

Coupons, Groupons, and Daily Deals

by Steve Karoul

In today's economy it's tougher than ever to acquire new players, re-activate old ones, and increase visitation to your casino. To stay competitive in today's market, and to maintain and build your property's "share of wallet" many casinos are anxiously trying to reinvent themselves, and evaluating new business development opportunities. So how do casinos find and develop new business in today's fiercely competitive market? How do casinos retain their existing base without sacrificing the bottom line? And what is the best way to reactivate your existing base of customers who may be frequenting your competition?

One new tactic employed by businesses is the revolution of the "Daily Deal". This recent phenomenon led by Groupon and Living Social has changed the buying process for budget conscience consumers. Many industries have adopted these models including the travel, restaurant, and salon and spa service industries. You can even buy a coupon for a discounted sky-diving jump. This suggests that with the right incentive, consumers are willing to try anything once.

With the overwhelming success of Groupon and Living Social, daily deal websites have popped up like wildflowers in the past two years. These sites offer a no-upfront cost advertising opportunity to businesses that are willing to provide discounted products or services to be sold on the daily deal website. They tend to focus on small businesses with small advertising budgets. Oftentimes, it's the small business owner who is also the marketing director, the advertising manager, and the bean counter, so the opportunity to reach a wide audience of potentially new customers is appealing.

However, as we all know, the casino industry is quite different from many other businesses so oftentimes what may work in one industry may not necessarily work in the casino industry. The first issue is that the majority of these sites do not have proper refund policies. If an underage (or undesirable) player purchases a coupon, there is no way for the participating casino to initiate a refund. The next issue is the expiration term.

Most "daily deal" sites state in their terms of sale that the value of the coupon will be reduced to the purchase price after the expiration date. These people have obviously never dealt with the likes of a casino player. In our business customer service must come first, so if the player has an unpleasant experience when they attempt to redeem a coupon; chances are you will never see them again. But the biggest problem with most daily deal websites is that there is no consistent way to monitor redemptions. Though players may be advised that they must be new player club members to redeem the "new player special", it is left to the casino to monitor. If the purchaser of a "Play & Dine" coupon is allowed to redeem one per 90 days, the casino needs to track this internally. So while Groupon, Living Social, and the hundreds of copycat daily deals sites have proven with overwhelming sales statistics that America (and the world for that matter) has a strong appetite for pre-paid coupons, the daily deal sites fall short of providing the mechanisms needed to meet the unique needs of the casino gaming industry.

In steps a new alternative called Slot Play Coupons. Slot Play Coupons (dot com) is to the casino industry what Restaurant.com is to the restaurant industry. Unlike a "Daily Deal" coupon that may only be active on the website for a short time, Slot Play Coupons offers stay live for as long as you like, and the casino controls how often a player can redeem. Their patent pending redemption system provides all the safeguards necessary to insure that casinos can control and monitor coupon transactions, as well as stay in compliance with all reporting requirements.

Compared to the shotgun marketing approach of the generic coupon sites, Slot Play Coupons is more targeted on casino gamers. Casinos can use Slot Play Coupons as a tool to target new business where the guests purchase the discounted play as opposed to receiving free play.

Some argue that all this couponing is bad for all business, and that these consumers are bargain hunters with no loyalty. Well in many cases they would be right. If I buy a coupon that gives me twelve cupcakes for the price of six, I doubt I'll buy anything else when I get to the cupcake store. After all, how many cupcakes can you eat? Unlike the casino industry, where not only can I spend more money at the slots, once I'm in your casino I'm attracted to your restaurants, shows, and the many other things you offer. But at the end of the day it all comes back to "share of wallet", and the best part about all pre-paid coupons is that they are purchased in advance on a credit card, so when the player shows up at your casino, they still have disposable cash in their pocket.

In addition, Slot Play Coupons submits that when a casino gives away "Free" slot play through traditional means such as direct mail that one of three things will happen:

1. Customer "A" will cycle through the free slot play one time and cash out any money left over. (Casino loses).
2. Customer "B" will cycle through until all of the free play is exhausted, earn some comp points and stop playing. (Casino loses).
3. Customer "C" will cycle through the free slot play and then add some additional money to keep playing. (Casino Wins).

However, with pre-paid coupons when Customer "A" buys a coupon, he now has to try and cash out enough credits to cover his purchase price. It's more likely that Customer "A" will not buy the coupon, but if he does, he has his work cut out for him as he tries to cash out at the right point to leverage against his purchase price.

When Customer "B" buys the coupon, they will cycle through until the promotional play is gone. But with pre-paid coupons, your casino receives a percentage of the purchase price, so your casino still makes a profit on this player. Note: Percentages and Payment terms vary by website. Most daily deals offer 50%, while Slot Play Coupons pays the casino 60%.

When Customer "C" buys the coupon, as before, he or she needs to play a little more to satisfy their gaming appetite, so they will keep playing. Your casino will now get the percentage of the purchase price, plus whatever additional cash the guest plays that day.

One additional point of interest pertains to Pareto's 80/20 Rule. Pareto's Rule has been applied to many different situations and businesses over the years but for casinos it basically states that 20 percent of your players will generate 80% of your revenue. This assumption has been tested in various casinos around the world and it is pretty much accurate. Therefore, many casinos may not be properly rewarding their most valuable players. They may actually be under-rewarding their most valuable players and over-rewarding their least valuable players. Slot Play Coupons allows casinos to reallocate and redistribute their free slot play dollars to correct this problem by allowing them to issue higher amounts of free slot play for their best players, but still make an offer (albeit purchase discounted slot play coupons), to their least valuable players.

Therefore, as casino marketers, it is critically important for us to not only develop appropriate goals and strategies as part of our marketing plan, but also to pay particular attention to the tactics. Similar tactics may generate completely different results in a casino environment. Slot Play Coupons as compared to "Daily Deals"? Which one would you use to help develop new business for your "casino"? Good luck.

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Date Posted: 19-Feb-2012