

Industry Trends: Gaming Leaders Sharing Tips & Tidbits

Occasionally we feature articles and opinions from gaming insiders, executives and managers who face critical issues every day. We believe this helps balance theory and study with current practices in the casino world.

Our special guest for this issue is Andrew M. Klebanow, klebanow@worldnet.att.net. Owner of Klebanow Consulting, he previously held marketing positions at Boyd Gaming, Santa Fe Gaming and Alliance Gaming. He holds a Masters Degree from the Cornell School of Hotel Administration.

Developing the Casino Marketing Plan

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Abstract

This article stresses the need to develop and implement structured marketing plans. He discusses the benefits of formal planning and the challenges of developing a researched, realistic plan. An outline or framework for a casino marketing plan appears at the end.

Keywords: casino marketing plan, casino marketing, strategic marketing

Casino Marketing Evolves

The phenomenon of casino development in the United States is a fairly recent trend. Outside the jurisdictions of Nevada and Atlantic City, casinos have existed for less than a decade. The initial success of riverboat, dockside and Native American gaming operations in the early 1990s was predicated more on operating in monopolistic or oligopolistic environments than on sound marketing practices. Marketing plan development and implementation were not critical factors in the initial success of these nascent operations. Rather, operators were able to open facilities and implement a variety of marketing programs based more on individual managers' personal experiences, adapt the marketing programs of Nevada operators or to simply mimic what the competition was doing rather than develop marketing strategies and action plans based on the customers' needs and market trends. Today casinos in many jurisdictions operate in very competitive environments. As such there is now a need for casinos to develop and implement structured marketing plans.

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What Is a Marketing Plan?

A casino marketing plan is a working document that the gaming enterprise develops each year in order to plan its marketing and advertising activities for the next twelve months. The marketing plan first identifies trends in the market, details the practices of the competition and evaluates the property's past year marketing efforts. Based on the results of this analysis, the plan then clearly defines the property's goals and objectives for the upcoming year, the strategies it will employ to achieve them and the specific action plans that will carry out those strategies. The plan concludes with a budget to carry out those marketing activities.

What has historically passed as marketing plans in gaming operations include special events calendars, promotions calendars, direct mail schedules, marketing budgets and PowerPoint presentations delivered to senior management. These are not in themselves marketing plans. Developed in the absence of a critical evaluation of the market and without clearly delineating the property's objectives, goals and strategies, promotions and events calendars are nothing more than schedules, created so that these proceedings do not conflict with major holidays and to give the marketing staff a framework on which to plan these events.

Regrettably, many casinos use this method and plan their marketing activities without any appreciation or understanding of the market's needs, the property's goals, its marketing strategies or even what worked or failed in the past. These casinos employ such practices because that was what their managers did at other places where they worked.

Benefits of Developing A Marketing Plan

The total expenses associated with the marketing activities in a modern casino can easily exceed 20% of gaming revenue (slot club points redeemed for cash and comps, direct mail offers, discretionary comps, promotions, special events, entertainment and advertising). As one of the single largest expenses of the gaming operation, it is critical for the casino to plan how it will market itself, identify to whom it will market, delineate the methods it will employ and forecast the expected returns from those activities.

The marketing plan provides the leaders of the gaming property with periodic "reality checks." Too often casinos allow competitors to determine the marketing playing field. An aggressive promotion by a competitor that targets a particular market segment is often followed by other competitors attempting to match or exceed that offer. The marketing plan reminds the casino's managers which market segments the property competes for and the strategies that it employs to attract those segments. The plan keeps the casino from deviating from its strategy and prevents it from chasing market segments that it has no business going after.

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The Challenges of Developing a Marketing Plan

The single greatest challenge facing the casino marketer in the development and implementation of a marketing plan is finding the time to prepare the plan. The reality is that, for the majority of casinos, casino marketing directors are too busy planning the next promotion, proof-reading the next direct mail campaign, reviewing the upcoming changes in the outdoor campaign, or worse, reacting to a competitor's offer, to sit down and write next year's plan. Developing an annual marketing plan takes time and few executives have the time to walk away from current tasks to plan for the future.

Plans cannot be developed without the input of all key managers of the gaming

organization. A fundamental law of human behavior states that human beings will not destroy what they themselves have created. Without the input of the slot director, table games director, food and beverage director and other key operations managers the plan will not be followed. By involving key directors in the plan's development, they will take ownership in it and participate in its implementation.

