



The Situation Analysis

by Andrew Klebanow

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, and the property.

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 your casino serves? No doubt the recent bankruptcy filing at Enron will have a significant short-term effect on the economic health of the Houston region and will directly affect the casinos along the western border of Southern Louisiana. What is the economic outlook for your region? Are 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 you serve? Are they 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? For those Native American properties that compete directly with riverboats, there is a wealth of public data that tracks these trends in gaming revenue. Financial analysts that track gaming are another source of such information.

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.

The Competition

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

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 your 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.

What are the promotional practices of your 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 your competitors position themselves in the market? What are their core advertising messages? What do your customers say about them, either anecdotally or through formal market research?

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 your database? Which segments of your database (segmented by theoretical win, frequency of visitation, geography, game type) contribute the most or least to your revenue? Does it make more sense designing promotions that attract a segment with low theoretical win but high frequency of visitation or to allocate promotional dollars to more profitable (but less obvious) segments? Only by understanding which segments "pay the bills" can the casino marketing department best allocate its precious resources to attract and retain the most profitable segments.

Where do your 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. 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 thorough understanding of where current customers reside.

The Property

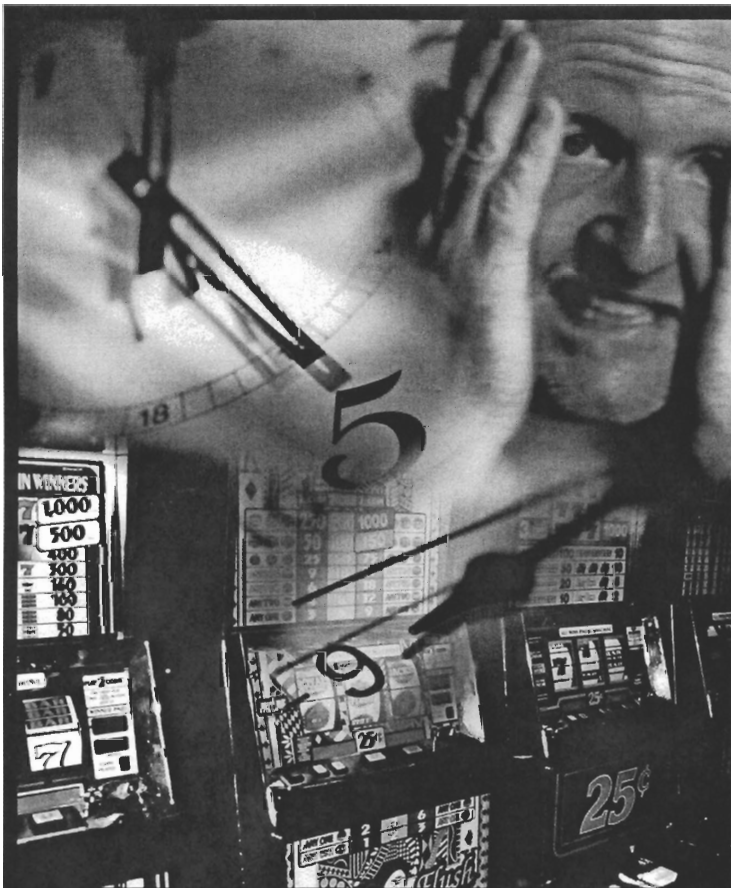
This portion of the plan requires a critical self-evaluation of last year's marketing efforts. It entails a complete marketing audit. Within this portion of the plan the casino marketing department performs a "mea culpa." It must evaluate each promotion, coupon book, special event, bus program, direct 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? 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?

In addition to 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 proximity to 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 for your property? Will a competitor's new hotel or installation of a new player tracking system pose a threat to your 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.

Armed with facts, 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. ♣

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