



Digital Technology in Casinos: Why It Hasn't Worked Yet & How It Finally Will

Smartphones have forever changed how Americans consume entertainment. From movies and TV shows to sporting events and music festivals, the technology we hold in our hands is giving us new and exciting ways to connect with the things we're most passionate about - before, during and after the actual experience.

While tech-savvy entertainment providers are finding new ways to connect people with the things they love, one significant \$95 billion a year sector has remained frozen in time, still interacting with its 71.6 million customers the same way it did in the 1980s: the casino gaming industry.

The PlayerMate team conducted over 50 interviews with gaming executives and stakeholders to examine the usage of digital technology in casinos today, and the bottom line is this: the way casinos currently use technology isn't aligned with their business goals.

As the market continues to further fracture, fragment and commoditize itself, casinos are ignoring the loyal players who are already visiting them, instead chasing hypothetical online gaming customers – with disastrous results.

The Industry Grew... but Never Grew Up

Somewhere in the world right now, a child is pleading for a new plaything and a parent is responding, "Play with the toys you already have."

In the past two decades, the gaming industry has exploded, with commercial and tribal casinos now in 38 states and counting. But has the market grown too quickly for its own good? One of the unintended consequences of that rapid growth is that it has made the industry complacent. Why work to get better when “more” works? Sooner or later, the bubble had to burst - and burst it has, in a giant wave of contraction that has swamped a third of the casinos in Atlantic City and threatens countless others coast to coast. Today we see the dangerous trend of casino attention deficit disorder repeating with the advent of online gaming, a market that's fractured, fragmented and commoditized at best. Meanwhile, brick-and-mortar casinos are ignoring the true low-hanging fruit: the loyal players who are already visiting them in the real world.

Casinos are spending far too much time, effort and money chasing hypothetical customers on the Internet or in new markets, and not nearly enough serving the customers they already have.

This strategy proved especially disastrous for Station Casinos and its Ultimate Gaming online poker subsidiary, which closed its doors after only a few months in operation, despite a \$1 million marketing blitz and heavy on-property presence trying to get real-life casino visitors to play poker on their phones. \$10 million of Station's third-quarter loss was attributed to the Ultimate debacle.

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There is nothing to be gained when casinos that spill blood, sweat and tears building guest loyalty and brand equity engage in a race to the bottom of a commodity market like online gaming. The folding of Ultimate Poker should serve as a wake-up call for casinos who have taken their eye off the ball, lured by the mirage of Internet riches.

But will it?

A Moment of Truth for the Naked Emperor

When we began talking to casinos, we weren't certain if they understood the gap between what they're doing with digital technology and what they could be doing. Those conversations opened our eyes.

We asked how casinos were using digital to get their guests to visit more often or to play more. While they are gamely using email, SMS and social media to market to their customers, the only marketing channel that actually gets significant results is direct mail. Existing digital marketing channels have proven ill-suited to the unique needs of casinos.

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There was a nervous tone to their answers, a sheepish chuckle, an uncomfortable moment when those we spoke to, from coast to coast and casino floor to executive suite, admitted that yes - they knew they needed to be doing more. The collective consciousness of the industry has reached a turning point.

The use of technology to deliver service has been limited, constrained by finite resources and limited hardware capabilities. Social media's conscription as a *de facto* customer service channel was the most common way that casinos leveraged technology to impact the guest experience. Another frequently mentioned tactic was casinos' use of email campaigns to book room nights, which is a sales function - completely separate from service delivery. Has technology become so divorced from the actual act of doing business that casinos using that technology can no longer tell the difference between sales and service?

Some have come to terms with the problem more than others, but across the board casinos recognize that the use of technology - or the lack thereof - is a real issue.

The Ticking Time Bomb in the Mail

We noticed that casinos seem more concerned with applying technology effectively to drive revenue than with leveraging it to improve service, so we dug deeper, trying to evaluate the status quo and the reasons behind it.

We asked what was working for casinos and what wasn't in terms of marketing. While they saw limited

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success reaching guests via digital channels, every casino that we spoke to - every single one - was completely dependent on direct mail. Old-fashioned, stamps on paper, dead trees on trucks, snail mail. We asked - just how dependent? By most estimates, approximately fifty percent of industry revenue is driven by direct mail.

Direct mail still works well for casinos. There is no disputing the fact that it's an effective marketing channel. However, nobody can make the argument that it's a quick or cheap one. And looming in the not-too-distant future is something that should strike fear in the heart of every direct marketer in every industry: the end of Saturday mail delivery.

If the USPS eventually succumbs to the temptation of cutting \$2 billion out of its budget by eliminating Saturday mail, casinos' most effective and important marketing channel narrows by one-sixth. But casinos are sitting helplessly on their hands, waiting for a new marketing channel that works.

It's like watching fossil fuel run out. Can the industry develop an alternative before it's too late?

The Bottom Line Is the Bottom Line

We asked casinos about their most important goals regarding their use of technology. At the end of the day it came down to casinos increasing loyalty, by getting better at what they do. Using business intelligence tools to learn more about their customers. Leveraging technology to deliver better customer experiences. Making customer retention less expensive.

