

4 Ways Dynamic Reinvestment Reignites Your Casino's Revenue





Casinos have made their own luck for decades, getting more guests to drive more revenue at the gaming tables and using comped rooms as the primary incentive. As a result, casino resorts pioneered the hospitality industry's model for loyalty marketing, built upon the idea of reinvestment.

Taking a customer's projected spending from gambling and knocking a percentage of that amount off the player's room rate was an uncomplicated concept, and it led guests to expect either a comped room or a discounted "casino rate" if they played frequently enough. Because the math was fairly simple, some pit bosses or managers needed only their intuition to decide who should be comped and who shouldn't be.

But not anymore.

The stakes are higher in today's casino industry for several reasons, not least of which are all the new revenue sources properties have added. Integrated resorts now can track customer spending from more than just the gaming floor. Purchases in the on-property spa, restaurants, golf course and nightclub all give a casino a clearer picture of how much individual guests contribute to the resort's bottom line. Even some guests who don't gamble — but still drop a ton of money in the resort — deserve to be rewarded.

A more complex revenue picture requires a much more sophisticated way to determine how to reinvest in casino guests. Fortunately, new revenue strategies leverage Big Data to help casinos optimize transient room rates according

to demand, calculate a total customer worth more holistic than Average Daily Theoretical (ADT), and choose a reinvestment level that reflects more precisely how much a guest spends throughout the resort.

None of those values needs to be static, which can create an unlimited number of "casino rates" a casino could offer to a guest based on her worth and how much the casino wants to reinvest in her on that particular date.

Those decisions can and should be flexible and dynamic, so your casino can reward people spending money on property without treating everybody like a high roller.

How it Works: From Open Pricing to Dynamic Reinvestment



To get beyond an outdated model of offering only one casino rate between a comp and a Best Available Rate (BAR), casinos must first determine the right rates that reflect total demand.

The breakthrough strategy of Open Pricing allows a casino to leverage Big Data and yield its transient rate according to demand by room type or customer segment. As different demand inputs change, the casino property can yield its transient room rate to suit new conditions for that date. Open Pricing is important because it gives the casino a baseline rooms revenue level that will bring in the most money before the property gives some of that back through reinvestment.

