



The Marketing Audit

Several years ago, the marketing director of a medium sized casino saw an opportunity to partner with a nearby hotel to achieve mutually beneficial goals. The casino, lacking a hotel, needed a lodging property to house its overnight customers. The casino's marketing director also recognized the potential gaming value of transient lodging customers if they could be induced to cross the street and visit the casino. Thus, a promotion was created. The hotel agreed to set up a direct billing account and the casino agreed to provide the hotel with a stock of coupon books containing a number of compelling offers to be given to guests upon check-in.

The coupons were designed, printed and numbered. As the books came into the receiving department, they were shipped to the secured document storage closet in the accounting office. The marketing director then requested several cases of coupon books from accounting, which he delivered to the hotel.

At first, the program appeared successful in bringing hotel

guests into the casino. The "fun book" contained a lucky buck coupon, a keno coupon, a bingo coupon and a coupon good for a free breakfast buffet. Each coupon was tracked and recorded on the monthly coupon redemption report. Whenever, the hotel got low on coupons, it would contact the marketing director who would in turn request additional books.

Orphan Marketing Programs

As is often the case in gaming companies, the marketing director eventually left the casino. The hotel fun book program was essentially orphaned from its creator. Nevertheless, it managed to live on. It was simply adopted by others. Rather than contact the marketing director, the hotel manager simply called someone in accounting who in turn would send over a couple of boxes of coupons. When the stock of coupons got low, accounting would simply order more books through purchasing. As coupons were redeemed they were duly tracked and posted on the monthly coupon redemption report. Subsequent marketing directors barely raised an eyebrow. The number of coupons redeemed always remained high so the program continued. No one really knew the true cost of the book since the cost of the coupons were allocated across a number of accounts, including table games, slots, bingo and marketing promotions.

Several years later, the casino expanded and added its own hotel. While it no longer needed a place to house its casino customers, the direct billing relationship came in handy during peak holiday periods. Also, redemptions of the coupon book remained high. No one saw a reason to discontinue the program. According to the coupon redemption report, it brought in hundreds of customers a month.

The gaming market that this casino operated in eventually reached maturity. Gaming win flattened while operating costs continued to increase. In an effort to better manage costs the casino manager asked for an audit of all marketing programs. An independent auditing team was brought in and examined each and every promotion and tried to measure their costs relative to what they brought into the casino.

As it happened, the marketing audit team was housed in the hotel across the street so as not to displace casino guests during a slot tournament. Upon check-in, each member of the team was given a casino fun book. The front desk clerk told them about the coupon for the free breakfast buffet across the street and further informed them that they were entitled to one fun book every day of their stay. This raised the eyebrows of the team so they observed subsequent check-ins. Sure enough, every man, woman and child who checked into the hotel received a fun book, regardless of age, number of people in the room or number of nights in the hotel. Rather than incur a cost by offering a continental breakfast in the lobby, the hotel manager

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simply gave each guest a coupon book with a free breakfast buffet. The hotel had become a sort of bed and breakfast at the expense of the casino across the street.

The abuse of this program was duly reported by the marketing auditors in their final report and the casino manager took the recommendation of the audit team and discontinued the promotion. The hotel manager complained vociferously, telling the casino manager that his regular guests had come to expect the free buffet whenever they stayed at the hotel and taking it away would mean a loss of business. After all, this program had been in place for years. It was the foundation of their partnership.

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As casinos mature, marketing promotions cease to be promotions and become ongoing programs. Many of these programs eventually become orphaned and continue to exist, quietly consuming marketing dollars. All casinos conduct promotions and develop marketing programs with businesses in the community. In many casinos, these programs are created with weak measurement tools. In the previous example, the flaw was in relying on a coupon redemption report as the sole source of measurement. Because the promotion was created prior to the introduction of today's sophisticated casino management systems, there was no way to accurately measure the efficacy of the program.

The marketing audit is an independent examination of all marketing programs. It examines all of the casino's promotions, coupon books, meal specials, comping programs and cash back programs. The audit traces the costs of each coupon on the chart of accounts and determines the true cost of each program. It looks at the tools used to measure those programs, evaluates their effectiveness and either offers ways to improve those programs or recommends that they be terminated.

Like a financial audit, the marketing audit is best conducted by professionals from outside the gaming organization. In many casinos, people are too close to a promotion to give it a critical look. In many cases, people are loath to find fault in a promotion or program that they themselves had created. Thus, an independent examination offers the casino the opportunity to identify those programs that are effective and those that are not.

Casinos must market and promote in order to generate excitement and grow incremental gaming revenue. However, every promotion and marketing program needs to be examined to assure that the tools of measurement are valid and are being used correctly. The marketing audit assures that the casino is not wasting its precious marketing dollars. ♣

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The Sovereign Nations Scholarship Fund was launched in 2001 with a challenge grant of \$900,000 from the Shakopee Mdewakanton Sioux Community of Minnesota. We are asking other tribes to contribute until the fund totals \$10 million.

By establishing the Fund, we hope to build an endowment that will help meet the higher education needs in Indian Country for generations to come, resulting in higher employment rates, increased incomes and a better quality of life in our communities.



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