

Marketing



Lost In Translation

Marketing is often viewed as being synonymous with advertising and promotion but specialists in the field will be quick to point out that they're in fact not the same thing. Advertising and promotion are revenue building activities that on their own don't translate into a better bottom line - they may bring patrons through the door but don't typically consider all the costs associated with serving them. Meanwhile, marketing is a global activity that focuses on balancing all aspects of product and service delivery with an aim of developing initiatives that will turn increased patronage into profits. So, why do clubs get lost in the translation? Former UNSW marketing lecturer, Richard Carter, examines the challenges in association with PhD student Colin Farrell from Russell Corporate Advisory and Clubs Consulting. Photography by Gemma Quilty.

Clubs have had little need to be marketing-focussed in the past and it's no secret that gaming machines have ensured business sustainability. It also comes as no surprise to hear that times have changed. Legislation aimed at reducing problem gambling has seen per capita expenditure stagnate. Forthcoming changes in smoking regulations and an ongoing reduction in gaming machine entitlements

as well as the annual tax increases will limit gaming machine revenue even more. Not only are sales flat but after-tax surpluses will decline dramatically in the short to medium term and as a result, net sales will be down while fixed costs and overheads will largely stay invariable; and while there's some scope to reduce variable costs, there are significant limitations given the opening hours and

high fixed asset base of most clubs.

Clearly the way for clubs to overcome these hurdles is to tap into new markets and increase patronage. However, there are even challenges in executing this. The club market in many localities is fixed (and even shrinking). Often the only way to grow is at the expense of other venues, and such a strategy doesn't increase the market but leaves clubs scrambling to get



a slice of an increasingly smaller pie. Clubs are also losing their share of hospitality and recreational expenditure to other forms of entertainment and the dependence on gaming revenue has led to a 'blinkered' vision over other recreational items now on offer.

So, the time has come to shake off the complacency generated by gambling revenue and enter the wider hospitality game. However, the reality is that very few have sophisticated knowledge on how to align their products and services with market demands. Too often it's assumed that advertising and promotion alone will bring new patrons through the door - this simply isn't the case.

Advertising and promotion are vital strategies in a comprehensive marketing plan but they're merely the 'icing on the cake.' These activities assume people will come to a venue simply by hearing about

it but it doesn't work like that. Without an understanding of customer needs, advertising and promotion is a waste of time. And it can also be an expensive waste of money that has the potential to carelessly backfire if false expectations are created and the customer's let down.

Meanwhile, marketing is a global strategy aimed at fully aligning a business with its customers. It pays attention to all the ingredients of an operation - the product, price, physical environment, service - and matches these components with the customer's perception of value.

So, it's time to start with the customer! Marketing always begins with an understanding of the needs of the customer. The vital first question to ask is, "Who are our customers and what are their needs?" This question will lead you to three categories to consider: existing, lapsed and potential customers.

Existing customers are core revenue providers. They're easy and inexpensive to market toward because a relationship already exists. Changes made to products and services aimed at attracting new customers shouldn't put established customers off. An exception may occur if it's discovered that existing customers are a dwindling group that are driving other customers away.

The easiest way for a club to gain information about existing customers is to analyse their current membership database. Typical questions asked might include:

- a) How many members do we have?
- b) What is the average duration of their membership?

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- c) Where do they live?
- d) What is their age profile?

Information sifted from your current database can be compared with previous years to collect further insights. For example, How many new members is your club attracting?; Has the visitor profile changed?; How many members have you lost?; and, Who are our most valuable customers? Trading figures can also be analysed to find out when customers frequent your club and where they're likely to spend the most money. This information can be supplemented with surveys that ask more specific questions about what your members like and dislike about the club's facilities and services. Questions may also be asked regarding other recreational interests and whether your patrons visit other venues.

Surveys can take several forms - a written survey mailed to members, telephone interviews or an intercept survey. Intercept surveys involve a staff member or third party asking questions (with permission) when customers are at your club. If you choose to use the third strategy for gathering information, it's normally conducted through focus groups. Typically these groups involve 10-12 club members who are invited to an informal discussion moderated by a trained facilitator. The aim of this technique is to gather information, not only about how people feel about the club, but why they feel that way. For example, a general survey may indicate that customers consider the level of service to be average, but what does this mean exactly? Does it imply that staff lack enthusiasm or are they lacking in knowledge? Or, does it mean that there is

not enough staff rostered on? A focus group discussion can colour broad statistics with telling details.

