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The Changing Face of Casino Marketing Programs

Casino marketing plans have long been built around several basic programs. However, technological advances are subtly changing the traditional casino marketing mix. The ultimate winners will be those casinos that not only embrace these new technologies but learn to harness it to build a sustainable competitive advantage.

Since the mid 1980s casino marketing was comprised of several player benefits built around the casino management system (CMS). Casino management systems have evolved from slot accounting systems with rudimentary player tracking modules to more complex systems that are capable of rewarding a wide array of player benefits.

The earliest player reward programs allowed patrons to earn bonus points, an ill-defined term that connoted something of value. The challenge to casino operators back then was to offer something of value for those bonus points that would be enticing enough to get customers to use their cards but small enough that they would still be able to offer other benefits (such as complimentary dining or lodging privileges) at their discretion. Some casino operators allowed patrons to redeem bonus points in the casino's gift shop while others went so far as to print catalogues where merchandise could be purchased with bonus points.

Eventually, these early premium programs disappeared since they were cumbersome to administer. They were replaced by cash back programs where players could redeem their bonus points for cash at periodic thresholds. This allowed casinos to get out of the catalogue business or cease to maintain an inventory of merchandise. Cash was always available and, as more than one slot director decried, "you can't put a toaster back into a slot machine." Eventually, the majority of U.S. casinos offered cash back as a primary slot club benefit.

The problem with cash back programs is that, while it is an easy to understand program, it does little to foster loyalty or encourage repeat visitation. Once introduced, cash back quickly becomes an additional entitlement to frequent gaming customers and, in competitive environments, becomes very difficult to remove once it is offered. There has also been a long-standing concern among casino managers that a portion of bonus points redeemed for cash back "walks" out the door.

Non-negotiable slot credits are now replacing same-day cash back at a growing number of casinos. The advantage of non-negotiable slot credits is that the casino is assured that customers must at least wager the cash before redeeming it. This allays the primary fear of casino managers that cash back often walks out the door. A second advantage to non-

negotiable slot credits is how they are accounted for on the casino's profit and loss statements. Non-negotiable slot credits are normally accounted for in a "contra" account and the value of those slot credits are often discounted by the slot hold percentage of the casino in order to reduce the liability on a casino's financial statements. As an example, if a casino's floor hold is 7%, it may book \$100 in non-negotiable slot credits as \$93. A third advantage is that bonus points can be redeemed by players at the gaming device rather than visiting the slot club and cashier's cage. This streamlines the redemption process and ultimately enhances customer service.

The technology that allows casinos to convert bonus points to non-negotiable slot credits also allows for the issuance of non-negotiable slot credits directly to players' accounts, which can then be downloaded by the player to any machine in the casino. Players simply insert their rewards card into a slot machine, enter their PIN and download these free slot credits.

This technology allows casinos to give free slot play offers that are time and date sensitive and it is here that these programs excel. A casino need only communicate to a player that it has deposited free slot play into the player's account. However, the offer is for a limited time only and must be used by a certain time or date or they automatically expire. In the past a casino would print a coupon, redeemable for cash and send it to the player who would in turn, redeem it at the casino cage. Now the casino need only inform the player through, say, an e-mail message, that they have these rewards available. Customers do not need to physically bring in a coupon (and argue with the club rep if it has expired). The casino saves on printing and postage and, most important, can quickly assemble a free play offer and deliver that offer via e-mail to drive traffic into the casino during a slow midweek or even mid-day period.

Another important tool in the marketing mix are CMS based progressives that reward a player or group of players who have their rewards card inserted in a machine and excludes those that do not. CMS progressives can be configured in any number of ways. The casino can designate any group of machines (regardless of manufacturer) in the casino or even across multiple casinos to participate in this systemwide progressive.

As an example, every penny machine can be included in a progressive where the progressive is guaranteed to hit before it reaches \$10,000. The CMS progressive can also be set to hit when one player wagers the nth coin. Upon wagering that coin, that one player wins the progressive. To add further value, when one player hits the progressive, every other player in

the casino can share in the prize experience if their cards are inserted at the time the progressive is hit. As an example, when one player hits the \$10,000 CMS progressive, all players in the casino who have their cards inserted receive \$50 in free slot play instantly and automatically.

This new CMS based progressive technology allows the casino to create multiple progressives, say one for penny, nickel, quarter and dollar games or one giant progressive that can be achieved on any machine in the casino. These progressives are displayed on a series of LCD displays located throughout the casino and on the outside reader board. They are proving so successful in those casinos that have adopted this technology that they are rapidly replacing most other types of promotions.

In order for a casino to adopt these new technologies it must invest in an upgrade of its CMS or a wholesale replacement of it. The casino must also have gaming devices whose SAS protocol supports these new features. That should not be a problem for those casinos that have an ongoing program that replaces old machines for those built under newer SAS

protocols. For those casinos that do not have such programs and rely on older machines, the upfront costs can be significant.

Those casinos that choose to invest in these new technologies are rewarded with the ability to offer marketing programs that are far more enticing to players than those available only a few years ago. Those that constantly upgrade their casino floors with new gaming devices and enhance their casino management systems with new features will ultimately be able to maintain a sustainable competitive advantage. Casinos that fail to adopt new technologies, in the form of upgraded casino management systems and gaming devices that can support them, risk falling too far behind the technology curve and will ultimately have casino marketing programs that are inferior to the competition and more expensive to administer. The choice is always in the hands of the casino operator. ♣

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