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Common Mistakes in Marketing Research

A locals' oriented casino-hotel located in a resort community recently completed a major expansion to better serve tourists visiting the city. After extensive market research, the casino's parent company had made the determination that the property was highly desired by tourists and that an expansion of its hotel and entertainment offerings was critical if it was to grow its revenue. After investing over \$50 million, the new resort expansion opened. While locals were impressed with the new property and liked its richly appointed amenities, tourists did not show up in any great numbers. Revenues remained essentially flat and EBITDA plunged as operating expenses associated with these new amenities increased.

In the post-opening period a team of executives tried to understand what went wrong. They began a marketing forensics exercise in which they reviewed all the data that was used to bring the company to the decision to expand into the tourism segment. This is what they uncovered.

For the past several years the casino's parent company insisted that the property conduct semi-annual surveys of its customers. Senior executives firmly believed, and rightly so, that it was important to measure customer perceptions of the property and to measure their satisfaction with the gaming-entertainment experience the property provided. The parent company selected a prestigious market research firm with a national reputation to conduct these surveys. The costs of these studies were born by the property.

Property leadership did not fully understand the need for such research. They felt they had a good handle on their customers because "they talked to them on the floor" and they resented the expense of this research. As such, whenever the research company contacted property leadership prior to the administration of these surveys with the hopes of getting their participation, they were rebuffed.

Without any input from property managers, the research company went about its business. They designed the research instrument and modified it on a periodic basis. They hired a local field service to administer questionnaires to customers and then tabulated the results. Twice a year, binders were distributed containing the results of the survey. The research company offered to present their findings but property managers saw no need. They knew what their customers wanted and did not need any research company to tell them

what they already knew. The binders were then placed on a bookcase behind the General Manager's desk where they sat, unread.

Executives at the parent company on the other hand, reviewed these studies and were particularly impressed to see that, on each survey, over 65% of visitors to the property were tourists. This pattern continued over several years. The data was so compelling that a decision was ultimately made to expand the property with tourist oriented amenities in order

to better meet the needs of this customer segment. Property managers were thrilled to see the parent company invest so much money in their property.

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The forensic team reviewed the surveys and interviewed principals of the research company. They then met with managers of the field service and finally, interviewed the people who administered these surveys. During these interviews, it was revealed that all of the surveys were administered in the hotel lobby, rather than in the casino. "It's quiet there and customers are not distracted so we can talk to them," said one surveyor. "Besides, the casino manager doesn't like us disturbing customers in the casino."

The forensics team now had a hypothesis as to what went wrong. To validate their suspicions, the forensics team asked the research company to conduct another survey, only this time it asked that the field surveyors administer their surveys in a number of locations, including the slot club, valet and cashier's cage. The results this time showed that in excess of 70% of customers were local.

Four Common Mistakes

Market research can be one of the most valuable tools to a gaming organization. It affords a way of measuring customer wants, needs and overall satisfaction. However, in this example, a number of errors were made that ultimately led to an imprudent business decision. First and foremost, there was never any buy-in from property leadership. Property managers did not believe there was a reason for the research. They resented the expense and the intrusion by corporate leadership. They allowed the research to happen but refused to be active participants in the process.

Second, there was no marketing professional on property that was designated as the manager of the project. Rather, twice a year the field service manager would contact the

casino's security director and inform him that they would be on property to administer surveys, per instructions from the parent company. The security director then advised his officers of the upcoming event. Had there been a marketing staff member designated as the contact person, who monitored the casino floor during the sampling period, he/she would have quickly recognized the flaws in the sampling methodology and made the necessary adjustments.

One of the most important aspects of any research project is the research presentation. At the research presentation the research team presents their findings to property leadership. This forum allows for a dialogue between property managers and the research team. It permits the research team to present key findings and affords property managers the opportunity to ask questions about those findings. Had property managers ever acquiesced to such a meeting, they too might have uncovered the anomaly.

Finally, while the parent company designated a prominent consumer research firm as the primary vendor, the research company was not a gaming centric research company. Rather, it relied on a local field service to administer the survey and then tabulated and analyzed the results. While their studies adhered to fundamental research principles, without a keen understanding of gaming customers, the research company did not readily recognize any anomalies in their findings.

Any casino company that is willing to invest in an ongoing program of market research is no doubt a proactive, market driven company. However, the decision to commit to an ongoing process of market research must have buy-in from all levels of property leadership. Further, the results of such research must be shared at all levels, including line employees and supervisors. They have just as great a stake in knowing who their customers are and what they think about the property as senior leadership. They are after all, the administrators of the customer service that is being



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measured. Also, any research project must be managed by the property's marketing staff. Finally, gaming research is a unique enterprise and is best conducted by professionals schooled in research principles, with extensive experience in this field. ♣

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