Most managers in the gaming industry are not used to operating with a written plan and often rely solely on marketing techniques that they witnessed at other properties to guide them. Those may be inappropriate for the current property that they work in. A poker room manager whose most memorable experience was conducting an invitational tournament with players from all over the country may try to replicate it in a casino that only serves locals. Yet, without a marketing plan, such ideas are often proposed and implemented. And they usually fail. When managers sit down and review trends in the market, participate in strategy formulation and action plan development, they are more likely to stay the course and not deviate by implementing illogical tactics.

Components of the Marketing Plan

The casino marketing plan is roughly divided into four sections. The Situation Analysis is comprised of an evaluation of the market, a review of competitors' efforts, an evaluation of the casino's customers, and a critical evaluation of the property and its marketing practices over the past twelve months.

The second section defines the casino's Goals and Objectives and the Strategies it will employ to achieve them. Once these are defined the Action Plans (section III) spell out all of the tasks that the marketing department will conduct in order to achieve those goals. Finally, section IV calculates the Marketing Budget.

The casino marketing plan is similar in many ways to the hotel marketing plan. However, the hotel marketing plan is fundamentally a hotel sales plan whose goal is to fill as many rooms as possible at the optimal rate. The casino marketing plan's goal is to fill the casino with higher worth gamers from the casino's database and with qualified gaming prospects whose value has yet to be determined.

What one must remember is that, once created, a marketing plan is not etched in stone. It must be flexible to react to changes in the market yet it must adhere to its fundamental strategies so as not to let the competition dictate the marketing playing field. By defining realistic objectives and goals, creating sound strategies to achieve them, and designing and implementing detailed action plans, the property stands the greatest chance of fulfilling the casino's mission.

Section I: The Situation Analysis

Before the casino management team formulates the objectives, strategies, action plans and budgets that comprise the marketing plan, they must first take stock of what occurred in the market over the past year and attempt to predict its future direction. This is called the Situation Analysis. Only with this analysis can the team formulate realistic goals and objectives and devise appropriate strategies and action plans. At a minimum the Situation Analysis should examine four basic areas:

- Market Analysis
- The Competition
- The Customer
- The Property

The Market Analysis

What happened and what will occur in the markets that the casino serves? Without fully understanding the economic, demographic and gaming trends in the market, any prediction of the property's revenue/gaming growth would be nothing more than a guess.

What transpired over the past months to adversely or positively affect the economic health of the communities that the casino serves? What is the economic outlook for the region? Are area factories experiencing layoffs? Is the tax base shrinking? Conversely, was the region unscathed by the current recession and is it in fact, enjoying relative prosperity despite the nationwide downturn?

What are the population trends in the region? At what rate is the population growing? Who is moving into the markets that the casino serves? Are these new movers, retirees or young, first-time homebuyers? New home construction designed for seniors can have an immediate and positive effect on the casino and is worthy of specific action plans to attract those new movers. However, if new home construction is designed to attract first-time homebuyers and young families, a positive effect on the casino may not occur for several years.

What are the region's gaming trends? At what rate did gaming grow within the region? Do these gaming trends match those of other segments of the hospitality industry or are their trend lines different?

Once the casino has an understanding of the economic, demographic and gaming trends in the region it can make reasonable predictions for growth or decline in overall market gaming revenues. It is at this point that the marketing plan can challenge unrealistic expectations made by people within the organization whose revenue growth predictions are based more on what it will take for them to achieve their bonuses rather than what market trends indicate - a practice that is all too common in the industry.

The Competition

What did the competition do in the past year? Their past marketing practices offer the best clues as to what they will do in the future.

What are the promotional practices of the competition? Do they conduct expensive property-wide promotions each month to attract and retain customers? Are they entertainment driven, offering headliner acts to attract customers? How do these competitors position themselves in the market? What are their core advertising messages? What do the casino's customers say about them, either anecdotally or through formal market research?

What are the competitors' advertising practices? Where do they advertise and how much do they spend for these forms of communication? A number of services monitor outdoor, print, television and radio broadcast spending for a variety of industries and makes the data available. The astute marketer should subscribe to these services to better understand the size of competitors' advertising budgets.

