is, to build a strong relationship based on intimate knowledge of each customer, leading to repeat business while turning "up-selling" and "great service" into synonyms. The corner store achieved these results with the proprietor's intuitive and experiential understanding of his business and his customers. He knew nearly everything about nearly everyone in the neighborhood—where you went to school, how many brothers and sisters you had, what your father's occupation was, and which brand of razor blades he used.

CRM is but the replication of this down-to-earth business strategy, with thousands, even millions of customers. Viewed this way, there is nothing revolutionary about CRM; it is the practice of good, old-fashioned marketing. Other names for CRM include one-to-one marketing, relationship marketing, real-time marketing, and customer intimacy (Peppers and Rogers, 2002). Regardless of the term used, the idea behind CRM is the same: establishing individual relationships with customers and treating different customers differently based on the information gathered on their preferences and spending patterns. Using technology and human resources, CRM provides companies with valuable insights into the behavior and value of their customers on an individual basis. It also provides businesses with the ability to consistently delight the best customers.

What Are the Objectives of Casino CRM?

In general, CRM helps a casino in achieving one or more of the seven objectives listed below. We shall discuss each of these objectives using an appropriate illustration.

1. Providing better customer service through customization.
2. Coding (grading customers).
3. Routing (e.g., making call centers more efficient).
4. Targeting specific customers with appropriate offers and promotions.
5. Sharing customer information across the enterprise.
6. Improving cost management.
7. Increasing profitability (through grading, targeting, and retention).

Customization of Customer Service: Mr. Moneybags is a local high roller at the Hope Unlimited Casino (HUC) in Las Vegas. Moneybags likes to drink Corona beer with a dash of lime, and with one wedge of lime and one of lemon. Although simple to make, this drink is definitely not one of the standard offerings at any of the seven Hope Unlimited bars. Given Moneybags' high roller status, the CRM system used at HUC should be able to provide service staff at all seven bars with information on his favorite drink. This small piece of customization will go a long way to help Moneybags feel valued at HUC.

Coding Customers: Mr. Heck No is a wealthy Asian Player who visits several casinos all over the world. Mr. No visits the Down Under Casino (DUC) in Gold Coast, Australia about once a year with a bank of around $50K. He plays Baccarat and bets an average of $3,000 a hand, usually on the banker. Ms. Enit Ime is also a DUC customer. Enit is a local, and visits the casino at least twice a week. Her average bet on Baccarat is $75, and she comes in with a bank of $2,000 on each visit. Clearly, both Mr. No and Ms. Ime are important customers. However, Heck No and Enit Ime fall under different segments and should be serviced differently. An appropriate CRM system would classify them into separate segments and gear its offerings to them accordingly.

Routing Customers: Mr. Moneybags spends around $30K every year at HUC and his average bet at Blackjack is $150. Another of HUC's customers is Ms. Penny Watcher. Penny visits the casino ten to twelve times in the course of a year and spends around $75 on each trip. Clearly, Moneybags is a lot more important to HUC than Penny. Let's say they both call HUC to make a show booking at the same time. If enough reps are not available to answer both their calls right away, the call center at HUC should attend to Moneybags' call first while Penny listens to some soothing elevator music when on hold. The efficient CRM system at HUC instantaneously provides appropriate customer information whereby various callers are routed based on their importance to the organization.

Targeting Customers: Down Under Casino has an annual High-Roller Baccarat Tournament every July. The entry fee for the tournament is ten thousand dollars with a chance to win a first prize of $500,000. It also holds a series of music concerts around four to six times a year for which several of its players are provided complimentary tickets. The CRM system at DUC should ensure that Mr. Heck No gets invited to the Baccarat Invitational and that Ms. Enit Ime gets invitations to all music concerts. Such targeting of various customers with the right promotional offers is a crucial function of DUC's CRM system.

Sharing Customer Information: Mr. Dork Eguy visits the Flaunt Eiffel Tower Casino (FETC) in Las Vegas once or twice every year. His stay each year averages one week and he has a credit line of $50K with the casino. Eguy prefers quick and easy breakfast and therefore chooses to room on one of the two concierge floors where guests can have complimentary self-serve breakfast every morning. The CRM system in place at FETC should ideally be able to identify Eguy as a prized customer the moment he swipes his card through the breakfast lounge door. The lounge hostess should not have to ask Eguy for his room number or any other details that might make him feel undervalued. Instead, he should be greeted by name and escorted to his favorite table.

