Case Study

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The IDM Business Performance Awards 2005 — Overall business performance award (the Diamonds)

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Abstract

The winner of the Diamond award in 2005 for overall business performance was Gala Group, with its agency Perspektiv Marketing/ISD Computer Services, for a campaign that used direct marketing to enable a retail business philosophy. Gala's use of direct marketing is unusual for a retail business in two respects: instead of adopting direct mail (as increasing numbers of retail businesses in recent years have learned to do) simply as an add-on mass-communication medium, it has created and used a customer database to select and target small specific customer segments with customer-relevant messages designed to drive footfall; it has also used the power of the computer not to centralise decision making — as is so often done — but, contrariwise, to devolve power and responsibility within the business to local managers, giving them improved tools to do their job with considerably greater speed and flexibility than could be achieved by a centralised operation.

Gala Group

Devolving power...

... to the retail interface

Daily campaign turnaround

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Introduction

Gala Group Ltd is the UK's largest bingo and casino operator. Much of its success has been attributed to a management philosophy of devolving responsibility and accountability down to the primary customer retail interface, the clubs.

This case study is based upon the development of direct marketing as a practical club-based discipline that became a major contributing factor in the realisation and success of that philosophy. This development required that much that has been traditional in direct marketing, such as high-volume campaigns and long lead times, be abandoned in recognition of the particular requirements of local retail marketing, such as daily campaign creation and turnaround, flexible promotional offers, very low-volume campaigns and local club personalisation.

This case study will describe how Gala met those challenges and how the clubs enthusiastically adopted direct marketing, making it their main customer communications medium. It will also use a single club's campaigns to illustrate both the success of local direct marketing and how

Bingo and casinos

Gala continues to develop its local direct marketing for the benefit of the clubs and the business as a whole.

Business/market context

Gala Group has two divisions, bingo and casino. At the time of writing it has 168 bingo clubs and 28 casinos. All of the clubs are situated in or around town centres. Bingo particularly is viewed as a high-volume, low-stake business. Gala is essentially a leisure and entertainment retailer with the dynamics that go with that description, in that it is seeking profit based upon attendance (foot flow) and turnover.

The legislative framework within which Gala's industry works requires that all customers become members of the club that they use and that they show evidence of membership (a membership card) when using their club.

Gala treats each of its clubs as a stand-alone business unit, giving them significant autonomy in terms of business operations and member communications, supported centrally by national brand and member recruitment marketing campaigns.

Within a typical bingo club there are three play sessions per day, early afternoon, late afternoon and evening. The primary business dynamic that can be influenced by local managers in the short term is attendance. Managers generate attendance by communicating both national promotions such as Mothers' Day and locally generated promotions from their own promotional budgets, such as half-price games within selected sessions.

Reacting to local conditions

Club attendance patterns can be and are influenced by short-term local changes such as the weather, TV and competitor activity. Managers react to local conditions using their promotional budget to create events and offers, but they require rapid targeted communications to make best use of their investments.

Gala realised this and, in order to give its clubs the marketing capability they needed to match their autonomy, developed over five years ago a series of process tools to provide the clubs with local, rapid-response direct marketing.

Objectives

Gala's overall objective was to enable its club managers to communicate via direct mail with their local members about events and special promotions at their club in order to generate attendances. Bearing in mind the dynamics of its retail environment it also wanted to give them the following:

- the use of its local membership database for targeting
- a selection of ready-made, centrally branded creatives, both letters and postcards
- the ability to create their own copy to support local promotions
- the option to include tailored and personalised incentive vouchers
- the option to create mail campaigns of any volume from one upwards

- the ability to create a campaign and have it despatched within 24 hours
- the ability to manage their campaign costs
- the option to track their individual campaign results, both numerically and graphically, using control groups and attendance comparisons over time.

Strategy and execution

A three-level strategy was executed:

The database

- the creation of a real-time, club-level member database based upon member application forms and the attendance data captured whenever a member entered a club

Selectivity

- the development of a campaign creation tool for use within each club, incorporating the ability to select populations, create tailored mail packs and postcards from a broad range of creative templates, manage promotional budgets and track individual campaign results

Daily production

- the development of a production system capable of the daily proofing, production and despatch of large numbers of locally tailored, small-volume campaigns.

The combined processes that were created from these strategies for the bingo division were called the 'Impact' system (Figure 1).

An overview of the Gala bingo club direct marketing system — 'Impact'

The member database contains information about who the Gala members are and where and when they transact with Gala. This knowledge, which is updated daily, is used to attract and encourage regular Gala bingo players to continue to play at Gala and to play more frequently. All bingo and casino operators are required by law to maintain membership records,

Figure 1: An overview of the Gala bingo club direct marketing system — 'Impact'

Use of membership cards

but Gala has recorded, stored, analysed and actively used the information it has gathered to attract and retain valued members.

