

Introduction to  
Casino and Gaming Operations, 2nd ed  
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Conclusion 87  
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## SOCIAL COSTS OF CASINOS

It is difficult to quantify the social cost of a casino on a community. Some of the social costs include traffic congestion, air pollution, increased criminal activities, water pollution, and problem gambling. Although many of the infrastructural costs are noticeable and can be quantified, the social costs of problem gambling and the impact on the family cannot be easily accomplished. Some of the invisible social costs of gambling include suicide, bankruptcy, lost of jobs, and domestic violence. Several studies completed in Michigan, Minnesota, and Iowa consistently show that the number of problem gamblers increase at least threefold after the introduction of casino gambling. These figures are higher among adolescent gamblers (Westphal and Rush, 1996).

Invariably, when a casino is built, there is a need for specialized workers who cannot be found within the host community. Large numbers of individuals from other communities and states flock to the new casino destination for employment. These individuals bring different cultures, values, and lifestyles to the host community. Almost by accident, these casino workers make the host community more cosmopolitan. The local community must then make efforts to accommodate these new residents as well as the transient gamblers. Energies must be exerted to balance the social needs of the new residents with the economic costs of providing them with adequate social services.

## CAREER OPPORTUNITIES

A casino operation is a labor-intensive enterprise. A small casino would require individuals working within at least seven departments. The essential departments within a casino include human resource management, security, surveillance, accounts, marketing, slots, table games, and food and beverage. Experience is the name of the game within a casino. College education is helpful, but the longer individuals stay within the casino industry, the greater their chance to develop their career. Many of the current casino executives in Atlantic City started as unskilled line staff who worked their way up the ladder.

## CONCLUSION

During the past decade there has been a phenomenal growth in the casino industry within the United States. The growth is economically beneficial to both casinos and their host communities. During the next millennium, this increase will continue to grow with the greater accessibility of casinos within the United States. Although there will continue to be opposition from certain groups and communities about the introduction of casinos, the increased employment and taxes will always be a driving force for the legalization of casinos within economically depressed communities.



## Casino Marketing and Marketing Promotions

### OBJECTIVES

- Identify the challenges of marketing within the casino industry.
- Define and discuss market strategy for the casino industry.
- Discuss the rules for various tournaments.
- Examine the requirements and objectives of casino junkets.
- Identify the four types of casino entertainment.

### MARKETING

Database marketing is described as a comprehensive marketing strategy based on a memory of business transactions with its customers (Oppermann, 1999). Database marketing is essential to the growth and survival of the gaming industry, because it allows the industry to gain an advantage over competitors.

If the casinos accept the premise of service 1, where the customer is the most important aspect of their business and everything must be done to satisfy customers' needs the first time, then marketing becomes one of casinos' most important tools. **Marketing** is defined as all of those activities and procedures necessary to bring the buyer and seller together to consummate a sale. Casino marketing is unique because before one can sell the product one has to know the NWDs (needs, wants, and desires) of the customer (Rudd, 1980). Casinos need to provide the customer with a product that meets these NWDs. And last, casinos need to advertise and promote these services or product mixes to the customer. All basic marketing starts with the traditional four Ps of marketing set forth by E. J. McCarthy in his book *Basic Marketing*. They are product, price, place, and promotion.



**Product**

The product in the casino industry is seen as a combination of service and entertainment. By providing the customers with unique entertainment experiences and reinforcing these experiences through marketing incentives, the casino ensures its own survival. From the customers' point of view, the product or service that casinos offer is the mixture of the benefits that they will receive from the product. It is not the room, meals, flight, entertainment, or the gambling itself, but the combination of experiences and memories that are generated. This determines the true value of the product. For example, in a tour to Las Vegas, everything may be included. But are the customers buying the plane? Are they buying the room? Are they buying the slot machines or tables? No, they are satisfying their desire for excitement and adventure. Should casinos really be selling them the plane and the room? Or should the product be excitement and adventure? It is easy to fall into a production-orientation trap rather than a marketing orientation. The casinos that do make the mistake of selling their rooms rather than the adventure and experiences that they can give their customers lose their customers. Therefore, when a casino considers its product, it should take into consideration all of those things that meet the NWDs of their customers: the experiences, adventure, facilities, and services that are necessary to sell and maintain a customer's loyalty. Once the casinos start to take a look at their products, they realize that their customers' NWDs may be beyond their control. NWDs normally outside the casino's control, such as the weather, the surroundings, and the congestion, are called demand generators. Casino customers, therefore, may tend to view the casino's support elements as a means to an end rather than an end itself.

**Price**

The price is the amount that customers are willing to pay for the product or service that casinos offer. One of the most important aspects of price is that the customers must view the price that they are paying as value for their money. This isn't always easy because people see value in different lights. Value is normally based on the subjective experiences and thoughts of the customer. Price also has an objective factor. The customer normally sees the price in big red letters, and in most cases it is beyond the customer's control to determine what the price will be. By creating a value-added product, casinos can increase the value of their product and allow the price to remain relatively stable.