To evaluate the competition's direct mail efforts it is best to have an ongoing program that monitors their direct marketing practices. To do this the casino should allocate a budget each month and send trusted employees to play at competitors' properties, detailing points earned by machine type for each session. All direct mail received by these shoppers is then evaluated in order to gain an understanding of how the competition rewards its frequent players. This information can then be summarized within this portion of the plan.

Finally, what are your competitors' expansion plans? A new hotel tower or casino expansion is sure to be accompanied by an expensive advertising blitz. Marketing planners need to know precise dates of these openings so that they can better plan their own marketing efforts to either piggyback on the competition's efforts or pre-empt them.

The Customer

Who are the casino's current customers? In other words, who is in the database? Which segments of your database (segmented by theoretical win, frequency of visitation, geography, game type) contribute the most or least to the property's revenue? Does it make more sense to design promotions that attract player segments with low theoretical win levels but high frequency of visitation or to allocate promotional dollars

to player segments with high theoretical win but less frequent visits? Only by understanding which segments “pays the bills” can the casino marketing department best allocate its precious resources to attract and retain its most profitable segments.

Where do the casino’s customers live? Are they primarily local or do they come from another city? What is the overall contribution of each zip code? This information is critical when deciding how to allocate next year’s advertising dollars. By utilizing a mapping program the casino marketer can visualize those zip codes that have the heaviest concentration of loyal players. Does it make more sense to continue maintaining a strong presence in traditional feeder markets or to target new ones? This question cannot be answered unless there is a thorough understanding of where current customers reside.

What types of consumer research did the property conduct during the past year? Summaries of both qualitative and quantitative research should be included in this section to give the marketers a better understanding of what the property did particularly well, what it did poorly and what it is customers would like to see as part of future marketing activities.

The Property

This portion of the plan requires a critical self-evaluation of last year’s marketing efforts. It entails a complete marketing audit. Within this portion of the plan the casino marketing department performs a “*mea culpa*.” It must evaluate each promotion, special event, tournament, coupon book, bus program, air program, direct mail effort and advertising campaign, and determine what worked and what did not. To not understand the failures of the past will doom the casino into repeating them in the future.

The most significant marketing expense is the slot club or player rewards program so it makes sense to pay particular attention to its effectiveness. How successful was it? What was the rate of growth of new members? What changes were observed in the sizes of player segments? Did frequency of visitation increase among these player groups? How did customers utilize the slot club’s benefits? Was cash-back more important than meal comps? Did the majority of customers who had a sufficient number of points actually redeem them or did they go unused? What months were cash or comp redemptions highest/lowest? Did they match the seasonal patterns of the business or did they differ?

What direct mail programs were most effective in attracting the most profitable player segments? Was the casino actually able to induce incremental visits and increase spending from its core groups of players or were the mail programs nothing more than entitlement programs?

In addition to analyzing marketing programs the plan must also examine the property’s physical strengths, weaknesses, opportunities and threats, more commonly referred to as a SWOT analysis. Is the property’s location near a major highway or a primary market an advantage that can be exploited? Does the property’s lack of covered parking, dining outlets or other amenities give it a disadvantage in the marketplace? Does an upcoming construction project near a competitor present an opportunity that can be exploited? Will a competitor’s new hotel or installation of a new player tracking system pose a threat to the casino? A SWOT analysis gives the marketer the ability to take advantage of the property’s strengths and new opportunities, to overcome its weaknesses and plan for possible threats.

The evaluation of the property also requires identifying the major obstacles that prevented the property from providing consistent and positive gaming/entertainment experiences. As such, this analysis should include an evaluation of key customer contact points. Average time to fill a hopper, administer a hand-pay, enroll a new member and issue a comp should be benchmarked and measured periodically during the course of the year.

Were the restaurants a positive contributor to the overall entertainment experience or were they a hindrance? Empirical data gathered from property management systems combined with the results of consumer surveys (comment cards, intercept studies) can answer these questions.

Armed with facts gleaned during the preparation of the Situation Analysis, not conjecture or hearsay, the designers of the marketing plan can now embark on the most difficult portions of the plan: the definition of realistic goals and objectives, the strategies to achieve them and the actual action plans that will be the manifestation of those strategies.

