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Harrah's Entertainment Inc.: Case Study

Background

Harrah's Entertainment Inc. is a long-time player in the gambling industry. The company started in 1937 in Reno, Nevada; had the physically largest casino in Lake Tahoe by 1955; and by 2000, it had 21 casinos in 17 different cities, including Las Vegas and Atlantic City. Casinos had existed in Nevada since the 1930s, and they spread into Atlantic City in 1978. In the 1980s and 1990s, casinos opened around the country and became more grandiose, showy, and entertaining, but most casinos were still in Las Vegas or Atlantic City. Vegas was a resort destination in which people typically spent a week, while Atlantic City was typically a daytrip.

Philip Satre joined Harrah's in the 1980s, and eventually became CEO in 1984. His early strategy was to focus on the people and communicating with customers. Satre would chat with customers, asking them where else they would travel. He developed customer rewards programs for Harrah's, which varied from location to location. Satre wanted to integrate these different programs into a single program, in order to promote customer loyalty across locations. He worked with IT to implement a national database, Winner's Information Network. This database allowed them to implement a "common card" as well as collect data on customer purchases. Even while competitors were building extravagant resorts, Harrah's wanted to focus on its core competency of having a loyal customer base. Yet despite Harrah's loyal customers, the company was struggling to compete.

Marketing Efforts

Satre recognized that Harrah's had great technology and operations, but needed to strengthen its marketing. He wanted customers to be totally loyal to Harrah's multiple locations, so he brought Gary Loveman onboard, who implemented a three-part program:

1. *New Organization Structure*, in which division heads reported to Loveman instead of the CEO, in order to promote more unity across locations.

2. *Brand and Service*, to differentiate Harrah's based on excellent customer service and friendliness, and based on gaming and the feelings of "anticipation and exuberance" that people feel when gambling.
3. *Customer Relationship Management (CRM)*, consisting of Database Marketing (DBM) and Total Gold Program. These were important analytical tools, and will be discussed in more detail.

Total Gold Program (later renamed "Total Rewards"). This program was intended to generate loyalty across Harrah's multiple locations. The program required an integrated IT network, which tracked customers information in real-time across locations. (Harrah's patented this technology, which would have given the company a competitive edge over competitors.) The rewards were tailored specifically to individual customer preferences, with great incentives for signing up. Customers were aware that their gambling data was being recorded, but since the rewards were specific and valuable to them, it was not perceived as an issue.

Database Marketing (DBM). The data collected from the Total Gold Program was used to develop customer profiles with DBM, and calculate the "customer worth," especially whether they were an "avid experienced player" who would spend more at casinos. The rewards program would track all customers' spending and gaming habits, betting patterns, hotel and dining preferences, typical duration of stay, and also their home information. The database could flag any differences between predicted and actual behaviors, so that Harrah's could hone in on those differences and 'fill' customers' anticipated desires, thereby increasing the customer's frequency, duration, or budget. The database also made it possible to track whether marketing efforts were successful. They discovered that less expensive rewards (e.g. $60 in chips instead of hotel/food accommodations) generated more gambling, and thus were more financially successful for the company. In this way, Harrah's was able to eliminate wasteful spending on hotel and food accommodations. The Database Marketing approach allowed Harrah's to direct its marketing efforts towards both generating new customers and increasing loyalty and retention.

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Harrah's marketing efforts were a great success. Its earnings doubled in the past year, and stock prices quickly rose. CEO Philip Satre was asking Loveman two things: 1) the extent to which the marketing efforts contributed to Harrah's overall performance, and 2) whether this was a one-time event.

How to Respond to CEO

First, the program that contributed the most to Harrah's success was the Customer Relationship Management (CRM) initiative, including the Total Gold program and DBM. The Total Gold program encourages customer loyalty, but it also tracks customer behaviors over time, which feeds into the DBM program. The data gets collected and analyzed, so that Harrah's can better understand its customers, and subsequently create a customer-centered marketing strategy. The analytical technology used by Harrah's is able to essentially predict which customers have the potential to spend more at the tables, and Harrah's could focus on building relationships with those customers.

