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The challenge of auditing marketing performance

Australasian gaming businesses typically spend between 15 percent to 40 percent of their revenues on marketing. Yet the return on marketing expenditure often defies measurement. Part of the difficulty lies in effective delineation of the marketing function.

Without a holistic understanding of the scope of marketing, and appropriate metrics with which to measure its effectiveness, companies will continue to struggle with determining the return on marketing activities.

As the British physicist Lord Kelvin observed, "When you can measure what you are speaking about, and express it in numbers, you know something about it!"

In today's hypercompetitive Asian gaming environment, where marginal revenue generation is tough and pressure to control costs is intense, it is imperative that marketing-related operations are systematically audited. The gains from such an exercise most definitely warrant the time and expense involved in carrying out the audit.

Gaming business is a service business and marketing audit for services varies from that for products. Berry, Conant, and Parasuraman (1991) first proposed a framework for conducting a services marketing audit.

I have fine-tuned and adapted this framework to the gaming industry under the acronym MaCSEER (Marketing, Customer Service, and Employee Engagement Review). MaCSEER is built on the premise that marketing performance needs to be regularly monitored across six areas: marketing orientation, marketing organization, new customer marketing, existing customer marketing, internal marketing and service quality.

Marketing Orientation

Market orientation is an underlying business philosophy focusing on identifying customer needs or wants and meeting them through appropriate products and the right people. This criterion seeks answers to the following questions: Is marketing viewed as everyone's role or solely the Marketing Department's role? Do senior managers interact regularly with customers and frontline employees? What is the extent to which the firm engages in formal marketing research to understand the needs and satisfaction levels of customers?

Such an orientation spawns a self-enriching culture that not only drives the company in the right direction but also facilitates the creation of a strong corporate strategy.

Marketing Organization

The structure of the organization and of the marketing department should be conducive to effective marketing. In many Asian properties, most marketing talent resides within headquarters. Each individual property also has its operational marketing people who design and implement programs that they believe best address the needs of their property. Directions and insights from headquarters range from "low and infrequent" to "little and never." Such organization will always sub-optimize on its marketing talents and marketing resources.

New Customer Marketing

Compared to most businesses, casino customers tend to be older and tend to have higher burnout rates. Attracting new customers should, therefore, receive requisite priority in designing marketing programs. Systematic strategies for attracting new customers and allocating adequate resources for implementing such strategies need to be in place for effective new customer marketing. A careful evaluation of the firm's advertising, promotions, targeting strategy and brand positioning needs to be carried out to assess its performance on marketing to new customers.

Existing Customer Marketing

Research suggests that it can cost anywhere from five to ten times as much to attract a new customer as it does to retain an existing customer. Existing customer marketing assesses the effectiveness of activities geared to retaining and building relationships with existing customers. Customer retention is directly linked to customer lifetime value (LTV). The focus here is revenue optimization throughout the relationship, not revenue per transaction. A study by Deloitte Consulting shows that companies that understand LTV are about 60 percent more profitable than those that do not.

Internal Marketing

Employee expenses account for the largest single expense in a casino's income statement. Also, when it comes to the customer experience, interactions with the frontline staff constitute the most important determinant of the quality of experience. Marketing the organization to its employees (or internal marketing) is therefore vital to providing a compelling yet cost-effective gaming experience to the customer. Assessment of internal marketing involves an evaluation of a firm's recruitment strategies, training programs, internal communications and incentive programs. While many internal marketing activities fall under the domain of HR, it is the role of Marketing to ensure that employees deliver on the promises it makes to customers.

Service Quality

Service quality is a measure of the degree to which the customer perceives an organization's performance as meeting or exceeding expectations. Assessing the gap between customer expectations and the organization's performance on criteria such as staff reliability, physical surroundings, empathy and assurance displayed by service personnel, and willingness of the staff to effectively cater to customer requests provides an accurate estimate of the level of service quality within a casino setting. Service quality leads to customer satisfaction, and more importantly, to customer loyalty.

Assessment

Having a marketing audit addressing each of these six areas is indeed smart practice, but there are significant barriers to its effective implementation. These include the lack of suitably qualified independent auditors, gaining cooperation from the marketing department, the availability of pertinent data, and readiness of the firm to look at the resulting findings in an objective manner.

One effective way of measuring a firm's performance on the six MaCSEER criteria is to rank the organization against its competitors on each criterion using a five-star system. A one-star rating would indicate very poor performance whereas a five-star rating would suggest excellent performance. The target firm can then focus improvement efforts on areas where it has low relative ratings.

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