Section II: Objectives and Strategies

Too often the marketing team, as well as the property's operations managers, loses sight of the company's mission. The goals of a gaming enterprise are greater than just making money. While profitability is critical to any company's success, the goals of a gaming enterprise also include offering employees opportunities for growth and being a responsible member of the community. Almost every gaming organization has at one time or another developed a mission statement. It can sometimes be found on the walls of the employee dining room or on the inside cover of the company's annual report. Regrettably, it is often forgotten in order to meet the immediate needs of the business. Mission statements also need periodic revision in order to better reflect changes in the market.

The marketing plan becomes the repository of the gaming organization's mission statement. It is here where the mission statement is kept, and where it is periodically refreshed. Only with a clear understanding of the mission can the marketing team, as well as the rest of the organization, plan the tasks for the upcoming year.

Develop Realistic Goals and Objectives

A children's fairy tale reads that if you don't know where you're going then any road will do. This also holds true for marketing plan development. If a casino's management team does not have realistic goals and objectives, any strategy (or no strategy) will work.

Knowing if and at what rate the market will grow, anticipating what the competition will do, understanding the needs of its customers and knowing what did and did not work in the past, the property's managers can now develop realistic goals and objectives. The operative term is "realistic." What can the property realistically accomplish in the next twelve months? Annual goals, which are quantifiable and measurable, may be defined as win per device, win per position, new slot club sign-ups and cash flow (EBITDA, or Earnings Before Interest, Taxes, Depreciation or Amortization). Long-term objectives, while critical to strategy formulation, are not necessarily quantifiable. These may include improving the image of the casino in the local community, successfully positioning the property as an entertainment destination or becoming the market leader.

The Positioning Statement

What do the property's leaders want people to think of when the name of the casino is mentioned? The positioning statement defines what the property is about in the minds of its customers. Without a clear positioning statement, countless hours will be wasted designing communications to customers that simply fail to deliver their intended messages. A thousand advertisements will fail to communicate the position in the minds of the casino's customers if the marketing team cannot summarize the position of the property in two or three sentences.

The actual facilities that comprise the property can help the marketing team devise a realistic positioning statement. Casino décor, physical amenities, food quality, gaming

odds and location all contribute to what consumers are willing to believe about a gaming property. Ultimately, when devising a positioning statement, the experience of the customer must equal the expectation communicated by the marketer.

Marketing Strategy

Strategy formulation and implementation is the foundation for any successful business and particularly for gaming enterprises operating in competitive environments. Because of its importance, it is incumbent that the property's leaders take the time to develop sound strategies in order to achieve the casino's goals.

To understand how strategies are developed, it is best to break down the fundamentals of casino marketing into three separate activities: *attract*, *capture* and *induce to return*. These three activities form the foundation of all casino marketing strategies. The question that the casino marketer needs to answer is how each part of the strategy will work.

How will the casino attract people to the property? Will it advertise? If so, what are the promises that will be made to the consumer and the property's unique selling points? If the property has a sound positioning strategy then the task of developing the core messages to attract customers to the casino becomes easier. If not, then the casino risks delivering messages that are nothing more than an endless series of price-driven offers or promotional messages to non-qualified prospects.

Once the casino succeeds in attracting new customers to the property how will it capture new players' names and addresses? Will it utilize promotions to get people to join its player rewards program? Will it solicit new members on the gaming floor by intercepting them while they play? What will the casino give players in exchange for their names and addresses? In other words, how will the casino market the salient attributes of its player rewards program? Messages such as "you can earn valuable points" are hollow with no tangible player benefits. Clearly explaining how points are earned, what they are good for and other tangible benefits give players meaningful reasons to exchange their names and addresses for player tracking cards and can lay the foundation for building customer loyalty.

The database is the lifeblood of every casino operation. What is the strategy to keep the database growing? How will the casino's marketing department ensure that there will be a steady stream of new players willing to join the player rewards program?

Finally, once the casino has the names and addresses of players, how will it encourage people to return? What is the strategy to induce people to come back? The property's marketing strategy needs to be more than stating the casino will mail offers to customers. What will be the methods of segmenting and rewarding the various parts of the database? What will the casino mail? Will it utilize a newsletter to communicate monthly promotions and maintain top-of-mind presence? Will it mail cash or food coupons or vouchers to frequent visitors or will it rely on special events, tournaments and member-only sweepstakes to encourage customers to come back? What will be the role of advertising in building customer loyalty? The marketing strategy must answer all of these questions.

