

Customer Profiling: **An Important Factor in the Profitability Equation**

By Stephen J. Karoul

In past articles I used one of my favorite expressions from Steve Brown who is partners with Dennis Conrad at Raving Consultants, “The casino business today is not about making money, it is about creating value”. With that said another friend recently challenged me and asked me, after you create the Value, how do you make money? Fair enough. It’s a reasonable question that deserves a reasonable explanation. Obviously, it is not a simple question to answer and there are numerous factors involved here. Nevertheless, one of the problem areas that often are overlooked is an area that I like to refer to as Customer Profiling. Most casinos normally have a small army of accounts and analysts that can supply us with all of the normal exception reports, variance reports and any other financial information that we may require. However, from my experience, if you really want to fine tune the profitability of your casino operation you need to develop a manual process to review certain customers individually that you feel may not be helping your profitability. The objective of this manual review process is to make an intelligent decision as to how you want to treat these customers in the future. In some instances you may decide to cut back on “comps” or other incentives that the customer may receive or you may decide to leave the player alone. For those of you that read my article on Bloodhound you will remember that an “advantage player” (pure basic strategy player or card counter) may play the game so well that the house advantage will almost disappear which means that you cannot afford to financially reward any of these players.

However, the reality is that these customers are often identified by a Rating System or by your Casino Hosts as “high rollers” and therefore are oftentimes being comped when they shouldn’t be. Another scenario is the skilled player who flies just under the radar screen and may never be picked up as a skilled player but who is also extremely unprofitable to the casino. Here at Foxwoods we have a Comp Review Committee (CRC) made up with approximately twelve executives including analysts from both Finance and MIS combined with casino operations and marketing executives. We meet once a month to actually take the time to review any “flagged” players in complete detail. We call that our Red Flag Report which is an internal report that analyzes extreme deviations between theoretical win and actual win among other things. We have actually found numerous small players that put in between 1,000 to 3,000 hours of play per month but playing at small wagers who seem to win consistently. We were shocked when we found some of these “small” players had won extremely large amounts of money in total over the past years as well as being rewarded with our Wampum Points or comp dollars. This analysis has enabled us to either ask for additional review on the customer’s style of play or to decrease or even eliminate the customer incentives or comps.

At the other end of the spectrum, our Comp Review Committee (CRC) reviews many of our high rollers in a similar manner utilizing sophisticated computer programs that will give us more detailed probabilities, deviations, etc. on Blackjack, Craps, etc. In other words, based upon the individuals play style what is the probability of us beating

the customer and for how much. If we decide to decrease or eliminate the incentives or comps to a high-roller most of them usually chose to move on and play at another casino. So, in effect, we are indirectly firing a customer. However, before we go to that extreme there are numerous factors that all have to be reviewed in detail by the CRC. This is the area that I call “Customer Profiling”. It is critical to understand all of the profiling areas to better understand the final impact of your decision to fire the customer or not.

As Ken Davie, our VP Table Games, says, this is not an exact science but it is the best we have at the moment until technology comes up with more advanced and cost effective methods. Foxwoods considers the following factors among others in its customer profile review process:

- Number of trips per year
- Duration of each trip
- Hours played per trip and cumulative hours played during the month
- Game(s) played
- Average bet – per game played
- Bankroll – cash deposit or available credit
- Style of play – skill level, game speed, one on one play, etc.
- Exit criteria - for both winning and for losing
- Money management skill
- Buy-in habits – does the player create false drop
- Rebates on Loss
- Theoretical win expectation
- Non-gaming expenses
- Player Development feedback – is he part of a group? If we lose him, will we also lose other more profitable players?

Once again, this is not an exact science, however, customer profiling combined with a Comp Review Committee process is one sure way to help increase the bottom line profitability of your casino. Good luck.

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