Clubs should also be aware that there's no greater source of rich information on customers than your own employees. Employee focus groups also provide valuable insights into existing services and customer perceptions of value.

And did you know that one technique for gathering information that isn't recommended is the 'customer feedback form?' It should be noted that, in general, people who fill in these forms have either had a very good or very bad experience - they either want to share their joy or vent their spleen by complaining. It's for this very reason that the feedback is highly distorted. Another reason to avoid such feedback techniques is that a limited number of forms are completed relative to the actual number of guests who use your facilities. Feedback forms are simply not representative of the club experience overall.

Your techniques used to gather information can also be conducted with lapsed customers, including past or current members who aren't using the facilities. Surprisingly, this group is both easy and inexpensive to bring back - they already have an awareness of your service, a history of use and some psychological commitment but it's up to you to find out why they haven't returned. Have they moved? Have their financial circumstances changed? Have they simply forgotten about your club? Are they using another recreational venue?

Often customers terminate their memberships for valid reasons outside of your control but some may have left for reasons that indicate issues that may possibly lead to other members jumping ship. Bearing in mind that word of mouth advertising is the cheapest and best way to promote your club, it's important to maintain good relationships with every customer, even those who have left. In fact, a survey of past members does a lot more than simply collect information - it can also improve the perception of your club. People feel honoured that their views are being sought after. Any past grievances are aired and customers, even if they are unable to return, leave knowing that they have been heard and respected. It's these customers who will maintain a good opinion of the club if and when they are asked.

Demographics

The Australian Bureau of Statistics collects a wide variety of information about people living in your community, including information on age ranges, gender distribution, family sizes, income levels, ethnicity and other household facts. Some of these statistics can be accessed for free; others can be purchased for a relatively small cost.

So, just why is this information useful to registered clubs? Most importantly, it allows you to compare the wider community profile against your membership base. Are there areas of opportunity? Can new members be brought in if goods and services are created to meet their needs? Clubs can also compare current census information (2001) against the previous census (1996)

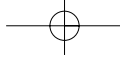
to see how the demographics in the community are changing and what implications this has for your long-term operations and prosperity.

The Marketing Mix

Surveys, focus groups, trading figures, membership analysis and demographic data assist clubs to create a clear picture of existing and potential customer bases. But this exercise shouldn't be seen as the target audience for advertising and promotion. The objective now is to develop a profile of products and services that are clearly differentiated from competitors. Such a profile forms the basis of your club's marketing mix.

The term 'marketing mix' was originally coined by manufacturing companies and began with a focus on the 4 'P's': the product, the price, the place (where the product was sold), and how it would be promoted. Manufacturers relied on a balance of these elements when selling goods through wholesalers and retailers and it informed them of their marketing choices. For example, if you consider a product such as 'Head & Shoulders' shampoo and what way it should be distributed and to whom, firstly you need to define the product - it's a family dandruff shampoo; then, define the price; point of sale (place); and, the promotion, accordingly. This particular product meets the needs of the household market, is sold at an affordable price through supermarkets, and promoted to families.

Defining a product, its price, the place where it's sold and the appropriate promotion are an important part of any marketing strategy. However, a club is doing a lot more than simply selling a



product - it also sells a service, and marketing a service is a much more complex task. Product marketing is relatively straightforward because the customer can judge the quality by sight, touch, smell and taste. Evaluating a service is far less discernable and yet in the hospitality industry service is a vital component of success. Customers do not come to a hospitality venue simply because it has particular products; they are looking for an experience - a more difficult deliverable to get right.

To some extent the importance of service and creating an experience may have been lost in the club industry due to the over-reliance on gaming revenue. The reluctance to focus on service as an important component of an experience and to use proficiency in that area as a marketing tool is probably also related to the challenges in getting the service right.

Service Marketing

As mentioned before, it's easy to judge the quality of a product because a customer can see, touch, smell and taste the item. However, service is intangible and highly personalised. What one person may define as good service, another may deem as bad.

