

Lusting after the NEW CUSTOMER

November 2015

Stop me if you've heard this before....

“We need to grow our revenue! Let's get new customers! Let's get more people to our facility!”

Casino owners and operators believe their best business growth strategy or the answer to all their revenue problems is to GET NEW CUSTOMERS. I have heard this conversation throughout my professional career and it feels like I am stuck on the repeat cycle.

From an investment versus return perspective, it takes more money to attract a new customer than it does to retain a current customer. This is true in all sectors: from hospitality to gaming to retail. There are books, white papers, journals and business cases from thousands of sources — from the Harvard Business School to Forbes, to various marketing agencies and research firms. The research and reports say the same thing: the most profitable approach for your business is to focus on your current customers.

So, why is it that casinos often believe they should look for new customers? Are they really confident that they are maximizing the opportunity with their current customer base?

Like me, you have likely heard one or all of these statements:

- *Well we have “those” customers already*
- *Our customers will come anyway*
- *We only have x % of the market and we should have more*
- *We are doing a great job with our current customers so we should look for new ones*

I get it. We all want to grow. We all want more, but in my experience, most businesses, including casinos, do not think to look hard enough at their current customers before deciding that the only opportunity is to find new customers. In the casino world, it is a discretionary spend question. Most casino goers spend more money on entertainment than non-casino users so you are looking for a greater share of their wallet. This is where opportunity with the current customer is.

BUT, this is where we get stuck; reviewing (hypothetical) financial projections thinking about “the silver bullet”, NEW CUSTOMERS. Whether it's the business development team, your ad agency, the finance department or an external party, their projections identify where potential high, medium and low earning consumers live, how many of them there are and their collective untapped potential value to the business (this is the point where I may have seen people start to drool a little). What is not often considered is that these projections were generated by a formula, an algorithm and did not include intangible human considerations. The numbers most likely don't consider cultural, psychographic, regional, geographic/location, government platforms, social license, and other variables.

This false sense of potential worth is dangerously distracting because it turns companies away from maximizing opportunities within their current customer base. Instead they plan acquisition strategies rather than pursuing the 'low hanging fruit'. In dramatic cases businesses plan new products, services or amenities to attract these prospects without considering how changing their business will impact the core customers' experience. Too often no one stops to consider whether or not these prospects have any interest or if there is a fit with the business, beyond having the right household income.

Most successful businesses try to balance investments in their current customers with investments in customer acquisition strategies and tactics. Some acquisition is absolutely necessary to replace customers lost to attrition. Every company has a limited amount of money to work with – a budget. So it stands to reason that most of the investment is made where the higher ROI is. Casinos that calculate player reinvestment can be very targeted in this respect. Based on proven and supported fact — time and again — that best return is with current customers.... but there is still a blind lust for the new customer.

BUT - Before solely focusing on new customers (spending time, resources and grey matter) hit the pause button and consider these three things:

1. Be absolutely certain that your customer relationship management strategy is maxing out opportunities with your current customer base. Here are some basic questions that you should know the answers to:

- Do you have a customer relationship management strategy?
- Do you have a customer reactivation campaign?
- Are you losing too many customers to attrition? Are you replacing those lost customers?
- Do you know your customers' lifetime value?
- Have you decreased your attrition rate in the past three years?
- Does 80% of your business come from 20% of your customers?
- Is your customer's average spend increasing?
- Do you have a data analyst or a data strategist on your team? How are you communicating and activating your data?
- What is your customer reinvestment rate? And is it better than your competitor's?

2. You can't convince someone to buy your product or service if they have no intention, or desire or are opposed to your product. It is just not going to happen. So that decreases what your projected opportunities are to get new customers. If they were inclined to use your product they would likely already have engaged with your business. Then there is the convenience/location or distribution factor. These are critical decision influencers to your current customers and potential customers.

3. Be very confident in your product or customer experience before you spend to get new customers. Is your customer satisfaction rating – above average? If not, you have work to do. The quality of your products and services, including customer service are critical decision

making points for consumers and why they will spend with one company and not another. Every company believes they have great customer service until you dissect and segment the data – many times, current customers give their preferred business a higher score than your infrequent customers which means you need to rethink your customer service for your non-core customers. It's easy and more natural for your staff to service the customers they know than those they don't.

In the quest to improve business results it's easy to be distracted with what might appear to be the silver bullet – a nice big juicy number; projections of what new customers might yield. Remember – don't be blinded by lust – you have more to do for your current customers and if you “show them the love”, you may be surprised by how quickly they respond.