

# Advocate Index™:

*An operational tool*

***Ad-vo-cate – A person that risks their reputation on others' behalf.***

## Introduction

Revenue growth is a major factor for not only industries and other companies but also for casinos throughout the world. This paper is written to convey the urgent need of adopting *Advocate Index*\* by casinos to accelerate their growth and to have a predictable model for future growth. We will delve into how industries have gained from this index and how casinos also need to change their stance and adopt this operational tool.

We will provide you with an introduction to current practices, the *Advocate Index*™ and ways to implement the index through training and gain the results you desire. We will prove that the *Advocate Index* is the core metrics solution senior management needs when planning future growth strategy for their casino.

## Industry Overview

Casino gaming, as an industry, has very high growth potential. Consider casino revenues. In 2003, gross gaming revenue was \$72.87 billion in the U.S. alone.

U.S. gaming revenue grew 7% in 2004 to reach an all-time high of \$77.6 billion, or 0.716% of total U.S. GDP. Casino and card room gaming accounted for 39% of total gaming revenue, lotteries for 28%, and tribal gaming 25%. The largest growth, an increase of nearly 12%, was seen in tribal gaming. Revenue from lotteries and casino gaming also grew by more than 6%. Revenue from charitable gaming declined by nearly 6% and race and sports wagering remained steady after a small decline in 2003.

Of the 49 U.S. states (including the District of Columbia) with some form of legalized gaming, the state of Wyoming, while being the lowest ranked in terms of gaming revenue in 2004, experienced the highest growth with a 66% increase in 2004 revenues over 2003. Of all the states, 34 U.S. states have legalized casino gaming.

Here there are some noticeable trends: Casinos are increasing their spending, implying that more and more people want to come to casinos every year. Also evident is the change in the attitude of people. Casino gaming has become a form of entertainment. If you have a booming market and your location is perfect, then there should be huge growth in revenue. Casinos can make this true, they just need to focus on methods to bring

more and more guests to their casinos and/or have existing guests come more often or play longer and have such an experience that they themselves tell others to come and visit that casino.

## Marketing Strategies

Marketing strategies have changed in most industries. Industries sell products. They have customers buying a physical product from them. The products are eventually replaceable.

The first step in marketing was to generate demand for the products and then came reuse strategies where firms wanted customers to reuse their products. Then came the new strategy of generating a loyal breed of customers who will consume a specific brand/product only.

This era has come to an end with the explosion of information media. Now the consumer is the king and is well aware of it. Consumers are willing to share their knowledge with millions of others and thus advocate the good/bad experience they have had with any firm, product, or brand. Consumers know they can switch any time from one product to another or from one brand to another. Consumers are much less loyal than earlier when they had limited choices and limited information.

More than 150 million consumers logged onto the Internet for health care information alone in 2004, as just one example. The seller's reputation today depends on feedback that is given by the customer – feedback that is instantly felt or measured on the Internet with the help of Web blogs or discussion forums, etc. The customers of industries are now very conscious of what they want and are less loyal and definitely harder to predict.

In gaming, the same is true with “locals” because they may not use blogs to spread information. They do it the old fashioned way. They share it with members of their community, neighborhood, condominium complex or senior center. If a person is not satisfied with any aspect of their gaming experience, they will share it with as many people as will listen. It's often quoted that a dissatisfied guest will share their experience with 10 or more people.

## Current Practices

Compare current marketing trends with the strategies of casinos. They rely on traditional market research with a belief that the more satisfied guests are, the more inclined they will be to come back to a casino, bringing more revenues.

Guest Satisfaction has become a catch-all term for the end result of many marketing approaches where customer data is used. You want them to visit your casino, play and have a pleasurable experience. Once they do it for the first time, you want them to continue doing business with your casino. It's important to note that casinos regularly spend between \$500,000 and \$1,000,000 per month on marketing and advertising. You don't want to be forced to pay that month after month. You want to create a "loyal" guest who engages in profitable behavior.

More than 40% of consumers who claim to be satisfied switch suppliers without looking back. Eighty-nine percent of people who owned cars from a certain manufacturer said they were very satisfied and 67% said that they intended to purchase another car from that manufacturer. Fewer than 20% actually did purchase from that manufacturer the next time they bought a new car.