Improving Cost Management: Les Brain is a Blackjack aficionado who likes to go casino hopping when in Las Vegas. Les stays for less than twenty minutes at any individual casino. He typically sits at a $25 Blackjack table and plays four to five hands. If he is up by fifty dollars, he gets up, cashes in his chips and moves on to the next casino. If he loses a hundred dollars, he will move on as well. In a two-hour crawl, Les would visit about ten casinos on the strip. Les has collected quite a few players' club cards from the various casinos. When he returns to his hometown in Bayfield, Colorado, barely a week passes by without Les getting direct mail from some casino or the other in Las Vegas. What the different casinos do not realize is that Les visits Las Vegas only about once every two years and plays for an extremely short while in any one casino. Sending him information on the various shows and promotions is squandering away scarce marketing dollars. A good CRM system should be able to sort customers so that incentives and promotions are not wasted on customers who do not deserve them or will not use them.

There are two ways to justify an investment in CRM—through increased revenues and through reduced costs.
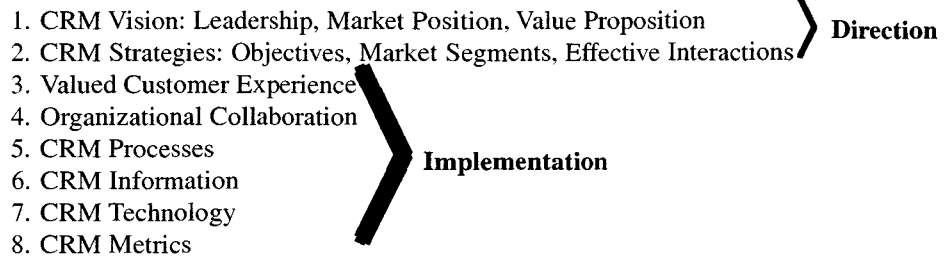
Increasing Profitability: Research conducted by the Gartner Group (2001) suggests a positive correlation between a company's CRM maturity and its profitability. There are two ways to justify an investment in CRM—through increased revenues and through reduced costs. A good CRM solution should ideally enhance the bottom line in both these ways. Effective CRM improves productivity levels, workplace environments, and customer retention, thus increasing revenues and cutting costs (Rembrandt, 2002). High customer retention means savings in acquisition costs for replacing customers who would otherwise be lost to competitors. Appropriate segmentation, precise targeting, and thorough understanding of customer lifetime value achieve high levels of customer retention. Effective CRM also results in savings in the cost of servicing customers. A good CRM system will accomplish these results without compromising customer service. It will inform casino operators that they should invest in the likes of customers we have already met, such as Mr. Moneybags, Ms. Enit Ime, and Mr. Dork Eguy. It will also guide direct mail campaigns such that only relevant materials and invitations are sent to these individuals, thereby minimizing the unnecessary wastage in direct mail campaigns and other similar programs.

Building Blocks of CRM

The Gartner Group has simplified understanding of the CRM implementation process by enumerating eight building blocks: vision, strategy, customer experience, organizational collaboration, CRM processes, CRM information, CRM technology, and CRM metrics. These building blocks have been depicted in Figure 1. The first two blocks provide direction for successful CRM whereas the remaining six deal with implementation aspects of CRM.

Like all successful undertakings, CRM begins with the right *vision*. What is vision? At its simplest level, vision is an answer to the question, "What do we want to create?" It is vision that ultimately translates into strategies and tactics, which enable an organization to become truly customer-centric. The right vision is a result of inspirational leadership based on sound value propositions for the customer. These propositions are unequivocally customer-oriented in nature, based on the unique needs and wants of each customer. Once value propositions have been identified, the company's offering or brand should personify them. Moreover, the company should ensure that the value propositions are effectively and forcefully communicated to customers. Nykamp and Eachern (2001) discuss two caveats when creating value propositions: (1) Do not look to add value for all customers; and (2) Create value, as the customers perceive it. Customer perceptions of value will differ by each segment, and this necessitates appropriate segmentation analysis.

Figure 1
CRM Building Blocks

1. CRM Vision: Leadership, Market Position, Value Proposition ⟩ **Direction**
2. CRM Strategies: Objectives, Market Segments, Effective Interactions
3. Valued Customer Experience
4. Organizational Collaboration
5. CRM Processes ⟩ **Implementation**
6. CRM Information
7. CRM Technology
8. CRM Metrics

Source: The Gartner Group, 2001

CRM *strategy* involves translating customer requirements into an asset through effective delivery of the value propositions. The strategy should specify objectives, segments, and customers, as well as indicate how organizational resources will be deployed in customer interactions. At its best, CRM is a business strategy that gives companies the means to fully understand their consumers' needs, desires and expectations across several lines of businesses and at every point of customer interaction (Meza, 1998).