The casino industry is diverse as the players who enjoy its games, so there is no one-size-fits-all solution. But every casino is looking for ways to add value to its relationships with its guests, to personalize interactions both online and real-world, and to more efficiently and effectively market to customers in a world where our attention is increasingly split.

What's Wrong with Today's Mobile Apps?

Some forward-thinking casinos have already taken the plunge and implemented mobile applications, but those apps all miss the mark.

The functionality found in most casino mobile apps today includes three kinds of features: those that mimic a website, those that cannibalize other channels and those that commodify the casino experience.

Casinos need mobile websites, they need mobile apps, and they need to know the difference. For static content, a mobile-optimized website is ideal. However, a smartphone is so much more than a web browser passively serving information to its user. It is a tool for two-way interactivity. It is a way to stay connected. Mobile apps that do not respect the power of the smartphone miss a giant opportunity.

Another pitfall of current mobile apps is the desire to duplicate booking engines or other functionality customers can easily access either. There is no value added by giving someone the sixth-best way to do something. Any guest likely to book a visit via a proprietary mobile app would likely do so on the website otherwise. It's not return on investment if the money would have been made anyway. It is tempting to think otherwise but that's just not the way humans work. Redundancy isn't value.

The third, and perhaps most damaging mistake that casinos are making with mobile applications is to commodify the casino experience. "Play for fun" features do nothing to build a player's loyalty to a particular casino - in fact, just the opposite.

If what a player enjoys is the game of blackjack itself, as opposed to wagering on the game of blackjack, play-for-fun games give loyal guests an incentive to stay home instead of visiting and spending money.

In a Connected World, an Epic Disconnect

Once again, we wanted to find out why. Why is what's out there for casinos now so far removed from what they're actually trying to accomplish in terms of business goals?

Mobile app makers at marketing agencies and slot manufacturers are constitutionally incapable of seeing through the perspective of casino operators.

When we asked casinos about their interest in specific features, the picture became clearer. Almost every feature that we mentioned, casinos seemed moderately receptive to. There was nothing that jumped out at them and nothing that left them cold. They were just kind of nodding along to everything.

We began to understand why existing mobile providers were getting it so wrong. Casinos weren't thinking about

mobile apps in the proper frame - that of interactivity and service - so whatever idea was put in front of them, they assumed was the right one. When customers are this passive, vendors are the ones calling the shots.

By examining who manufactures casinos' mobile applications, one can make sense of the products' deficiencies. Apps made by marketing agencies look like pretty websites, because that's the lens through which they look at their work. Apps made by slot manufacturers can be thinly veiled advertisements for their own game product. Whose interests are these features serving, anyway?

The companies currently making casino mobile apps are constitutionally incapable of seeing through the perspective of casino operators. They're doing something worse than getting the answers wrong - they're not even asking the correct questions.

What Does the Future Look Like?

In a perfect world, what could casinos do by harnessing the power of the smartphone? What specific goals do they want to accomplish?

We found consistency about what was atop the wishlist for casinos: an offer delivery system that gets them closer to the 1-to-1 relationship that is the ultimate goal of all direct/database marketers.

When talk turned to improvement of service, we found two very different answers for what it even meant to improve service. For casinos in the bottom two thirds of the industry, there was excitement over the ability to use technology to reduce labor costs.

However, for casinos in the most luxurious third of the industry, replacing a human touch point with a technology solution is actually a negative. Instead, the way these casinos can use technology to improve service is by adding value to human transactions, by empowering staff to deliver standout experiences for guests.

With Whom Did We Talk?

The PlayerMate team conducted 54 interviews with a broad spectrum of stakeholders across the entire gaming industry.

We spoke to everyone from coordinators to CMOs, representing departments in the casino as diverse as convention sales, Asian marketing and casino operations as well as interactive marketing, slots and revenue management.

Casinos represented in these interviews include tribal and commercial casinos ranging in size from ~100 to 6,600 gaming positions, from coast to coast. We spoke to stakeholders at independently owned and operated casinos, as well as publicly-traded gaming companies like Caesars Entertainment, MGM Resorts International, Wynn Resorts and Penn National Gaming.

Where Do We Go From Here?

PlayerMate by PlayerMate is a mobile CRM platform, relationship portal and paperless marketing solution for casinos, designed to increase revenue, improve service and modernize marketing. It's not the first mobile app for casinos. It's just the first one designed to meet casinos' specific business needs.

PlayerMate streamlines parts of the casino experience that take players out of the game and encourages greater time on device. Instead of waiting in lines, casino guests can keep playing right until showtime, dinner time or drawing time.

PlayerMate lets players manage all aspects of their relationship with the casino through a simple mobile app. By leveraging mobile technology to deliver service, casinos can realize labor savings, operational efficiencies and reduced hardware costs.

PlayerMate gives casinos a robust paperless channel to communicate and interact with players, faster than traditional mail and email at a fraction of the cost.

PlayerMate is the future of how casinos and their guests stay connected.

To find out how PlayerMate's mobile CRM, relationship portal and paperless marketing solution can help your casino increase revenue, improve service and modernize marketing, contact Founder, CEO & President Jay Fenster at 725-222-1752 or jay@playermate.net.