Currently, you and your competitors are probably doing some (if not all) of the following for tracking:

- Guest Satisfaction
- Guest Spending
- Demographics
- Guest Loyalty
- Employee Satisfaction

### What you do now...

95% of companies collect feedback  
50% alert staff of the findings  
30% make decisions using this insight  
10% deploy and improve  
5% inform customers of the change

## Predict the Future

Research among various industries has shown that of typical questions asked of customers, the “likelihood to act as an advocate” question clearly has the strongest link to tangible consumer behavior. Plainly put, if consumers are willing to act as advocates for a particular company with friends or colleagues, these same customers are also likely to actually repurchase from the company, as well as generate new business via word-of mouth advertising.

Conversely, if customers are not likely to act as advocates, they are also less likely to engage in actual repurchase or advocacy behaviors.

<b>Calculating your <i>Advocate Index</i></b>		
Score		Meaning
High	→	Advocate
Mid	→	Neutral
Low	→	Oppose

## Growth Strategies in Casinos and Other Industries

Industries have realized that to survive they have to fight in the relationship dimension with the customer. Leading companies have refocused their customer relationship strategies on the rising of the credibility curve of the customer. Companies like Dell, Harley Davidson, Intuit, and Symantec<sup>1</sup> have created a huge customer base which is not just loyal; it is in fact the unpaid sales force for the company. Many customers of Harley Davidson proudly carry a tattoo(s) on their body as a mark of their ownership of a motorcycle. Many are proud to be H.O.G’s (Harley Owners Group). This is the kind of marketing that drives growth. When Apple launched iPOD at its convention, Macintosh fans had a religious ardor.

Casinos are not very different from these other traditional industries in terms of nature of business. They sell an experience. Gaming in casinos is so glamorized, the guest feels elated to come and, hopefully, receive undivided attention from the casino staff. The guest is no longer depressed but in a state of joy. Casinos have only tracked this elation through simple satisfaction surveys or created it by spending money on advertising.

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<sup>1</sup> A handful of leading companies in other industries, such as Dell in the personal computer market, are using a methodology similar to Advocate Index to chart their future growth. Dell’s efforts have resulted in the equivalent of an Advocate Index of 50.

Like the traditional industries of cars, computers, and motorcycles, casino guests have choices and have fickle loyalty. To grow further, casinos have to relearn some things. Their growth strategy thus far has not kept pace with other industries. Where the other sectors have started refocusing their CRM toward creating great customer relationships and moving to partner with customers to bring in more customers, casinos still invest time, money, and energy in advertising in hopes of growing their business. There is no process in place in casinos to move the guest to become an advocate.

Casinos' research data has hardly any relevance to revenue prediction and growth achievement. There are typically three scenarios in a casino:

- **Scenario 1:** Guest arrives for the first time, wins money, likes the experience and comes again as he is satisfied by his gaming experience.
- **Scenario 2:** Guest is habitual gamer and will come to casino irrespective of the fact that he wins or loses. Such a guest needs to be satisfied in order to be loyal to the casino. However, he will not contribute to the growth of revenue much as he will win/lose in a certain range or he may have a bad experience and may switch or his preferences may change. (Please note: habitual gamer is no way referencing people that cannot control their gambling, i.e. problem gamblers.)
- **Scenario 3:** Guest is not only loyal but also speaks highly of the casino. This guest tells others about his exceptional experience when at the casino and then, in turn, those people visit the casino. Those people then tell others and thereby business grows.

Data collected by usual methods in casinos gives no indication of how to bring the guest from Scenario 1 to Scenario 3. That data is silent on this. Statistically, it has no correlation to the growth of casinos' revenue or the number of guests visiting casinos and spending money there.

