



Marketing and Players' Club Operational Audits (January 2015)

Recent years have seen a dramatic increase in technology, resources and efforts dedicated to marketing in the gaming industry. Increased competition, 24/7 communication feed, constant upgrades of products and services and



empowerment by players have generated a major shift in how casinos are operating in modern days. From product and price oriented we are forced to switch to “player oriented” strategies and, while it might sound like an abused cliché, gaming industry is alive and constantly changing because it needs to adapt and respond to human beings (Players, guests,) and quick–pace technology and competition.

There is no time for business strategy to stay still for too long. This means there is no time for the Players' Club and Marketing strategies to remain passive either.

PRIORITY MARKETING RESPONSIBILITIES IN 2015

With differences among jurisdictions and specific locations, casino industry in general seems to be concentrating its efforts in **six big goals: i) Increase traffic; ii) Reduce Churn; iii) Increase average and total bet; iv) Reduce acquisition costs; v) Improve Loyalty and Engagement and vi) improve player development (up–play & cross–consumption)**. In today's industry, most of these goals fall over the marketing department and there is no surprise then that marketing sits at C–level and decision making tables.

Five marketing responsibilities have been identified to get top considerations for 2015: **a) understanding players, b) marketing technology and social media tools, c) competitor analysis and d) thorough analytics and e) comprehensive and personalized TOTAL service**. Aligning your Players' experience to technology, content, and many other marketing initiatives is no easy task as you must have proactive and performance oriented human capital, keep adequate technology, contact points, multi–channel communication, controls and procedures to drive your operation ahead,

You cannot leave it to random checks nor end-of-year audits anymore. It could be too late. Evaluation of how well marketing strategies and programs are implemented, the degree of implicit and explicit risks and how well the casino works on their mitigation, is the purpose of a Marketing Audit.

As a specialized application of an operational audit a Marketing Audit in the casino industry could be defined as: *“a systematic, comprehensive and periodic review of the risks associated with marketing activities used to enhance the player’s experience and increase traffic, volume and revenue by means of products and services offered within specific cultural and technological environments”*.

MAIN AUDIT AREAS AND TOOLS

Inside the casino industry, we are so much worried about gaming procedures, cash controls and fraud prevention that we hardly see marketing as a risk area. But the fact that we hardly speak about it does not mean we can ignore it because, once we do, latent risks take significance and become financially costly. We have to remember that modern casino operations have elevated marketing to C-levels handling significant resources, internal and external communications, public relations, players club, issuing complimentary and other forms of reinvestment and, in many places, management of guest services among other functions.

Risk assessment and control oriented marketing audits would normally concentrate its efforts in the following areas:

1. **Market and Environment**– External: Regulations, gaming culture, operators, competitors evaluation, marketing and distribution channels,
2. **Formal and Informal Organization**: Corporate, Operational, Gaming and Marketing Structure
3. **Company Strategic and Marketing Plans**: Understanding Goals and Value proposition
4. **Marketing Mix**. Internal Environment ; Company Products, Services and Associates within the competitive market structure where is offered
5. **Enterprise Management System platform and IT support**
6. **Marketing and Players’ Club ROI**
7. **Controls and Procedures**
8. **Customer Relationship management System (CRM)**. Usually audited separate but important to consider as determinant.
9. **Marketing Programs development, math and operations.**
10. **Advertising and Promotion**, both internal and external.

While, in general, finance audits tend to deal with historical numbers resulting from operations, a Marketing Audit deals with active ongoing activities directly related to day-to-day contact points. As long as you clearly define how marketing is evaluated, your marketing audit will be more directed to risks associated with those measurement areas. Do you evaluate your marketing based on revenue? Number of players? Guests and participants of your promotions and events? Communication and public relations? Limited evaluation of marketing performance could result in larger risks and exposures.

It is also clear that, as described in a previous newsletter, all audits have common areas of interests. In this case, a significant consideration and review of the information technology structure and system is vital since Players' Club depends so much on it. At the same time, marketing and related expenses have become so significant that any financial audit must perform thorough tests and validations on its budgets and actual expenses.

MOST COMMON RISKS

Lack of update, control and monitoring lead to augmented operational risks and abuse of resources and systems by internal and external clients. It is always useful to know and be alert about the risks we are exposed to: Marketing is not exempted activity, especially when digital/online marketing is part of the channels and, most of all, with the increase of preponderance and abuse of Players' Clubs.



Risks also tend to happen more commonly at operations where measurement of **marketing results are solely based on revenue and volume of traffic** without further consideration of how results are obtained and, many times, without fully understanding or evaluating their associated costs and resulting ROI.

