

Free Chicken?

When the best promotional ideas don't turn out so well

By Eliot Jacobson, Ph.D.



Sometimes the best promotional ideas don't turn out so well. Take the case of Kentucky Fried Chicken (KFC), who created online vouchers that people could print out and redeem for a new KFC chicken product. After the promotion was featured on the Oprah Winfrey show in May of 2009 (Oprah offered two free pieces of chicken, two

sides and a biscuit to anyone who downloaded the coupon), KFC had to pull the offer. It was not a great way to make the national nightly news. After voiding this offer, the negative press and reviews continue to cost KFC to this day.

It probably seemed like a great idea to offer a free-for-all food promotion. The marketing benefits include increased brand awareness, product loyalty, customer satisfaction and eventually, a huge ROI. But when the cost suddenly skyrocketed due to an unforeseen circumstance, there weren't a lot of good options left. The same goes for casino promotions.

On June 15, 2003, the Imperial Palace in Biloxi offered a promotion that they called the "Father's Day Bonanza." The idea was simple: for a full 24 hours, all blackjacks at all six-deck tables would pay 2-to-1 instead of the usual 3-to-2. The promotion was valid for wagers up to the table limit of \$2,000. This rule change added 2.3% to the player side and turned a 0.5% house edge into a 1.8% player edge. A 1.8% player advantage is a great gift to give your dad. Apparently, a lot of dads heard the good news.

Playing \$2,000 per hand, at a slow game pace of 60 hands per hour, gives the player an expected theoretical win of about \$52,000 if he plays the full 24 hours. There were 98 seats available. Go daddy!

Something didn't look quite right to management when every seat in the casino was full at the six-deck tables four hours before the promotion was set to begin. Players drove in from as far away as Nevada, Ohio and New York. Scores of players stood around hoping for a seat to open. Some had been playing in shifts with their teammates for over two

days. Offers to buy seats were going for as high as \$3,000.

Ten minutes to midnight and all the players who were playing table minimum suddenly took out enormous cash bankrolls and bought up every \$100 (black) and \$500 (purple) chip available. At midnight, about half of the spots had players flat betting \$2,000 per hand – four purples. In short order there weren't enough chips left in the rack. Players quickly emptied fill after fill. Meanwhile, pit and shift management continued to follow the orders handed down from marketing and upper management (who were nowhere in sight to authorize modifications).

At 3AM, after frantic phone calls and hasty meetings, table limits were dropped to \$500. At 8AM, table limits were lowered to \$200. At 10AM, management started closing tables. By 11AM only one six-deck table was open, with a maximum bet of \$200. The limit on this one remaining table was later lowered to \$50.

In the span of a few hours, the Imperial Palace lost over \$800,000 on this promotion.

It's easy to blame this loss on those ever dangerous "advantage players." After they found out about it, they quickly disseminated the information to their associates. They created well funded and highly skilled teams. They travelled as far and as fast as necessary. They knew exactly the right strategy to beat the game. They attacked relentlessly, forgoing food and sleep.

But there is nothing at all wrong with any of this. The Imperial Palace deserved everything they got. These advantage players were just like Oprah viewers: free money and free chicken are not that different; some very hungry advantage players showed up. And, in the end, they ate a lot of free chicken.

To fully understand what really went wrong at the Imperial Palace is to understand the meaning of one four-letter word: "hold." Marketing and upper management confused the meaning of the word "hold" as it is used by slots, versus how it is used in table games.

To explain further, in slots, "hold" is a synonym for the house advantage. A game that holds 12% simply returns \$88 out of every \$100 in player coin-in. That is, the casino wins 12% of all coin-in. By contrast, in table games, "hold" means the

ratio of win to drop. To say that blackjack holds 12% is to say that of every \$100 in chips the player buys in for, on average he leaves with \$88. The difference is that the blackjack player will churn out his original \$100 by playing through it several times before leaving with his \$88. In this way, a 1.5% house advantage for the typical player turns into a 12% hold.

A promotion that gives back 2.3% in slots turns a game that holds 12% into a slot that holds 9.7%. A promotion that gives back 2.3% in blackjack turns a game that holds 12% into an \$800,000 disaster.