### The One Number You Need

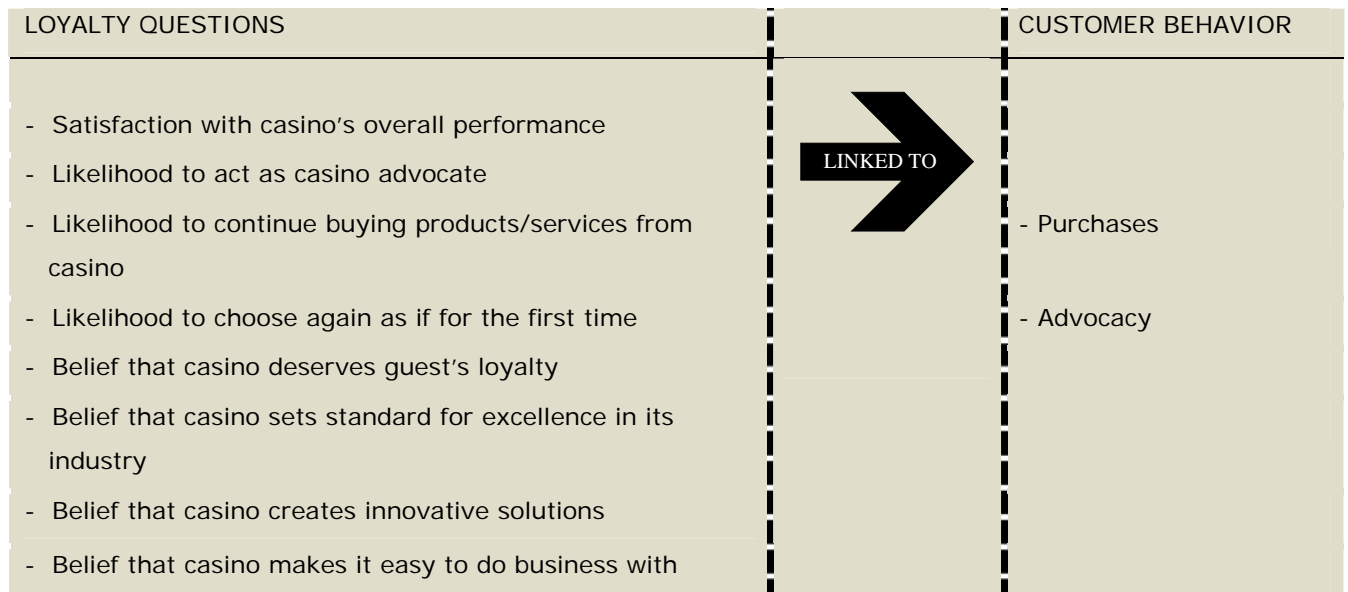
Guest service drives advocacy and that drives future growth. We know what drives growth but how do you measure and manage it? If you

"Many companies - striving for unprecedented growth by cultivating intensely loyal customers - invest lots of time and money measuring customer satisfaction. But most of the yardsticks they use are complex, yield ambiguous results, and don't necessarily correlate to profits or growth."

think Guest Satisfaction survey – you are wrong! In fact, there is zero statistical correlation between guest satisfaction and future growth. How can that be when there is growth data that exists from 1995 to 2002 on 78 public companies in service industries where corresponding ACSI scores exist? Those industries include telecom, airlines, utilities, hotels, parcel delivery, cable, restaurants, financial institutions, supermarkets, discount stores, department stores, and e-commerce sites and retailers.

Is guest satisfaction important? It’s critical, but a statistic reflecting satisfaction is not the number that tells the real story. Nor does it provide a tool for predicting future growth.

Very satisfied guests do generate profit but knowing how satisfied they are is not an indicator of the future. Some guests are satisfied only as long as they win. They may be satisfied the day you do a survey and then dissatisfied two days later. People are too fickle and when it comes to “satisfaction,” they can change many times in one casino visit. Measuring loyal guests, the ones who play at your property win or lose, can get you closer to an accurate picture of the future, but that’s still not nearly accurate enough.



However, loyal guests who voluntarily recommend your casino to other people, who become advocates for your property not only create profit, they also generate new business and they are a highly accurate indicator of future growth. Our *Guest Advocate Index* reflects the degree to



In general, results of this macro-level analysis revealed significant correlations for a majority of the targeted industries, ranging anywhere from 0.68 or higher. These high correlations led to the interpretation that the “advocacy” question, when expressed in terms of % Advocate or *Advocate Index* scores, does indeed suffice as an aggregate loyalty metric for companies to track when gauging long-term corporate growth. Furthermore, results also indicated that the *Advocate Index* score’s expression of the “advocacy” question, rather than simply the % Advocate, maintains a stronger link to revenue growth rate for most industries. In other words, companies that maintain higher *Advocate Index* scores also demonstrate higher growth rates, whereas companies that maintain lower scores also demonstrate lower growth rates.