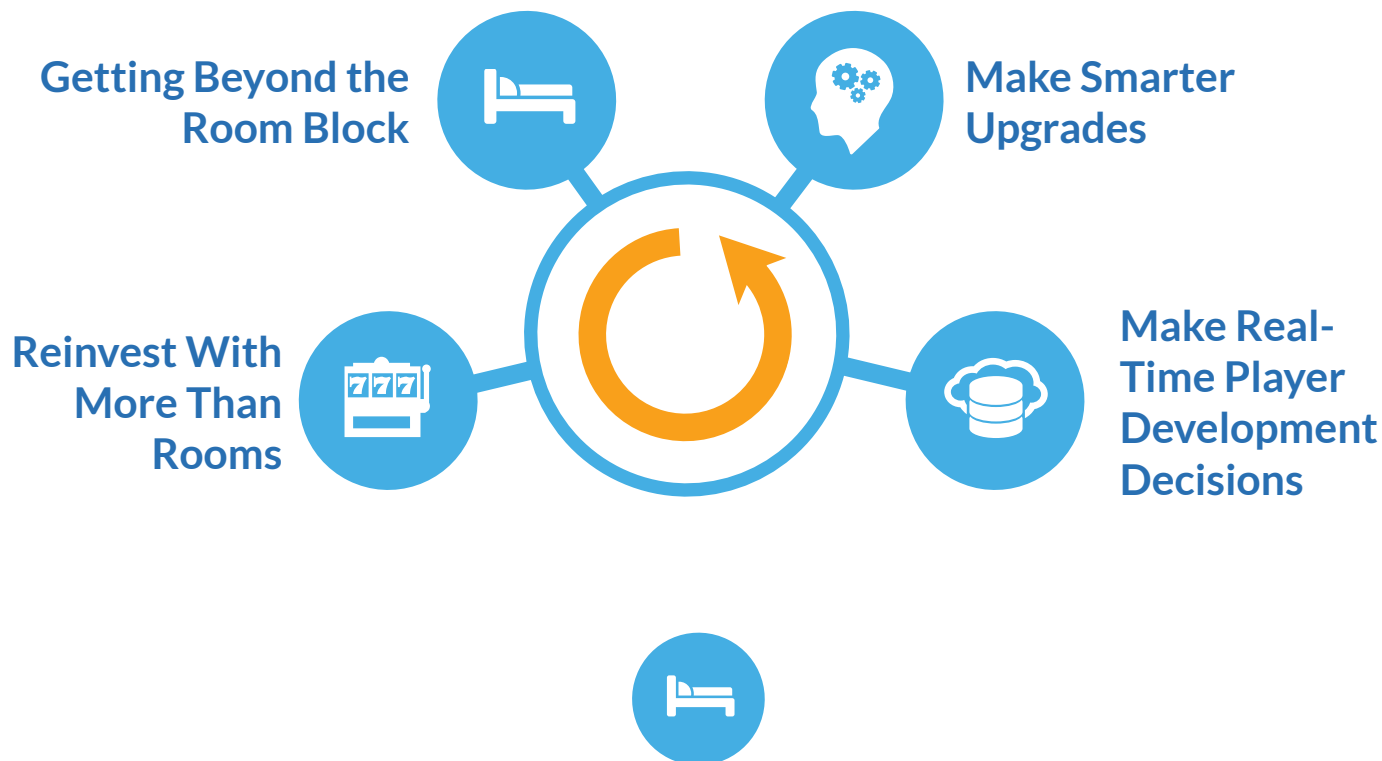
Next, the property will want to collect all the spending information at every point of sale on the property and store it in a data warehouse or customer relationship management (CRM) system. Once managers of the property have the spending data, they can calculate a total customer worth based on not just gaming ADT, but also on the money spent at ancillary revenue centers — and the profit generated by the outlay in each of those channels.

From there, the casino segments its customers by total worth into tiers for reinvestment. The more tiers a property has, the better. Having too few has led the industry to the lifeless model of transient, casino rate or comp for reinvestment decisions.

The casino can then start using more flexible, strategic reinvestment rates across its customer tiers. It could opt for one fixed reinvestment amount for a booking date, perhaps very high on a slow weeknight to spur more action on the gaming floor or very low on a compressed date like New Year's Eve.

Reinvestment percentages can and should vary by tier based on demand, and what type of customers are coming in. These percentages are another lever casinos can pull to take care of very important players, giving them higher rates of reinvestment in order to keep them gambling longer or visiting the restaurants and nightclubs for an incremental revenue. While lower-tier players aren't receiving as rich a reward as their higher-tier peers, they still are quoted a "casino rate" for their room. In this case, however, the casino is not over-investing in them on a night it shouldn't be.

The Benefits of Dynamic Reinvestment



1. Getting Beyond the Room Block

When transient rates are optimized via Open Pricing and reinvestment rates are flexible enough to allow several casino rates — not just one — casinos don't need to set aside a predetermined number of rooms for comp players.

Before, the rigid process allowed only three price points (BAR, casino rate, comp). When a casino block set aside some number of comp rooms, the remaining transient rooms would be listed at the BAR, until the inevitable pressure to fill rooms as a booking date approached led to those rooms being sold for the casino rate, not yielded dynamically.

In the data-driven strategy explained in this report, reinvestment decisions for rooms would be based on booking pace against the demand forecast, just as before. But now your property would know

exactly where to cut back or shift reinvestment to keep enough high-value rooms open for the high rollers. If you're ahead of pace and the hotel side of the house is filling up, you can keep a high level of reinvestment for your top-tier guests while drastically reducing it for lower-value segments. Establishing a high reinvestment percentage for your top tiers also ensures those guests always qualify for comp rooms.

