



Gap Analysis: A Full Coverage Approach in Player Development

by Chad Carpenter

Tiering has become the status quo for casinos as the first step toward turning raw carded play data into a results-driven marketing strategy. With an overarching goal of optimizing reinvestment, this strategy allows casinos to easily accommodate all players month-in and month-out by chunking them into tiers of other similar players who will likely respond to a given offer.

At the most basic level, the highest valued players are skimmed off the top, making up a list of highly valued VIP players whom receive special attention, possibly even a host. Further down in the database, players are given offers via a monthly newsletter based on previous play in a defined time period – free play, comps, hotel offers, food and beverage, etc.

Identifying the Gaps

The standard tiered offer structure does a great job of evaluating each player at a single moment in time. This would be a perfect approach for a list of players that play consistently month-to-month, but this is far from the way things really play out. Player behavior is always fluctuating, and their newsletter offers follow suit. If changing play goes unnoticed, valuable players can easily fall through the cracks and drastically hurt a casino's revenues.

This is where gap analysis comes into play. In general, gap analysis is the process of finding the best way to bridge the small gap that often lies between the current situation and the ideal situation. Once a gap is identified, the best way to fill that gap is with a given set of players based on opportunity. Rather than a cut and dry formula that spits out a concrete right or wrong solution, gap analysis is meant to be used as a tool to provoke the kind of thoughtful evaluation that fuels player optimization and campaign creation.

In the context of casino marketing, this practice can have limitless applications. An easy example could be filling an empty slot on a VIP list. There will always be that group of up and coming players who might deserve the chance to be hosted, but sometimes there are players who's play drops below the minimum play threshold for long enough that they must be removed from the VIP list. The loss is unfortunate, but the gap it creates presents a pivotal opportunity to fill it with the 'next best player'.

The "Micro-Marketing" Solution

Once a gap is identified, the problem-solving process can begin. These gaps can be as small as a handful of players up to thousands of players, allowing player development managers and hosts alike to be very purposeful in their search for the most profitable solution.

The 80/20 rule, also called the Pareto principle, is a popular generalization that 80 percent of an event's results tend to come

from only 20 percent of the causes. By focusing strategic efforts on only the most important gaps, the 20 percent that will contribute most to driving player loyalty and revenues becomes much more accessible.

In a casino's monthly offer structure, the most influential 20 percent tends to be those players whose play behavior changes sharply enough to warrant movement from one tier to another.

Catching downwardly trending players or 'decliners' as soon as possible could be the crucial nudge needed to prevent the loss of a customer down the line. Alternatively, special offers to movers on the rise can keep that trend's momentum on the incline, turning a good player into an even better player, while also creating loyalty.

Once movement is identified, marketing and player development can launch smaller and more targeted 'micro-marketing' campaigns in an efficient way to catch the players who may have otherwise fallen through the cracks. This can keep the database of active, loyal players very strong.

Gap Analysis In Practice

Another common situation where subtle strategy shifts informed by gap analytics can have a massive effect is an excessive hotel vacancy. This gap, empty hotel rooms where profitable players could be staying, is simple to identify and seems just as simple to fill. But is it? Most think a list of the most profitable players who aren't already booked is easy to fill the gap in the short-term, but this method can be prone to negative long-term effects.

As future hotel fill campaigns continue to draw from the same list, the players who consistently land on this list may eventually avoid booking rooms entirely in lieu of the comp room they've now come to expect. At this point, a new and more complex gap has formed.

If the current hotel fill campaign is generating negative player behaviors due to repetition, a secondary gap analysis may find that a rotation of multiple lists could soften the effects by lowering the frequency of additional comps. Furthermore, a free hotel-stay given to a mover (up or down) could generate revenues down the line in the form of player loyalty and keep the list fresh on an ongoing basis.

In gap analytics, there is no right or wrong answer, it is simply thought provoking. Solutions are often highly subjective to how different players respond to the same campaign. The beauty, however, lies in the repeatability, whereby the progressive optimization of consistent analysis generates endless actionable models that drive results. ♣

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