What is your *Advocate Index*? An uncomplicated survey that calculates the net number of Advocates your casino has.  $\text{Advocates} - \text{Opposers} = \text{Net } \textit{Advocate Index}$ . High Net *Advocate Index* Scores = Higher Future Growth. Why do you care? It’s the only accurate way to predict future growth.

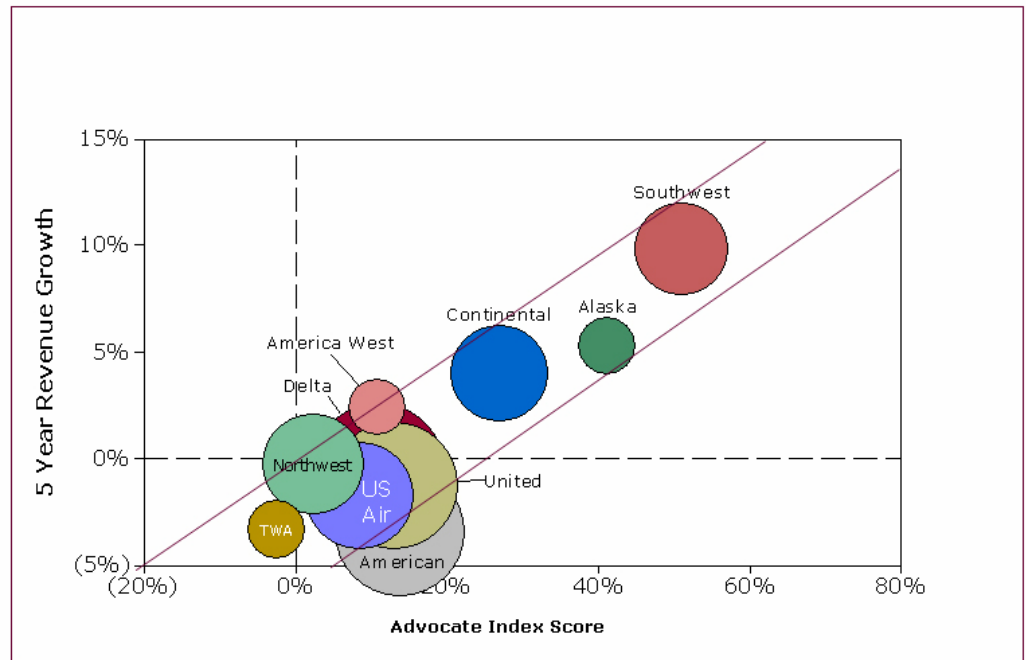
### Proven Track Record

Ten years of research of over 4,000 customers in 14 industries speaks for itself. Enterprise Rent-A-Car: Andy Taylor, the CEO of Enterprise Rent-A-Car, and his senior team have figured out a way to measure and manage customer advocacy without the complexity of traditional customer surveys. Every month, Enterprise polled its customers using just two simple questions, one about the quality of their rental experience and the other about the likelihood that they would rent from the company again. Because the process was so simple, it was fast. That allowed the company to publish ranked results for its 5,000 U.S. branches within days, giving the offices real-time feedback on how they were doing and the opportunity to learn from successful peers.

Intuit has had for years an outstanding track record for their ingenuity, drive, and accomplishments. Just in this past year (Q3 of 2005), Intuit had an increase of over 20% in its revenue and over 21% in its operating income. How are they doing this? As Brad Henske, Senior Vice President and CFO of Intuit, stated, “...simplicity sells.” With their always

customer driven initiatives and their *Advocate Index* focus, they are actively uncovering opportunities others have missed that expand the market and accelerate revenue growth.

Is the procedure working? Judge for yourself: Intuit, Dell and Enterprise Rent-A-Car are leaders in their respective categories. Is this a coincidence or are they on to something?