Providing a consistent and valued customer *experience* means ensuring that the value propositions offered, do, in fact, have value for the customer and that they are consistently delivered so as to enable a company to attain its desired market position. Pine and Gilmore (2000) argue that mass offering one's products and processes does not cut it in today's increasingly turbulent competitive environment. Instead, companies must mass customize their offerings to make them more relevant to the wants and needs of individual customers.

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Furthermore, the quality of customer experience should not vary at the various contact points (hotel reception, at a Blackjack table, valet parking, concierge, etc).

No CRM strategy can succeed without a high level of *organizational collaboration*. Silos such as operations and marketing, slots and table games, and hotel and casino have no place in a CRM setup. The key to successful CRM is transforming a company's culture, its structures, and the behaviors of its employees to the effect that the promised value propositions are seamlessly delivered. Appointing a program manager with the right skills to manage the program, including management of stakeholders, benefits, issue and risk management, and change management, aids in organizational collaboration. Also useful is setting up a cross-functional steering group or change management group to build the consensus for implementing the required change. A shared vision goes a long way in establishing organization-wide collaboration.

The building block of *processes* deals with managing customer life cycles and procedures relative to a company's internal analysis, planning, and knowledge management. Improving processes that customers care about has a marked effect on the bottom line. The *Insight Technology Group* reviewed over 2,700 CRM initiatives to assess their success or failure. It found a clear trend emerging in the relationship between the maturity level of a company's CRM processes and the types of CRM systems that company is able to implement (Dickie, 2002). In other words, a company's maturity level in processes often dictates the level of CRM technology it can successfully absorb.

The backbone of CRM is *information*.

The backbone of CRM is *information*. Quality data are gathered in a timely manner and used to make wise decisions about business processes. One of the most important aspects of CRM architecture is the customer data model. The customer data model largely determines customer-centricity of the product. Getting the information in the hands of the right people, i.e., the employees who need it, at the right time, is also vital to CRM's success.

Technology facilitates the CRM process: It involves leveraging of data, information, customer-facing applications, and the supporting IT infrastructure to enable CRM to work as intended. Recall that appropriate CRM technology is a function of the CRM processes in place. It is important to pick the level of CRM technology the organization can successfully absorb today. Dickie (2002) suggests making "crawl, walk, run, and sprint" the mantra for CRM technology evolution in order to significantly improve CRM success rates.

British physicist Lord Kelvin once observed, "When you can measure what you are speaking about, and express it in numbers, you know something about it!" Putting in place appropriate internal and external *metrics* enables monitoring the success or failure of a CRM program. Metrics, when judiciously chosen, alert a company to deviations from key elements of a value proposition and also help uncover areas of over-delivery.

> **It is crucial that aspirant firms keen to board the CRM bandwagon understand why CRM projects usually falter.**

Strauss and Frost (2000) list a series of metrics used by CRM professionals to evaluate the effectiveness of their efforts. These include: lifetime value (LTV), average order value (which may translate into length of play and average bet in the case of a casino), recency, frequency, monetary analysis (RFM) to identify high value customers, average annual sales growth (or patron spend) for repeat customers over time, new customer acquisition cost, current customer retention cost, share of customer spending (proportion of revenues from high value customers as compared to low-value customers), percentage of customer retention, rate of customer recovery, and referral revenue. All these metrics primarily serve to identify loyal customers and evaluate their worth to the firm. A casino can use each of these metrics in assessing the success of its CRM project.

It is crucial that aspirant firms keen to board the CRM bandwagon understand why CRM projects usually falter. Evidence accumulated thus far suggests that technology is seldom the culprit; the blame is often distributed across the choice of customer strategy, business processes, and inability of CRM to translate consumer data into consumer knowledge that elevates the service experience of valued customers.

Key Reasons for CRM Failure

It is estimated that $61 billion will be spent on CRM this year. Technology consultant *Gartner Group* estimates that a whopping 60 percent of CRM-related projects will fail (Banham, 2002). The main reasons for failure cited by Rigby, Reichheld, and Schefter (2002) in a recent *Harvard Business Review (HBR)* article are: (1) Implementing CRM before creating a customer strategy, (2) Rolling out CRM before making the requisite organizational transformation, (3) Assuming that more CRM technology is better, and (4) Stalking instead of wooing customers.

