

THE FERRARI FALLACY

By Randall A. Fine

I've worked in this industry since 2002, and while I have many friends and close colleagues, system vendors are no fans of mine. (They aren't the only ones, but let's save that for another column...)

Perhaps it is because I am a bit of a systemaphobe. I've learned time and again, whether as a senior marketing executive as an operator, or more recently, as a consultant to both large and small gaming operators, that new systems not only are not the solution to a marketing problem, but that they usually exacerbate the issue. I've heard too many technology pitches that sound something like this: "Our system provides instant, one-to-one, targeted, customized marketing messages and offers across mail, e-mail, SMS, telephone, telegraph and skywriting platforms. We'll get the right message to the right customer at the right second of the right day when the weather is right and rights are legal on red. We offer real-time tracking, capture, offer redemption and analysis that will allow you to manage your business at 2 a.m. on Saturday night from a cell phone at your vacation home above the Arctic Circle." (Pause for *oohs* and *ahhhs*.)

"So how does it work?" a marketer might ask at this point.

"Well, let me show you some screen shots," the vendor responds, quickly clicking through fuzzy PowerPoint slides with lots of charts, data and buttons. "This has worked for CSRB Bank of Manhattan and 43 of the world's largest companies, so it definitely will work for you. And you get all this with a seamless, trouble-free installation. It is almost as easy as us taking this CD-ROM, putting it in your computer, and hitting setup. Then you can go on vacation! When you come back a few weeks from now, your printer will be spitting out money by the ream!"

When I hear these sales jobs, I look around the room at drooling marketers. I can almost see the comic-style dialog balloons floating above their heads, reading, "If I only had this system, all my problems would be solved! This thing will do my job for me!"

Ah, if it were only so.

I like to describe this as the Ferrari Fallacy. Why? Because imagine what would happen if you gave a Ferrari to someone who doesn't

even know how to drive a Ford. One of two things: either nothing (they don't know how to drive), or worse, they drive right into a wall. Anyone who follows NASCAR knows exactly what I mean. It isn't the cars that win races—it is the drivers.

Casino marketing is no different. To do it well, you need three things. Yes, you do need some kind of system that collects, captures and stores data, and makes it accessible for other purposes, but people and culture are essential, too. Let's discuss all three.

The system itself is actually the least important. Almost every casino we have ever worked with has a system that can accurately track win, theoretical and reinvestment at the player level. As long as you have that data, with the right people to analyze the data, look for opportunities and structure campaigns, you have what you need. Sure, some of these systems theoretically make it easier to pull lists or do post-analysis, but what none of them do is tell you what you ought to be doing.

By people, I mean the individuals who leverage the system—the

Before you listen to another pitch for the latest and greatest new system, ask yourself, "Am I doing everything I can with the system I have today?"

NASCAR drivers, if you will. Every casino needs a decent number of relationship marketers that love math. Unfortunately, many in this field come from the "creative" side—in the casino business, the numbers are our guide. It isn't about pretty pictures and the right font, it is about multivariate regressions that help us determine the major causal factors behind casino visitation. The right casino marketing team is going to find digging through data—looking for trends and opportunities—something to be savored, not avoided at all costs.

But most people aren't good at, or worse, hate math. This is why the Ferrari presentations, like the one I described above, sound so good.

Yet even when you have a reasonable system—and the oh-so-important people to drive it—it turns out that culture is most

important. Those who own and run the company have to believe in the importance of relationship marketing, that it isn't a cost center but rather an engine that drives most, if not all, profit for the enterprise.

After we relaunched Total Rewards at Harrah's in 2003, a number of industry CEOs called to see if I could help build the same sort of system for them. I visited one whose office was only a few miles away. The bulk of the meeting was them talking and (frankly, unjustifiably) flattering me—how they had followed my short industry career (I had led a team that designed and launched the program in only 11 months), and that they wanted those kinds of results in their organization. I probably hadn't said more than five words before they pulled out a very generous offer, more than double what I had been making.

After an hour of this, I finally had the chance to ask this CEO a question: Why did he think this area of relationship marketing was so important and why was he willing to spend so much on something he had heretofore done virtually nothing about?

He paused for a moment, sat back in his chair, and said, "Well, that's a good question. To be honest, I think these multi-property players cards are a bunch of baloney. I don't understand why all my properties need to be on the same system. But the fact of the matter is that the Wall Street boys like what Harrah's has done, and they think I need to do it, too."

Game over. I politely thanked him for the "interview," said I would get back to him with my thoughts, and headed back to the office. I turned down the role—a bad decision financially, but the right one philosophically. It was clear to me that if the CEO didn't actually believe in the strategy, it would never get any legs. I'd never be able to convince him that sometimes it is OK to double marketing

spending (if you triple revenue) or show him that it is OK to spend \$800 to bring in a \$1,200 player (if you can prove he wouldn't come in otherwise).

See, the bottom line is that it isn't the system that you build or buy that will power your company to success, it is the people that you hire and develop and the culture that you create that will power the marketing engine. The fact is that even a Ford Focus can easily drive 110 or 120 miles per hour, far in excess of what the law would allow.

So before you listen to another pitch for the latest and greatest new system, ask yourself this: Am I doing everything I can with the system I have today, or are the people pushing for this just looking for a silver bullet to solve all their problems? I'd bet that salary I got offered on the latter.



RANDALL A. FINE



Randall A. Fine is the Managing Director of The Fine Point Group, a gaming strategy consulting firm with three offices. Prior to founding the firm in 2005, Fine held several senior executive positions at Harrah's Entertainment. He holds his undergraduate and MBA degrees, with high honors, from Harvard University.

OUR GAME IS ON

- Program and Project Management
- Cost Management and Estimating
- Planning and Scheduling
- Dispute Resolution and Avoidance

www.ccorpusa.com