If understanding the meaning of a single word can cost a small fortune, the upper limits are unimaginable. Changing the rules of games to make them player favorable has created a constant stream of cash for savvy players. But many other promotional ideas have had their Oprah moment as well. Among these are promotional chips, free play, match play, free aces, lucky bucks, cash for points, 10x point days and loss rebates.

The best solution is to avoid the problem to begin with. There are a few guiding principles that should be followed when considering any new promotional idea.

First, know the math. It is not enough to have the agreement of your colleagues or upper management – you've got to have the idea audited by someone who understands everything that could possibly go wrong. Get the experts involved.

Second, learn from others. Talk to colleagues and share stories. Scour the Internet. If it happened to your neighbor, it could happen to you. As a VP of Table Games at a major casino recently said to me, "This sort of thing happens all the time, but no one wants to talk about it."

Third, monitor Internet discussion boards and social networks. If your promotion is being discussed, there may be something wrong with it. Pay attention to those websites that share information about gaming opportunities.

Finally, be willing to jump ship and give others the authority to bail out as well. When something isn't going right, it's usually obvious to the casual observer. Empower lower management with the authority to shut down promotions.

I was going to write a fancy concluding paragraph to this article, summarizing the key points and motivating future action. But the thought of a 2-to-1 blackjack promotion is making me hungry. Back in a minute, I'm going to grab some lunch at KFC.

[Citation. Some of the accounts and descriptions of the events at the Imperial Palace first appeared in an article written by Ken Smith posted at www.bjinsider.com in July, 2003.] ■

Contributors

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Dennis Conrad — President and Chief Strategist of Raving, Dennis has over 35 years of casino experience including keno writer, bartender, dealer, floorperson, gaming instructor, special events manager, casino marketing director, gaming institute director, and corporate vice president of employee training and development.

Christine Motta Faria — Raving's VP of Operations & Marketing Communications has been one of the company's core marketing writers since 2001. Chris has had a lifelong passion for finding and sharing unique stories of people and places through her travels and daily life. She enjoys nothing more than incorporating writing and photography into her multifaceted role at Raving.

Toby O'Brien — Toby entered the gaming industry with a seven-year stint as the Marketing Director for Bronco Billy's Sports Bar & Casino and Buffalo Billy's Casino in Cripple Creek, Colorado. She joined Raving in April 2001 as Vice President of Marketing & Client Services.

Winnie Grand — Winnie has studied the casino industry since the early 60s. With a Masters Degree in Psychology, she has been interested in the psychological aspects of gaming along with the growth and development of the industry. She and her husband, a retired physician, travel to casino destinations for much of the year. She has written for *Strictly Slots* magazine and is an active participant in the gambling scene.

Chad Germann — Chad Germann is an enrolled member of the Mille Lacs Band of Ojibwe Tribe of Minnesota and founder and CEO of Red Circle Agency. Germann's career in gaming started while he was still in college, serving as a summer marketing intern at his tribe's two casinos, Grand Casino Hinckley and Grand Casino Mille Lacs, during each of his 4 years of undergraduate school. After graduate school, Germann joined Grand Casino Hinckley as the Director of Advertising, where he managed all advertising and media strategy, planning and budgeting for more than 3 years. With the support of the casino and his tribal leadership, Germann left the casino in 2001 to start a casino marketing agency called Red Circle Agency.

Chris Wrieden — Chris has been in the hospitality industry developing promotions, interactive experiences and events for more than 20 years. He spent 9 years with Barona Resort and Casino overseeing promotions, special events and internet marketing in his tenure as the Director of Special Events and Promotions, producing 16 Romero Awards "wins" for casino marketing excellence. A casino marketing instructor for the College of Extended Studies at San Diego State, Chris enjoys the interaction with students/guests, the creativity of developing and executing promotions, and an occasional nap.

Eliot Jacobson, Ph.D. — Eliot Jacobson received his Ph.D. in Mathematics from the University of Arizona in 1983. Eliot has been a Professor of both Mathematics and Computer Science. After nearly 30 years, Eliot retired from academia in 2009. Eliot founded Jacobson Gaming, LLC in 2006. His company is one of the world's leading independent businesses specializing in casino table game design, development, and mathematical certification.