

## A case study in loyalty

**Last month, I was in Sydney to speak at the Club Managers' Association National Meeting, which was held at the Star. For reasons of convenience, I was staying at the hotel where the convention was held. The next day, I had a couple of hours free so I went down to the casino for a flutter at Blackjack.**

I used to be a premium player at this casino many years ago. When I presented my old card, the staff at the Rewards Desk could not find my past data. I was told to continue playing while they made out a new card for me. This was around 9:30 in the morning, so there was not a single person waiting to be served at the Rewards Desk. Ten minutes later, I was told that a card could not be issued since my Driver's License had expired. I pointed out to the attendant that she had misread the license, which was clearly valid. Fifteen minutes after, a card arrived at my Blackjack table, this time with my name misspelled. I pointed this error out to the Rewards Club representative, and it took another fifteen minutes to get a card with the correct information.

I was playing at the \$30 Blackjack table, two boxes each time. My average bet would have been AU\$100. About ninety minutes into my gambling session, I was down AU\$1,500. This was when a waitress stopped by for drinks orders. I asked for an orange juice. She asked for my card, which I provided. Her response was to ask me for \$5.50 for the orange juice. Imagine this!

You as casino management, have a player who used to be one of your top interstate premium players, who has returned after a long hiatus. The person has just dropped \$1,500 and is continuing to play. Surely, the customer is entitled to a complimentary orange juice which costs the establishment less than 25 cents! As a savvy business, would you not try to get this customer back to play at your casino regularly instead of alienating him on a trivial issue such as a complimentary orange juice? What's worse, the pit boss was standing right next to the table. She knew how much I was betting and what I had lost. Would she not have the authority or discretion to ask the waitress to not charge me for the orange juice?

Which brings us to the topic of loyalty programs, and how many casinos do a terrible job of running their players' club. The example above helps illustrate some common failures in operating a loyalty program. I believe there are three lessons to be learnt here.

First, while casinos spend millions on their loyalty programs, they skimp on employing the people who man the loyalty desk. Some casinos in Macau outsource this function to save on labour costs. To me, it does not make any business sense to spend millions on putting in place and running a loyalty program, and then save a few dollars on wages on the people who actually interact with the customer on all matters relating to loyalty. It would be like Nordstrom spending hundreds of millions on their storefront and then hiring salespeople with zero personality, whose IQ is two standard deviations on the left of the IQ bell curve. In order to have a stable of loyal customers, casino operators should ensure that the face-to-face interactions their people have with customers are polite and empathetic. In this case, my interactions with people at the Loyalty Desk did little to evoke assurance, one key dimension of service quality.

Second, the software you use for your loyalty programs should not only tell you about the customer's theoretical value over time, but convey a picture of what is happening in real time. The CRM system used by Caesars does precisely that. If a customer has had a bad session at the slots, she is automatically provided with an F&B voucher by the machine. Why the loyalty algorithms used by Star indicated that I should be charged for a glass of reconstituted orange juice is beyond me.

The third aspect of running a successful loyalty program is empowering your frontline staff who are actually in contact with customers. I believe the pit boss at Star did not have the authority to override the comp entitlement in the database and make a decision which would have cost the company less than twenty five cents, but would have kept a customer satisfied, and playing. Almost all casinos, through the introduction of CRM and Loyalty software, have taken every bit of autonomy away from the frontline people when it comes to player comps. This policy is supposedly implemented to ensure fairness and avoid fraud. In reality, while a casino may save some money by eliminating undeserved comps, it can totally undermine the customer experience, and reinforce the stereotype of casinos

among many players—mercenaries.

Casinos in Asia Pacific typically run their loyalty programs as distinct from their customer experience initiatives. Loyalty programs are viewed as juggernauts of data collection, and as means to hold customers captive. Customer loyalty has both attitudinal AND behavioural dimensions. My behaviour may suggest that I visit a particular casino regularly, hence I am a loyal customer. In reality, I may visit this casino because it is the only game in town, or because I want to earn points at this casino to move to a higher tier of benefits. While I continue to provide business to this casino, my attitude toward the casino may be one of indifference, or even negative. With such dissonance between attitude and behaviour, it is only a matter of time before my behaviour changes to align itself with my negative attitude. Attitude-behaviour incongruence is the main reason why the number of “active” players in a casino’s database is only a fraction of the total number of registered players.

The true measure of customer loyalty is how customers respond to the Net Promoter Score (NPS) measure. NPS is assessed by customer responses to a simple question on a 1-10 scale, “How likely are you to recommend this company to a friend or relative?” Depending on their individual response, customers can be categorized as promoters (score 9 and 10), passives (scores 7 and 8), and detractors (scores from 1 to 6). Recent research by the Temkin Group across twenty industries shows that on average, promoters tell 3.5 people about their positive experience with a service provider. Compared to detractors, they are more than five times as likely to do repeat business with the company. What’s more NPS gives you a true—not spurious—measure of customer loyalty.

I am not suggesting that casino executives obsess over the NPS metric; it is far from perfect. What I am advocating is the primacy of customer experience in engendering customer loyalty. So long as loyalty initiatives and customer experience initiatives operate as disparate strategies, true customer loyalty will always be elusive. Unfortunately, at a time when gaming revenues in the Asia Pacific region continue to dwindle, more and more casino companies are investing heavily in designing and maintaining their players’ club databases while cutting back on their player investment and customer experience initiatives. Databases

may allow you to optimize revenues, but it is the living, breathing, feeling entity called the customer who provides revenues and data in the first place. Loyalty, by definition, involves reciprocity. Players ask for recognition and small tokens of appreciation by way of comps when they visit your casino. Is that too much to ask? If your answer is, “no,” I’ll drink to that (orange juice, of course).

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