The correlation coefficient of 0.89 indicates that firms who have higher *Advocate Index* scores also enjoy higher long-term growth rates (e.g., Southwest), whereas firms who have lower *Advocate Index* scores also suffer from lower long-term growth rates (e.g., TWA).

As an example, the above chart plots the *Advocate Index* scores against five-year revenue growth rates for major companies within the airline industry. As seen from the chart, the correlation coefficient of 0.89 indicates a relatively strong relationship between advocacy and growth. This correlation coefficient of 0.89, when squared, indicates that 79% of the variance in revenue growth rates can be explained by the *Advocate Index* scores. Once again, companies that maintain higher *Advocate Index* scores also demonstrate higher growth rates, whereas companies that maintain lower *Advocate Index* scores also demonstrate lower growth rates.

### This Sounds Very Complex

To understand the simplicity of *Advocate Index*, you must understand the correlation coefficient. Correlation coefficient means, can you see a relationship between two different pieces of information? In our

case, there is a correlation between the *Advocate Index* and indicating future growth.

By asking one question, you collect simple and timely data that correlates with growth. You get responses you can easily interpret and communicate. Your message to employees – “Get more advocates and fewer opposers” – becomes clear-cut, actionable, and motivating, especially when tied to incentives.

The reason we use these terms is because they are the scientific side that casinos care about when making the decision to invest in a program like this. What most of the employees and management will care about is the *Advocate Index* score this month and whether it is improving. That’s about as simple as you can get. People only need to know one number.

### **Advocate Index As An Operational Tool**

*Advocate Index* is not a marketing tool, but an operations tool in which practices and policies are aligned to achieve higher scores. The targets are not only set in terms of number of guests visiting casinos or the revenues, but in terms of the higher trust of guests and a stronger relationship reflected in a higher *Advocate Index* score. This score measures how far the relationship with the guest has been nurtured by the casino and, in turn, affects the retention as well as multiplication of guests. *Advocate Index* is the most useful statistical tool to predict growth. Casinos have to follow a customer centric growth model like any other service industry. It is the experience, feel, and service that stay with guests when they walk out the door.

As author Michael Tracy said, “Customer Intimacy is the value of service, the differentiation and the relevance to customer. Developing such intimacy is the goal of casino management.” *Advocate Index* will provide top casino management with a simple tool for gauging guest experience and a means for measuring how guest advocates will affect other potential guests.

The ultimate goal of the casino is to make an “advocate” of every guest who not only comes to the casino every time but also brings others, as well as spreads word about the casino. Management needs to use

*Advocate Index* as its guiding tool. The operational excellence will come only with the resolve that each guest is to become a “marketer” for the casino.

Guests do not become advocates because casinos ask them to do so. They become advocates in absence of any such request. Casino management should realize, as have other industry managers, that advocacy is possibly the least expensive and most effective method of marketing.

“You might be surprised that the average company in America, the median, has only 11% positive *Advocate Index* scores. These are the same companies that are seeing their market research results give satisfaction scores ranging from 85% to 90%. Those average satisfaction scores are the same thing as 11% *Advocate Index* scores.”

Bain & Company Feb  
2004

### The First Step: Determine Your Guest and Employee *Advocate Indexes*

- A Guest Advocate is far more than a satisfied customer, far more than a loyal customer who devotes a larger share of his or her wallet to your casino. This person gladly spreads positive words about your casino. An Employee Advocate does the same thing. Advocates risk their own personal reputation to endorse your casino. That generates new business that, in turn, can create new Guest Advocates.

Simple baseline studies tell you the degree to which you have Guest and Employee Advocates and that data gives you your *Advocate Index*. This feedback will highlight specific improvement opportunities, so that action plans can be created and training and correction can be made. Highly successful companies have a high *Advocate Index*. According to Frederick F. Reichheld, a director emeritus and fellow at Boston-based strategy consultancy Bain & Co., as well as an all-around authority on consumer and employee loyalty, the average Advocate Index score of American companies is extremely low -- usually less than 10 percent. The companies with the most enthusiastic advocates receive Advocate Index scores of 75% to more than 80%. For companies aiming to garner world class loyalty - and the growth that comes with it – this should be the target.