Customer Strategy: The right customer strategy is a prerequisite for any CRM program to succeed. The *HBR* article cited above suggests asking the following question to assess whether a customer strategy is in place, "What can we do next week to build customer relationships without spending a cent on technology?" In other words, the secret to designing the right customer strategy involves a thorough understanding of traditional customer acquisition and retention strategies. These strategies, in turn, are based on sound segmentation analysis designed to achieve specific goals. Suitable segmentation will clarify appropriate responses in terms of growing profitable

relationships, cutting costs in dealing with low-margin segments, and divesting from unattractive segments. Segmentation has been further discussed in this paper under lifetime value (LTV) analysis.

Organizational Transformation to Precede CRM: Investing in a CRM program is not going to make a non-marketing driven organization customer-focused overnight. Rigby, *et al.* (2002) suggest that job descriptions, performance measures, compensation systems, and training programs all need to be made customer-centric before any investment is made in CRM technology. Research conducted by the authors on CRM failures suggests that "lack of adequate change management" was the primary cause of failure in 87% of the cases investigated. The findings of this research suggest that without a true customer-centric, outside-in corporate culture in place, the best CRM software is doomed to fail.

More Technology Is Not Necessarily Better: CRM does not have to be heavily technology-intensive. Putting customer strategy first allows companies to make wise decisions about where software technology can help and where low-tech solutions make more sense. Successful implementation of the CRM concept can be seen at all points of the technology spectrum: from low, to medium, to high. In arriving at an answer to where a casino should fall on the CRM technology spectrum, available solutions ranging from low-tech to high-tech need to be sequentially explored bearing in mind the casino's level of CRM process maturity. By vetting the lower-tech alternatives first, companies can cut down significantly on their projected capital expenses and invest the savings in change management programs or innovative customer initiatives.

Wooing, Not Stalking, Customers: If your best customers were made aware that you will be spending a hundred million dollars to ensure their loyalty to your casino, how would they advise you? Would they want more cash back on their slots play or would they rather be invited to your New Year's Eve Ball and other functions? Or, would they prefer that you bombard them with more communication through mail, e-mail, and SMS? Not likely! You may want to forge deeper relationships with your junket segment, but is the sentiment mutual? Trying to deepen relationships with disinterested customers will undoubtedly result in your customers perceiving you as a stalker, thus turning former profitable customers into vocal critics. Simple market research as to the preferred frequency as well as medium of communication on the part of various segments will ensure that you woo, not stalk, your customers.

Other major reasons for failure of CRM projects include lack of adequate communication and integration problems. Lack of communication between everyone in the customer relationship chain leads to an incomplete and fragmented picture of the customer. Poor communication often also leads to technology being implemented without proper support or buy-in from users.

InfoWorld (2002) recently featured an article on frustrated CRM users who are now realizing that integration holds the key to unlocking CRM's true potential, but finding the journey quite arduous. Typically, heaps of ever-changing customer data inhabit various places: from the multiplicity of CRM applications themselves to ERP implementations, back-office databases, and legacy systems. For CRM to do its job well, information from all of these systems should work in tandem rather than at odds with each other. Harrah's, for example, has integrated customer information from all of its properties into the CRM system. A customer service agent in New Jersey can pull up information on a visitor who normally patronizes the casino in Las Vegas within twenty seconds of scanning the customer's Players' Card (Chen, 2001). When it comes to integration, it behooves us to remember what T. S. Eliot said, "Hell is a place where nothing connects with nothing."

Keys to CRM Success

Whether CRM succeeds or fails depends a lot on asking the right questions, getting objective and unbiased answers to each of these questions, and ensuring buy-in of the

CRM project at all levels in an organization. Ten bases need to be covered in ensuring successful CRM outcomes (Murtha and Foley, 2001).

1. *Get executive buy-in*

   A CRM roadmap effort without senior-level sponsorship and with little cross-unit influence never succeeds. Without a drive from the very top, there will not be many supporters of the CRM project at middle- and lower-management levels. Can anyone imagine Harrah's CRM bet paying off without total buy-in from the likes of top officials and executives, such as Gary Loveman and Phil Sartre?

2. *Determine why and where CRM is needed*

   Will CRM applications actually cause or facilitate the formation of meaningful and profitable relationships between the casino and its customer base? The answer to this question will evolve from an in-depth needs analysis. A situational analysis of the company's current value propositions, customer segments, and ROI objectives should pinpoint areas and processes most likely to benefit from the CRM thrust.

