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Database Segmentation Analysis

Casino management systems give the gaming marketer a wealth of information to better understand individual player behavior. Each successive generation of management systems allows casino operators to understand their customers and develop programs that recognize and reward loyal play. All casino management systems give the marketer detailed player information showing trip history, actual win/loss, theoretical win/loss, point and comp redemption history, as well as information on personal player data.

While casino management systems can accumulate vast stores of data on individual behavior they tend to fall short in their ability to summarize the behavior of player segments. The report writing tools that come with many of these systems tend to summarize transactional data to better assist the slot and table game departments rather than provide the marketing department with useful information to conduct and analyze marketing campaigns. Fortunately, it is not too difficult to extract the

data from the master system and analyze it using a relational database program. This technique does require individuals within the marketing department with advanced skills using relational database programs. Alternatively, the casino can turn to a database marketing consultant to perform a periodic analysis.

Segmentation Analysis

One of the most useful forms of analysis is a Database Segmentation Analysis (DSA). A Database Segmentation Analysis takes a periodic snapshot of the casino's database and provides the marketing team with a wealth of useful information to better design marketing campaigns. A DSA can initially be performed by summarizing the entire player database over the past twelve months. Subsequent reports can summarize segment behavior over shorter periods.

The initial DSA divides the database into segments based on total theoretical win over a given period of time. The analysis should, at the very least, show the number of players that fall into each segment, their total theoretical win, their total actual win and the percent of theoretical win and actual win that each segment contributes to gross gaming revenue.

At its most basic level the DSA allows the marketer to understand those segments of the database that contribute the most or least to the casino's revenue stream. What becomes readily apparent when conducting this analysis is that a very small segment of the database contributes a disproportionate amount to the casino's gaming win. Every casino has what is often referred to as *avid, enthusiastic gamers* that have very high spending levels. What will also become clear is that the vast majority of the database contributes very little to the profitability of the casino.

It is through an examination of the other middle-tier segments that the marketer gains an understanding of the behavior of its core customer segments. By understanding the percentage of revenue that these various segments contribute to the casino, the marketer can design programs that stimulate the gaming activity of those segments.

Once an initial Database Segmentation Analysis is completed, the casino can embark on the various marketing and promotional campaigns that are in its marketing plan. Then, at the conclusion of each of these campaigns, the casino performs another DSA for the promotional period. By taking a snapshot of the database before and after a promotion, the marketing team will gain an understanding of which segments were attracted to the property and, more important, if those segments contributed significant revenues to the casino.

The DSA also allows the casino to evaluate the effect that

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a competitor's promotion has on the behavior of its own customers. Often there is a healthy paranoia when a competitor casino implements a large promotion. This paranoia usually leads to an expensive rebuttal promotion. Rather than knee-jerk to a competitor's promotion, the astute marketer should first take the time to examine what effect, if any, a competitor's promotion had on the database. Which segments did the competitor attract? Was it the high win segments or the unprofitable masses from the database's lowest tiers? A periodic DSA will quickly answer those questions.

Zip Code Analysis

Another useful analytical tool is a Zip Code Analysis. This analysis first segments the database by distance from the casino and then examines the theoretical/actual win by distance from the property. A casino that primarily attracts local customers may opt to segment the database by zip code in order to see which of those zip codes contribute the most revenue to the property.

What becomes evident from this form of analysis is that in many cases the majority of gaming revenue comes from areas that are located very close to the casino. It is also very likely

to reveal highly profitable pockets in outer markets. Zip codes that have a high average household income may not be the ones that contribute the most revenue to the property. What this analysis uncovers is not just those zip codes that contribute the most members, but the zip codes that contribute the most gaming revenue.

This type of analysis allows the casino marketer to better allocate his/her scarce advertising dollars to those areas where it naturally attracts more customers and more revenue. A periodic zip code analysis allows the casino marketer to measure the effect a billboard campaign, prospect mail campaign or local cable TV buy. If revenue is highly concentrated in certain zip codes the casino may rethink its advertising strategy, opting for more targeted forms of media rather than broadcast advertising.

A casino's database is the most important asset of the property. By segmenting its database and measuring those segments by revenue, the casino can more effectively manage its marketing programs. ♣

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