**Place**

The place is where the customer procures or uses the product. For a walk-in, the casino sells directly to the customer. For a travel agency or tour group, the casino's products are sold through different channels of distribution. Tour operators, wholesalers, and travel agents are the main channels of distribution for the casino industry.



## Promotion

Promotion is the process by which one makes customers aware of one's products. It utilizes a wide range of activities, including personal selling, sales promotion, advertising, public relations, and publicity.

Personal selling is one of the most effective means of procuring business. It allows an immediate response to a potential customer's NWDs. It also allows one to deal with any question that may arise and to personally expand on the benefits of one's product or service. A number of casinos have used this approach, specifically with the senior market, and have found that it works quite well. A representative of a casino organization made a presentation at a local senior citizens center where he overcame any resistance or objections that a specific group had toward casino gambling. Personal selling is very expensive and time consuming and is generally done only with large organizations, clubs, or corporations. However, it can be very effective.

Sales promotion covers any promotional activity other than personal selling or advertising. It includes such things as the development of brochures, giveaway programs, discounts, contests, special offers, gifts, exhibits, trade show operations, signage, special events, and training programs and seminars. The purpose of sales promotion is to increase casino sales. In a number of cases, the sales promotion is not directed at the customer but at the intermediaries who provide the casino's information to the customer. Examples of this are the tour operators and travel agencies. The casinos might provide them with a familiarization trip and in return they promote the casino's product. Or on a lesser scale, travel agents might be encouraged to sell more of the casino's trips through attractive display posters or through contests (e.g., the travel agent who sells the most bookings receives a free trip to the establishment). In some cases when casinos are offering new products, they offer discount coupons, contests, specials, and incentive packages. Sales promotion is not meant to be a substitute for personal selling or advertising, but it can be an effective way of reinforcing these activities.

One of the main reasons for advertising is to create an awareness of a product before other sales approaches are initiated. Why should a casino advertise? First, no casino is an island unto itself. Broadcast and printed material reach thousands of potential customers. Even advertising that is not specifically targeted to a group is effective, such as brochure advertising. This may be seen by thousands of people, some of whom are interested and some of whom are not. Second, advertising is relatively inexpensive when compared to other promotional activities. Third, advertising itself can create customer demand. And fourth, advertising demonstrates a casino's competitiveness within the casino market. A casino that meets the consumers' NWDs will be the casino that the customer chooses.

Public relations is a process by which the casinos become involved with the affairs of the community, presenting a positive image of their business. Public relations is but one part of the promotional mix and should be combined with



other promotional activities. Public relations covers more than just the community; it covers all the different publics: the customer, community, local media, travel/trade journals, and employees. Every employee of the casino should be a public relations specialist. Employees represent the casinos they work for whether they are at the casino or at home. Most of the larger casinos have public relations companies that handle their public relations for them.

Publicity is the way casinos keep themselves in the public eye. Some casinos see publicity as free and consider it highly cost effective. However, there are intrinsic costs in maintaining a casino's image. Publicity works because it has more credibility than a paid message. It does not just happen; it should be carefully planned and orchestrated. It is how the city, state, and country view the casino.

### **CASINOS' ADDITIONAL MARKETING NEEDS**

The four Ps are not enough to adequately develop a marketing concept for casinos. Five additional Ps are needed to satisfactorily meet the needs of casino and gaming operations.

#### **People**

People are a casino's most important asset; they are and should be one of a casino's principal marketing forces. A casino's employees provide the direct link between the casino and the customer base. Therefore, properly trained and motivated employees will result in increased profits and a better bottom line. There is an old saying: It takes money to make money. If a casino does not take care of its employees, the employees will not take care of the casino's customers.

#### **Positioning**

Casinos must position (market niche) so that they cater to a specific market. In doing so, they will differentiate themselves from the competition. The position that a casino chooses must be consistent throughout the casino and its advertising mix. An example of poor positioning follows: A casino located in a downtown area of Las Vegas, catering entirely to the grind customers (low-end customers, whose money the casinos have to "grind" out), planned on opening a new restaurant. A restaurant theme was chosen because management wanted to upgrade its facilities. It opened a gourmet French dining room in which the prices for food were more than the prices for the casino's rooms. Unfortunately, those customers who were gambling in the casino were not interested in French cuisine, and those individuals who were looking for French cuisine did not consider the casino and hotel appropriate for this type of dining. All sources within the hotel, casino, and restaurant were affected by this inappropriate marketing strategy.