Second, this was not a one-time event, but a sustainable program that will give Harrah's an edge for a number of years. Collecting and using data to help understand their customers helps Harrah's make smarter decisions, lure new customers, and retain long-time customers. Customers are more likely to stay and gamble at Harrah's, due to the rewards and promotions customized to the customers' preferences. While competitors are creating extravagant displays that people may simply view and walk past, Harrah's is creating long-term solutions for attracting and keeping customers at their casino tables, which will keep generating income for years to come.

Post-Discussion Summary

Many interesting topics came up in the on-line discussion, including sustainability; Harrah's focus on customer service; the idea of collecting personal data for marketing purposes; and whether online gambling provides growth opportunities.

- *Sustainability*. Several in the cohort discussed whether Harrah's marketing strategy is sustainable. Harrah's (and any business) always needs to be looking for new and better perks/incentives to keep customers coming. So, the loyalty program and

incentives will need to continually evolve. It looks like WINet -- and the subsequent incorporation of real-time capabilities -- have given Harrah's the right tools to be able to be able to continually evolve. The company now has the capability to know, understand, lure, target, and cater to their customers. Harrah's now can give customers, especially those most valued customers, a dynamic experience, personalized specifically for those customers and their tastes. The scenario on pg. 10-11 of the optional article is a perfect example of this: that couple gambles all day at Harrah's under its dazzling lights, eats for free at Harvey's (a subsidiary of Harrah's), stays at the hotel for free, then the best part: they are handed 2 tickets to tonight's Improv Show as a thank you (their favorite show, and of course, located at Harvey's). So, Harrah's can add variety in its dining options, shows and entertainment, etc. And yes -- it needs to make sure its buildings/decor are attractive, not run-of-the-mill. The data should also reflect customer tastes on the buildings and ambiance, so Harrah's can make remodeling decisions based on that.

Moreover, since WINet is tracking everything under the sun, including demographics, hotel/dining preferences, and game data, it has these predictive capabilities that can (hopefully) forecast what customers might be like in 2, 5, 10 years. The company can look at demographics, for example, and start planning ahead. So the loyalty program alone might not be enough to keep customers coming, but the data it tracks/stores, and the decisions Harrah's can make based on that data, is key.

- *Focusing on excellent service*. Many people agree this is key. Harrah's has stuck with its core competency of providing excellent customer service and a dynamic experience. The real-time capabilities, in particular have allowed Harrah's to make immediate decisions, such as give free show tickets to highly valued customers.

- *Ethics of collecting personal info and using it for marketing*. Many in the cohort agree that there is no privacy, and while people don't like it, many have come to accept it. Something I found fascinating with Harrah's is that they categorize customers based on their worth or potential worth, which affects how the customer will be treated. So theoretically, it sounds like a customer with 'low (potential) worth' will be told there are no rooms available, whereas a customer with high (potential) worth will be given a room with free upgrades. At first glance, this preferential

treatment sounds like something that could get the company in legal trouble at some point.

- *Online gambling*. It seems like online gambling could either be a growth area or liability for Harrah's. At first glance, anything online seems like a growth area, because most businesses have embraced online transactions. However, in the gambling industry, only a handful of states allow online gambling; for most others it is illegal. (https://www.playusa.com/us/) Furthermore, it is questionable whether it is legal to gamble online across state lines (i.e. I'm in Minnesota trying to gamble online with a casino from New Jersey). It doesn't sound like it. If I understand correctly, banks are not allowed to facilitate transactions for illegal online gambling, which includes placing bets in a state where online betting is illegal. But it depends on the interpretation of laws. It's not an easy yes-no answer. (References: https://www.njgamblingwebsites.com/legal-united-states-online-gambling-nj/, and https://en.wikipedia.org/wiki/Online_gambling) So, in this regard, it seems like online gambling could be either a growth area or perhaps a liability.
- *Caesars*. Ben Lindsey provided a great summary of how Harrah's continued to evolve, and eventually changed its name to Caesars. He discussed how the data has helped the company strengthen its market position, even over some tough competitors.

Reference:

Lal, Rajiv. *Harrah's Entertainment Inc*. Harvard Business School Publishing, Boston, MA, 2001.