The Institute of Internal Auditors has made available at least 3 important documents analyzing in great detail associated risks in marketing. As expressed by the Institute of Internal Auditors “*Although marketing and business development functions are low risk-profile areas, they should not be overlooked....*”

From an internal auditor view, four articles introduce excellent material to further understand Marketing Audit Risks. Several of them are clearly detailed by the IIA Gaming Auditorium publications: **Casino Fraud: Marketing is not Exempt** by **Robert Rudloff Jr.**

(<http://www.theiia.org/Gaming/index.cfm?iid=342>) and by **Ron Ellis** who also makes an excellent

presentation of **Players Club risks at “Hitting the high Points”**

(<http://www.theiia.org/Gaming/index.cfm?iid=233>). While these first two publications emphasize player’s club and casino fraud risks, a more generalized publication and very interesting read on marketing audit and casino operations is **“Marketing and Advertising: Risk Considerations for Audit Planning”** written by Dan Clark at Vol 10, June 2007 published by the IIA (<http://www.theiia.org/ITAuditArchive/index.cfm?act=ITAudit.printa&iid=541&aid=2518>). A clever and illustrating secondary headline reads: *“If promoting your casino is important, then auditing its marketing efforts should be too”*. Like most of us, you probably agree that Player Tracking is one of the most important tools available today for slot and marketing management, **“Player Tracking Risks and Controls”**, a thorough article written by Billy Byrne is also a must-read for those looking to understand the importance of marketing audits (http://www.indiangaming.com/istore/Dec13_Byrne.pdf).

Three important risks need to be considered by a marketing audit: marketing programs a) **math and the use of operational resources**. So many times ignored with costly negative results, b) **Market Risk**, or the possibility of marketing strategies and activities to experience difficulties and setbacks due to factors that affect the overall performance of the gaming markets, and c) **Brand Image Risks**, also called reputational risks.

BENEFITS OF MARKETING AND PLAYERS’ CLUB AUDITS

Proactive and holistic approaches to Operational Audit of your Players’ Club and Marketing Dept. could provide you with answers to several important questions, help you develop and improve information systems, analytics and betterments of the Players’ experience, improve communication and provide you with excellent benchmarking and a clear competitive advantage.

- Allows you to understand how your marketing efforts match and adapt to your company strategic goals and brand definition
- Uncover deficiencies and lack of controls
- Allows understanding of how well your associates understand the company, brand, products and services and how they are promoted
- Facilitates comprehension of the necessary technology base and how is performing
- Values the Return of Investment (ROI) from resources used at Player Acquisition, Player Maintenance and Player Development
- Allows for Benchmarking and comparison to industry standards
- Promotes “know your players and your competitors” programs

NINE AREAS WITH QUESTIONS YOU SHOULD HAVE ANSWERS FOR

To assist us in evaluating our exposure to marketing risks, here are several questions we could ask ourselves:



- **Brand, Products and Goals:** Do your associates know your brand, value proposition, products and services so they are capable of marketing them to actual and potential players? How well does your brand value proposition align with your marketing strategies and performance?
 - **Marketing Plan and Budget:** Do you have active marketing plan and budget in place? Is it flexible enough to adapt to a dynamic gaming industry?
 - **Segregation of Duties. Access control;** is segregation of duties adequately in place? Do you review your system access and

comps approvals at least weekly? Are controls and procedures in place to limit abuse by internal and external clients? What level of protection does you database has?

- **External Environment:** How well do you associates know the competition? Do they understand it and value properly or just underestimated by saying “ours is better, we have the most volume of traffic,” Are they aware and understand the dynamics of the industry?
- **Management Information System (CEMS):** Does your current Casino Management System provide you with business and market analytics or just list–reports? Are you satisfied with the metrics used to evaluate your Players’ Club performance and ROI? How frequently is it updated? Who receives and uses such information?
- **Marketing Programs:** Are Pre and Post forma and the math behind marketing carefully reviewed?
- **Accountability and Measurement;** Are your associates in marketing held accountable for the results of their activities?
- **Customer Service:** How relevant and personalized would you say your communication and marketing strategies are? What do your players think of them? What is the strategy for listening “the voice of player”?
- **Communication Channels:** How do you project your marketing efforts and keep communication with today’s players? Do you rely on direct contact? Traditional mails? Emails? Newer channels like Facebook, Twitter, Instagram…? Do you have a website? How are these mediums working for your operation and protected are they?

Marketing Audits should be an ongoing and continues activity the same way your gaming is. Make sure you understand what is going on, ask questions, be proactive and, above all, **don't leave it in auto-pilot!!**



AGL360CG, SRL is a gaming consulting company addressing its services to the Caribbean and LatAm areas and with strong emphasis on gaming and marketing analytics studies, metric and KPIs development to be used by Management to support sound decisions.

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