### **Packaging**

Casinos have been using packaging since the 1960s. Packaging is actually a form of cooperative ventures whereby the casino includes a combination of facilities and services and offers these to potential customers. Within packages, all facilities and services are included in one price. This provides the customer with advanced knowledge of the total cost of a trip, and in most cases provides a reduction in the cost of the whole over the cost of all its parts. Packages often develop around one major component with other supporting components being added to enhance the total customer appeal. By doing this, a casino is able to create and develop a product that is more consumer oriented. This process allows the casino to meet the NWDs of its consumers. The major component within the package could be the casino operation, with the surrounding packages being a trip to the lake or ocean, helicopter ride, hot air balloon ride, and so on. A casino might build a package around an event happening within town, such as the rodeo or circus.

### **Partnership**

The casino's customer base usually wants or is looking for an overall experience from a specific destination; it is logical that within that destination two, three, or four businesses might offer a cooperative package, pooling not only their products but their marketing. An example of this might be Las Vegas's attempt to relocate the National Restaurant Association's annual meeting from Chicago to Las Vegas. This enterprise would require the establishment of a partnership among hotels, restaurants, convention and visitor's bureaus, convention centers, transportation, and civic leaders. The NRA show attracts over 150,000 visitors per year and thousands of participants. No one mega-resort casino would be able to handle a show this size by itself. To convince them to abandon their present venue, all participating partners would have to be actively involved in an intensive recruitment campaign.

### **Programming**

Programming is used extensively in the casino and gaming industry. It refers to any special event or activity that a casino might organize that expands on the product lines it is offering. Examples of this are soap opera weekends, murder mystery weekends, and theme tournaments. All of these activities expand on the product line that the casinos offer and provide the customer with an additional reason to stay at participating casinos and resorts. One of the more successful theme weekends revolved around a day-time soap opera in which patrons were invited to participate in the continuing soap opera. During this programming event, the casino invited patrons to participate in a slot tournament with the theme of a baby's birth, followed by its christening, birthdays throughout the years, school and college experience, marriage, and family. Each one of these



events represented an invitation for slot players to return to the casino time and time again following this theme. In this way, the theme acts to draw potential customers and provides an incentive for the return of these customers.

## REALIZING MARKET POTENTIAL

For the casino and gaming industry to develop its marketing potential, each of these nine P's must be developed into a marketing plan that provides the overall basic strategy for the marketing effort of the casino. Strategic planning and corporate and company efforts must be directed toward achieving the maximum potential of the target market. The hospitality industry is the fastest-growing industry in the world. It is growing because consumers now have more leisure time and discretionary income. They are, however, at a loss to decide what to do with their time and money. An effective marketing program can stir them into the specific direction of casino gambling.

Good management is essential for a successful business. Casino managers must have a high volume of people on the casino floor, as well as a high room occupancy. The approach to meet these standards requires specific marketing strategies. Therefore, the main function of a casino's marketing department is to attract the clients to a specific casino by highlighting its promotion, price, and location.

## CUSTOMER SERVICE

Ms. Sandy MacInnes, casino shift manager for the Windsor Casino, in Windsor, Ontario, Canada, emphasizes customer service and insists that her employees undergo customer service training to ensure cooperative interaction between customers and employees. She feels that management's commitment to the customer and upper management's commitment to community relations, not public relations, are a necessity for successful casino operations in Canada. Windsor has a safe environment for its tourists, and it is the responsibility of management to develop within its personnel a concern for the overall welfare of the community.

## MARKETING PROMOTIONS

### Tournaments

Tournaments were first played in the eleventh and twelfth centuries in France. At that time, they brought together large numbers of people to watch competitions and enjoy themselves. The winner of the tournament usually won the armor and horse of the loser. Although times have changed, the basic philosophy of bring-

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expected win by training the entire casino staff to strive to produce the largest possible drop.

Win and hold are calculated as follows:

1. 
$$\frac{\text{Total chips issued to the table during the shift}}{\text{Total chips on the table at the end of the shift}}$$

$$\text{Total chips missing from the table equals a hold}$$

$$\frac{\text{Drop (All the customer cash in the table box)}}{\text{Total chips missing from the table for the shift}}$$

$$\text{Win}$$

2. 
$$\text{Win/Drop} = \text{Hold (percent)}$$

## CUSTOMERS

There are two types of customers at a casino, grind customers and premium customers. A **grind customer** is someone who bets in small amounts. He or she will buy approximately \$20 worth of chips and make \$1 wagers. Eventually the casino will "grind" the \$20 out of him or her, \$1 at a time. A **premium customer** is a person who bets in large dollar amounts. These customers are also known as "high rollers."

Because there are far more grind customers than premium, casinos that market toward grinders tend to have a more stable hold percentage from shift to shift. Although premium casinos can achieve similar win figures because of the higher dollar values involved, their hold percentages can greatly vary between shifts.

## CASINO FINANCIAL STRUCTURE

With few exceptions, all casino monies eventually flow through the cage. It is the financial hub of the entire operation. The accounting controls must be effective and closely monitored.

The cage serves several basic functions:

- supplies customer credit information to the casino
- makes difficult customer credit decisions
- conducts large financial transactions with the casino departments and customers
- records practically all gaming department transactions