3. *Define objectives*

   Like any business project, clear unambiguous objectives should be set at the start of a CRM program. Sound objectives are grounded in a solid understanding of the future direction an organization desires to pursue. Appropriate objectives are a product of thorough situational analysis. CRM objectives should always be stated in measurable terms.

4. *Set measurable goals*

   Measurable goals represent achievable milestones tied to short- and medium-term time frames. The goals need to incorporate customer-centric as well as operational targets (e.g., level of customer satisfaction *and* increase in customer spending). Small, measurable goals are preferable to grand, nebulous ones.

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5. *Take an incremental approach*

   It may not be possible, nor desirable, to automate all CRM functions at once. It makes more sense to pick a small functional area (call center) or a business unit (table games) to spearhead the CRM program. The incremental changes made at the start of the CRM program should tie into the overall business strategy.

6. *Build and train the right teams*

   Training is usually the most under-budgeted area in CRM implementation. Very often, companies forget that ultimately it is people who implement the CRM initiative. In a recent survey conducted by *crmindustry.com*, the researchers found that 63.2 percent of the companies surveyed did not have a formal training program in place to help gain employee acceptance and usage of CRM applications, but only 11.8% of companies reported this as their biggest internal challenge (*crmindustry.com*, 2001). Without adequate acculturation and training, it is hard for those responsible for making CRM happen to take appropriate ownership of the program. No amount of money invested in CRM architecture and software will in itself ensure success of the project. Ongoing training at every level is needed to ensure that the organizational change so essential to CRM is achieved and sustained. Barton Goldenberg, President of *ISM* and a noted CRM expert, has concluded, "When CRM projects stall, they usually do so because of the people involved" (Breidenbach, 2000).

7. *Manage and sell change internally*

   CRM experts Kevin Murtha and Joe Foley (2001) observe, "… If you don't experience change, you are not going about CRM the right way." Proactive change management is by far the biggest component of CRM success. Effective change management involves a focused internal marketing initiative: selling the vision of change before it is made to happen.

8. *Have an outside marketing person monitor the program*

Triumphant CRM outcomes demand total attention to the project on the part of everyone involved: marketing, IT, finance, and HR. With the arduous ownership demands of the project, some executives are bound to feel overworked and overwhelmed during the course of CRM implementation. Solutions, processes, and metrics may, as a result, turn out to be less than totally customer-centric. Having a marketing expert on the outside looking in will ensure that the CRM project is headed toward the outcome it was intended. The external marketing expert's primary job is asking the appropriate questions at every stage of the implementation process, and ensuring that there exists consensus among the relevant constituencies with regard to the answers received.

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9. *Develop effective feedback mechanisms*

Opinions and inputs from all affected parties—customer groups, service delivery personnel, advertising agencies, finance, IT, etc., are essential to CRM's success. Such 360 degree feedback should be actively solicited and systematically considered.

10. *Conduct on-going systematic customer research*

The exercise of continuously monitoring the needs of the targeted customer segments and gauging how well the organization is meeting those needs should be an integral part of any CRM initiative. What the customers deem acceptable today may be perceived as below par tomorrow. With several casinos keen on implementing CRM, the scale of customer delight will need to be frequently recalibrated. Ongoing research is also needed to monitor the relationship between customer delight and customer loyalty on a segment-by-segment basis.

Customer Lifetime Value (LTV)

At the heart of CRM is the notion of customer lifetime value (LTV). LTV is the estimated profitability of a customer over the course of his or her entire relationship with a company. A recent study by *Deloitte Consulting* (as cited in Fredericks, 2001) shows that companies who understand customer value are 60% more profitable than those that do not. In order for CRM to be profitable, companies must be able to retain customers over long periods of time. In fact, a mere 5% increase in customer retention can lead to a 25-85% increase in profitability (Reichheld, 1996). Thus, understanding and correctly applying LTV is an important factor in increasing a company's profits.

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Watson and Kale (2003) used the *Australian Productivity Commission* data on casinos to identify four major segments of table games players in Australia. They then went on to assess the lifetime value of players in each segment, so as to determine appropriate strategies that a casino might use to deal with these four segments. Figure 2 depicts the characterization of, and key implication for, each segment.

Watson and Kale (2003) found that when it comes to casino gambling in Australia, the usual principle that 80% of a supplier's revenue comes from 20% of its customers does not hold. Instead, a mere 3% of customers generated approximately 90% of the table games revenues. Applying LTV analysis to the various segments yielded some unexpected and prescient insights. We shall discuss these observations after first identifying the major segments.