Section III: Action Plans

Strategy tells the marketing department how it will achieve its goals. Action plans describe specifically what each member of the team will do, how much each marketing activity will cost, what are the anticipated returns of these activities and how each activity will be measured. In other words, action plans define the specific tasks that must be completed for each marketing activity.

Action plans should be written for each functional area of the marketing department and it is best that those people who will do the actual work participate in this process. Examples of action plans may include the following:

The Promotions Plan

With strategies defined the promotions manager can now plan a series of promotions that flow from those strategies. Each promotion that is scheduled for the upcoming year should include its own tactical goal. Just getting bodies into the casino is not sufficient. Will a promotion be used to attract new customers, build the database or encourage past customers to return? Once a promotion has a clear and specific purpose, how it will work, how it will be measured and how much it will cost become much easier to estimate.

Each promotion must have its own plan and include a clear description of how it will work, how customers qualify, how they participate and how they can earn premiums. Following that are the costs associated with implementing the promotion in the form of a budget. Measurement tools such as bar-coding and electronic transfer of data must then be clearly delineated so that they can be tested and in place prior the start of the promotion.

Finally, each action step that must be taken should be detailed. These would include the creation of collateral material, ordering the premiums, buying computer hardware/software to manage the promotion, as well as what material needs to be submitted to governmental agencies for approval. The action steps are a punch list of specific tasks.

Direct Mail

Similar to the design of promotions, the direct marketing manager should work with the marketing director to develop the direct mail action plans. The database analyst should participate in defining the segments that each direct mail campaign will target. Segments, offers, drop dates, mail costs, redemption rates and incremental gaming revenue must be estimated in order to develop realistic budgets.

Each direct mail campaign would have an overall objective, a basic strategy (cash offers, food offers, etc), budget and tools for measurement. Finally, the specific action steps would be spelled out including deadlines, drop dates and expiration dates.

This process is repeated for Advertising, Special Events, Public Relations, Player Development, Web Site, E-Mail, Entertainment and Market Research until a detailed to-do list for all marketing activities is developed.

Ultimately, all these tasks are laid out in a marketing calendar. Each promotion, special event, direct mail campaign, advertising campaign, public relations effort and E-mail campaign is detailed in the master calendar along with drop dates, completion dates and other milestones so that the marketing director can effectively manage the process and hold each member of the team accountable for fulfilling each task.

Section IV: The Marketing Budget

When all the action plans for each area of the marketing department have been completed the marketing director can then roll up all of the costs into a comprehensive budget that is based on these clearly defined plans. Each estimated expense is supported by a clearly defined action plan.

Once the marketing budget is completed, the marketing director can take the line item totals for each marketing expense (postage, print-production, outside services, etc.) and place them into the property's budget. Variances from the budget can then be easily identified and remedial steps taken to rectify the variances.

Successful casino marketing does not just happen because of a promotion to bring people in the casino, a cheap meal offer or a snappy slogan. It is based on thorough research, planning and the implementation of sound strategies. Without a plan the

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casino's marketing department's efforts are reduced to an endless stream of promotions, meal discounts and mail offers. Rather than define the marketing playing field, a casino without a plan is forced to react to competitors' offers in order to maintain market share. With a plan in place the casino can grow its revenue, increase market share, satisfy its customers' needs and achieve the property's financial goals.

The Casino Marketing Plan Outline

- I. Executive Summary**
- II. Situation Analysis**
 - A. Market Analysis
 - 1. Economic Outlook
 - 2. Market Population Trends
 - 3. Regional Gaming Trends
 - B. The Competition
 - C. The Customer
 - D. The Property
 - 1. 2001 Marketing in Review
 - 2. S.W.O.T. Analysis
- III. Marketing Objectives and Strategy**
 - A. Mission Statement
 - B. Goals and Objectives
 - C. Strategies
- IV. Action Plans**
 - A. Player Rewards (Slot Club) Plan
 - B. Promotions Plan
 - C. Special Events Plan
 - D. Direct Mail Plan
 - E. E-Mail Plan
 - F. Player Development Plan
 - G. Advertising Plan
 - H. Public Relations Plan
 - I. Consumer Research Plan
 - J. Web Site Plan
 - K. Marketing Calendar of Events and Promotions
- V. Marketing and Advertising Budgets.**