### The Next Step: Make Improvements Based On Your Index

As Steve Bennett, CEO of Intuit, puts it, “I’m a big believer in the idea that anything that can be measured can be improved.”

- Your index may not be as high as it should be. With training systems and technologies, you can make improvements that will boost your index. Couple that with professional consulting, coaching, and routine follow up.
- It's important to note that while guest satisfaction is not your *Advocate Index*, guest service affects it greatly. That's why your employees are a substantial part of the success of the program. They deliver the service!

### The Final Step: Building the Culture

"I came to see in my time at IBM that 'culture' isn't just one aspect of the game - it is the game." -- Lou Gerstner (1942- ) former IBM CEO, credited with its turnaround.

According to Fast Company Magazine, culture is your organization's DNA - the blueprint for everything you do. To be better at attracting advocates - your culture must expect and foster advocates. Great leaders realize this. They know that "culture" isn't a single item on a task list. And it can't be delegated to a committee. It's all encompassing. It's the real work - and legacy - of leaders.

## Benefits of implementing *Advocate Index*

Our involvement with calculation, analysis, training and implementation will ensure that your casino guests have all the benefits of *Advocate Index*. Some measurable benefits immediately observable by using this index are:

- An easily measurable scale for prediction of future revenue.
- Extremely handy and easy statistical tool that is easy to explain to every employee in the casino.
- A value that reflects how much trust guests have in the casino and how far the casino has satisfied them.
- The *Advocate Index* is a value that helps set realistic targets that can be understood and realized.
- This industry invests in more employees than the cell phone and TV industries, as indicated by an Arthur Anderson report. Therefore, the need to keep employees happy is also extremely important. Poor morale and turnover can cost casinos millions of dollars in training and lost revenue. With the *Advocate Index*, employee morale is very high, as everybody has a simple task to focus on.
- This score's increase will automatically have a desirable side effect of increased satisfaction levels of employees.

After experimenting with *Advocate Index* evaluations for 18 months, Steve Bennett, CEO of Intuit, brags that his company's scores are rising -- and with them, market share, revenue, and operating profit. "This year Intuit expects net income to grow 20 percent to nearly \$545 million, on revenue of \$2 billion. In 2004, TurboTax's retail market share rose three points to 82 percent. QuickBooks's also rose three points, to 91 percent."

An 18-month evaluation saw a 20 percent increase in their net income. Apply that equation to your own revenue. You could potentially see an increase of millions of dollars in revenue growth.

## Conclusion

Current tracking methods are missing out on the key core metric for projecting growth, the *Advocate Index*. Senior casino management has the daunting task of figuring out how to improve growth rates and predict future growth correctly. The key idea is to immediately adopt the *Advocate Index* as an operational tool and start working on implementation to correctly gauge the future growth rate and realize the potential growth. Until this index is implemented, the employees trained, and a culture is built, growth will not flourish. An investment in human capital and a perspective shift will enable a system that will create advocates out of everyone that comes in contact with your gaming experience. Eventually, this will lower marketing costs and employee turnover and increase revenue.

\* *Advocate Index* is a trademark of Robinson & Associates, Inc. The methodology that is used in the *Advocate Index* is similar to those used by other companies in non gaming industries. For simplicity in this white paper the term "*Advocate Index*" is used when referring to the methodology to avoid confusion. Also, terms that other companies use are protected by copyright law.

### **About Robinson & Associates, Inc.**

Robinson & Associates, Inc., is an Annapolis, Maryland-based global guest service consulting firm that provides specialty guest service training, management skills training, presentation skills training, team building programs and employee incentive and recognition programs for the gaming industry. Martin R. Baird is chief executive officer of Robinson & Associates and author of "*Gaming Guest Service from A to Z*," a book that uses the alphabet to help gaming executives, managers and employees understand the importance of outstanding guest service and how to provide it. The company's Web site, [www.casinocustomerservice.com](http://www.casinocustomerservice.com), is devoted to helping casinos worldwide improve their guest service so they can compete and increase revenues. Robinson & Associates is a member of the Casino Management Association and an associate member of the National Indian Gaming Association.



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