The refreshment or updating of the information in the database comes about because all Gala members are required to show their unique Gala membership cards upon entering their clubs. Those cards have to be swiped to show proof of membership, and that swiping process is used to capture information about who attends what clubs and when.

The software

The user-friendly software application (Impact is the bingo version) is made up of three distinct elements. The first is a set of pre-designed marketing creative templates (letters, postcards and incentive vouchers) that have different purposes, such as birthday congratulations or encouraging lapsed members to return. Some include money-off vouchers to be used by the member. The second is a sophisticated list selection tool, specifically designed to be quick and easy to operate, that gives the user the ability to select lists of members from a broad range of criteria. For example, if a bingo club manager wants to communicate with all his female members aged between 25 and 45 who regularly visit his club each Tuesday evening, this tool enables him to do so. The third element is the costing and results-tracking part of the tool. Each marketing creative referred to above costs a specific amount to produce. The tool will automatically calculate the cost to the club manager of a marketing campaign by reference to the creative he uses and the volume of members he selects. Additionally, if the manager wishes, the tool will select from within his campaign member list a random sample that will not be mailed (a control group), and will then track the behaviour of the control group against the campaign group to enable the true incremental value of the communication to be tracked and measured. The end result is that the user has, within his campaign, a creative message, the people to whom he wishes to send the message and the ability to track both the costs and the results of his actions. Finally, it should be noted that all this can be completed within a matter of minutes.

Personalisation and despatch

The final element is the personalisation and despatch of the campaign communications to members. The campaign, containing the creative and member list as described above, sits within the application until it is 'collected' over a secure electronic link and downloaded to a specialist digital print supplier with a rapid-response print, mailsort and despatch capability tailored to Gala's requirements. The campaigns generated are produced and despatched within 24 hours and, because of their precise customer selections, typically average only 300 items per campaign, although with total volumes that can peak at 70,000 per day. Additionally, because of the ease of use and commercial power of the tool, 20,000 campaigns per year are generated by the clubs.

Target market and targeting

Bingo club members are typically older and from lower socio-demographic segments. Club managers have the ability to target using data captured from application forms, for example name, address, gender, date of birth and also frequency data. These include both date and time of visit. Combining all these data has also enabled Gala to create a

Types of campaign

frequency-based member segmentation system that can also be used for targeting.

Campaigns clearly vary from club to club, but would typically include birthday campaigns, lapsed member campaigns, lapsing member campaigns, new member campaigns and frequent-user reward campaigns.

Gala has also recently introduced technology to one club to enable it to capture transaction data in addition to frequency data.

An example of club campaigns

Testing

Within the club that is able to capture transaction data, a sequence of campaigns was created to determine how the attendance and transaction patterns of members could be influenced to increase margin by offering differing incentives according to transaction segment.

Transaction data by amount and game type, along with frequency of visit and margin per game per member, were analysed. Members were divided into groups according to the games they played. Each group was further split into four visit frequency segments, from high to low. These in turn were then split into four margin groups from high to low, giving a total of 73 selectable play groups.

The members within play groups that did not include high-margin games were mailed with differing values, numbers and types of incentives, according to their current play pattern and member value to Gala, to encourage them to try the new games. The margin contributions of the mailed groups were compared with control groups both before and after the campaigns.

Results

Results are expressed at the level of overall business performance over the past five years in conjunction with the campaign volumes despatched via the Impact system, to give a view of the overall relationship between direct marketing within Gala and the business success.

As clubs have harnessed the power of their Impact system, mailing

Figure 2: Gala Impact: Mailing volumes versus profit

Growth in earnings outpaces growth in mailings

volumes have increased by 40 per cent from 5 million to 7 million pieces per annum over the five-year period (although remaining fairly static over the last four years), while earnings have climbed by 70 per cent.

Analysis of the play groups described above also showed that the margin contributions of the mailed groups compared very favourably with the control groups.

Where next?

The philosophy of devolved responsibility applies to both Gala divisions, bingo and casino. Consequently Gala has recently developed and launched a casino equivalent of its Impact direct marketing process, called Cascade.

Additionally, as mentioned above, Gala has explored within one club the commercial value to be gained from capturing transaction data, though at this stage it is evaluating how the findings from this exercise can be applied within the industry's legislative framework.

Last, but not least, Gala is also currently testing the use of mobile text marketing via Impact and Cascade to its members.

Conclusion

Gala has used direct marketing not simply as a distribution channel, a communications tool or a mechanism to deliver promotions; it has used it as an expression of its management philosophy.

Direct marketing, via the Impact and subsequently the Cascade processes, has been fundamental in enabling its front-line managers to 'own' their businesses. It has been a major driving force in the success of its business for the past five years, and is still being evolved and improved to meet business and customer requirements.