Figure 2
Taxonomy of Casino Customer Segments

Relationship Value

		High	Low
Customer Profitability	**High**	*Prime Customers* *(Retain)*	*Mobile Customers* *(Retain opportunistically)*
	Low	*Valued Customers of Tomorrow* *(Grow)*	*Incidental Customers* *(Serve if marginal revenues exceed servicing costs)*

Prime Customers represent the casino's most desirable target customers. The average length of their relationship with the casino is eight years, with an attrition rate of 12.5 percent. They visit the casino twice a week, and play an average of three hours per visit, with an average bet of $200. They are often local and are the casino's most frequent gamblers. Their gaming interests mainly revolve around table games.

Mobile Customers comprise less than 1 percent of the casino's customer base but they tend to be the highest volume customers (Productivity Commission, 2000). These players negotiate heavily for extremely high levels of customer service and commission. Their on-and-off relationship with any individual casino lasts for six years, with an average of two visits per year. Their average playing time during each visit is forty-eight hours, and the average bet is $5,000. The game of choice for this segment is Baccarat.

Valued Customers of Tomorrow (VCT) include the majority of the 18 percent of Australian table games players who gamble more than once a month. They are generally males, 18-24 year old (Productivity Commission, 2000). These individuals have above average net worth and their expected length of relationship with a casino is also six years. They visit a casino around twice a month, play for about three hours on each visit, and their average bet is $25.

Incidental Customers comprise the casual and curious gamblers who visit the casino-complex for reasons other than serious gaming. They bet usually less than once a month, and are often there more as spectators, or to partake some of the other casino attractions such as bars and shows. They may play for less than an hour on each visit and their average bet is $10.

Calculations based on the size and betting patterns of each of these four segments yielded some amazing insights. For example, increasing the average retention rate of *Prime Customers* by just 2 percent yielded an increase in table games profits by 10 percent. On the other hand, a 2 percent improvement in retention of *Mobile Customers* translated into a 5 percent increase in table games profits. A 2 percent retention improvement among the *VCTs* increased profits by a meager 1%, but this segment held significant promise for up-selling. *Incidental Customers*, comprising a majority of casino clientele, accounted for only 0.3% of the total table games revenue. Such analysis provides strategic insights on how each segment should be approached.

Prime Customers are highly prized and every effort should be made to enhance the retention rate of this segment. *Mobile Customers* do not display much loyalty to any one

casino, and should, therefore be retained on an opportunistic basis. *VCTs,* as the name suggests, have the potential to become *Prime Customers*, and should therefore be cultivated. *Incidental Customers* should be served so long as the casino's marginal costs in serving them are recovered.

Conclusion

Hardly a month goes by without the appearance of a press release announcing a CRM implementation by some casino. If past statistics on CRM success rates are to be believed, a vast majority of these projects are destined to fail. CRM statistics also tell us that the cause of failure will rarely be the wrong choice of software. Failure, in all likelihood, will occur because of poor planning, or more probably, due to inept change management and poor internal marketing.

This paper looked at what it takes to raise the odds of CRM success. A successful CRM outcome depends more on the resources and attention devoted to strategy and people, not on the amount spent on technology. If casino executives do not fully appreciate the lifetime value concept, technology will be of little help in designing retention strategies. To quote Rigby, *et al.* (2002) again, "Indeed, while technology is a powerful facilitator in the process of customer relationship management, that's all it is— a facilitator. And the moment companies forget that, CRM will turn into a tool that, instead of building loyalty, does just the opposite."

The casino industry has now fully entered the global arena with its attendant opportunities and turbulences. With competition increasing from all quarters, including Web and wireless betting, the battle for market share as well as for share of customer wallet can only intensify. As in all battles, there will be winners and losers. The industry leader board will often be reshuffled, not unlike cards in a Blackjack shoe. Companies such as Harrah's and Foxwoods have already placed huge bets on CRM and recorded some demonstrable wins. How do we predict whether a future CRM adopter will be a winner or a loser? It all depends on the customer strategy it puts in place and on the importance it places on technology vis-à-vis people and strategy. As one expert at a recent *Insight* (2002) seminar concluded, "Hunting dogs can be thrown off a scent by dragging a pungent fish across their path. Just as easily, companies trying to understand their customers better can head off in the wrong direction because they have been distracted by the powerful technological capabilities of customer relationship management systems."

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