Service is also a highly perishable commodity that cannot be placed into inventory. Consider a restaurant filled with wait staff but not with customers - the ability to serve those missing customers can't be returned. The opportunity is missed, revenue is foregone, and yet the cost of providing the service is still incurred.

It's also very difficult to monitor and

control the quality of service unless it's highly standardised. Service is a consumable that relies on an interaction between people. It's consumed as it's produced. Service can easily drop during busy periods - the very time when guests should be impressed. Nevertheless, there are tools that can assist in defining and improving service delivery. More recently, and with the growth in service industries, three new Ps have been added to the original marketing mix.

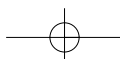
The first is 'physical environment,' which refers to more than just the place where the product is sold. It includes the fit-out of that environment, its furnishings, lighting, physical space, signage, and so the list goes on. Next up is 'processes,' which covers the way in which a product is delivered. For example, when a customer visits a restaurant or bistro are they offered self-service or table service? When change is required for a gaming machine how is it provided - do customers come to the front desk or does a cashier personally attend to them directly? And finally, arguably the most important factor is 'people.' Who are the people serving your customers? What are their knowledge levels? How are they trained? How many are rostered at a time? What is their understanding of customer service? How enthusiastic are they as a result?

Clubs should undertake a thorough examination of all seven 'Ps' when assessing their strengths and weaknesses against their competition. It's not enough to say that the products on offer are gaming machines and food & beverage. Products must be broken down into

discrete and detailed categories. For instance, information on gaming machines should include the number of machines, how they are laid out, the denominations and the games on offer. Information on other products and services should be equally detailed - How many food and beverage facilities are there in the venue? What type of food and service do they offer? This detail provides a clearer understanding of current operations against which customer expectations can be compared. Knowing your customers' very specific needs and recognising where your business is hitting the mark and missing it is the foundation for a good marketing plan - it identifies opportunities for creating perceived value and this is what attracts patronage.

There is a great difference between perceived value and price, and you shouldn't equate the two. Too often many believe a lower price equates higher value and use this as a measure against the competition. However, the issue for the consumer is not the product's price but the perceived value of the service. In service industries perceptions of value are influenced by a marketing mix that includes all of the elements - product, price, place, promotion, physical environment, processes and people must all be aligned.

If you reconsider the previous example of marketing 'Head & Shoulders' shampoo, the product (a family shampoo), the price (affordable), the place of sale (accessible to families), and the promotion all meet to deliver a concept of value. On the other hand, a young single woman might perceive value in purchasing a much



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higher priced product in a hair salon. In this case, she would be influenced by her physical environment, the level of personal attention afforded by her hair dresser, and the process through which she bought the product - the fact that she was sold the shampoo while she was still sitting in a chair. The young single woman's concept of value is also affected by her disposable income, her age, and what she deems important in her life.

Clubs must also align their products and services with their customers' needs. If it's discovered that the community is after a family experience where they can bring their children, there isn't any purpose in having a luxurious fit out. Casual dining might be the order of the day in a friendly bistro with easy-to-clean tables and chairs. Parents will be less stressed in such an environment and see the experience as a good one. Their perceptions of value will relate to the ease of service, the affordable price of the food, and the availability of children's menu items. Ultimately, it's a consistent marketing mix.

Where to Spend the Marketing Dollar

As already mentioned, it isn't unusual for business operators to think solely of advertising and promotion when they allocate the marketing dollar. But promotion and advertising is about pushing your product into the market, whereas marketing is about identifying unmet needs and creating products and services that draw the customer in. As a result, true marketing spends money on aligning goods and services with customer needs. The smart operator might consider staff training to be a component of the marketing budget. Reviewing and

improving service delivery processes should also be considered a core component. A marketing plan establishes unmet needs and then articulates how an organisation plans to fulfil them. The key to success is to know what customers you want to attract and ensuring your product and service delivery is aligned with their expectations.

Once the marketing mix is correct, an operator can then invest money in promotion and advertising with greater

confidence. However, these activities should be the very last thing you do and not the first. Clubs considering boosting patronage through a promotional campaign must begin with identifying customer needs and then tailoring their goods and services to meet those needs. This will ensure new and existing patrons are satisfied. The most enduring advertising takes the form of satisfied customers who promote your club through word of mouth. ■

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