You should forecast the demand for your different casino segments and protect them through the right price, by having the right comp criteria and the right reinvestment rates and casino rates. The transient rates are going to accept the demand that makes sense and optimize profit on top of what the casino can bring in.



2. Reinvest With More Than Rooms

Not every dollar reinvested back into a guest needs to go into the room rate offered to that person. For instance, if a particularly high reinvestment rate for a top-tier player produces a discount that exceeds the price of a room, the difference could be given to the high roller in the form of tickets to a show on property or a bottle of wine in the restaurant.

Some compressed dates, when the hotel is filling

up, won't allow for many rooms to be given away or heavily discounted. But a casino could still use a decent reinvestment amount for something other than rooms. If lower-tier guests are not getting as competitive a discount on their room rate, perhaps you could still satisfy them with a small free slot play bonus or a food and beverage offer. They will still realize the benefits of the casino reinvesting in them; it just won't manifest itself in a significantly lower room rate.



3. Make Smarter Upgrades

Upgrade decisions can be more data-driven to simultaneously delight customers and still bring in extra revenue to the property. If prices are being yielded up and down by room type, while reinvestment decisions are being flexed based on what's going on in the casino, then the upgrade decision can be yielded as well.

Perhaps a gaming customer has a high enough value to trigger a comp for a king-size bedroom, but not enough for a suite. On a low-demand night, however, the suite could be hers for only \$20 more, because the top-tier players and high rollers aren't forecast to come in needing the room. It's to your advantage to upgrade her then during the booking process, otherwise the front desk might give away the suite on the day of arrival for much less. By providing the front desk and call center agents the right price in advance for the room, you avoid the gut-based decisions or pressure situations at check-in.



4. Make Real-Time Player Development Decisions

Better data also takes out much of the spontaneity from decisions on the gaming floor when it comes to player development. As pit bosses visit different tables and parts of the house to rate players, rather than relying solely on intuition to make a binary decision to comp or not comp a player, they can make the right call based on the player's customer worth.

Casino staff can get a loyalty club member's player ID and pull up the person's profile in front of him on a tablet. The pit boss can then see what loyalty tier the player falls into, how much the casino is reinvesting in that segment, and whether that player is entitled to a comp or a discounted rate.

Your team members at the front desk or on the gaming floor can make the call right in front of the guest, only now they'll be backed up by data and confident they made the best decision for the property.

Old-School Hospitality, Cutting-Edge Technology

Though modern CRM and revenue management systems automate much of these new reinvestment strategies, they still require the human element of casino staff members and managers interacting with guests, learning their expectations, and exceeding them with stellar service and hospitality.

By taking the guesswork out of decisions related to transient, casino and comp rates, a data-driven, dynamic-reinvestment strategy frees up your people to do more to take care of the guest. The upshot is still higher rooms revenue and overall profitability for your casino.

You likely already have the right people, and getting the right tools is also important. When evaluating your tech stack, make sure your patron and property management systems integrate well with the CRM and revenue management system you choose.

You also want to make sure the RMS can segment guests and reinvestment tiers by profit. Many traditional systems look at top-line revenue because they were built for the hotel industry in a different era.

About Duetto

With solutions that address the true challenge of today's distribution landscape, Duetto provides unique and powerful Revenue Strategy tools to optimize profit and guest loyalty. Duetto delivers powerful insights on pricing and demand to hotels and casinos through a 100% cloud-based application.

Utilizing new consumer-centric data sets such as web shopping regrets and denials, social reviews, air traffic, weather and more, Duetto GameChanger transforms the way hotels and casinos price and sell rooms by providing better and more actionable information. Make informed distribution choices and independently yield all channels, dates and room types with Open Pricing to drive healthy revenue and optimize profitability.

Thanks to modern cloud architecture, new features and upgrades are delivered seamlessly with zero system downtime. This rapid innovation enables Duetto to provide an industry-leading user interface and experience that's continually improving.

Working with and for the hospitality industry, Duetto is changing the game.

