

## Harrah's Entertainment Harvard Business Review Case Study

### **1. What are the objectives of the various Data Base marketing programs and are they working?**

1.1. The objective of the *New Business Program* was targeted towards the improvement of the effectiveness at converting new *Total Gold* members into loyal customers. The program used predicted customer worth (theoretical wins) to make more effective investment decisions at the customer level. This program was a success, since the result of *Total Gold* led to a significant growth in cross-market revenues: from 13% in 1997 to 23% in 2000.

1.2. The objective of the *Loyalty Program—Frequency Upside* was related to identifying customers that Harrah's was only getting a small portion of their total spending in a particular market. The programs were targeted to offer incentives for these customers to encourage them to visit Harrah's properties more frequently. This pool, initially, was of 953 customers and they calculated the profitability of these programs by comparing the incremental theoretical wins to the incremental cost of the program. Due to this program the number jumped from 30 to an average of 150 customers per month. Customizing offers led to an increase of customers' visits from 1.2 to 1.9 times per month.

1.3. The objective of the *Loyalty Program—Budget Upside* refers to customers who were only giving a small share of their gaming budget to Harrah's per trip. This measurement relates to the sequence of the trips and the assumption that the first trip receives the largest share of the customer's wallet. The objective then was to encourage the customer to visit Harrah's first. The program resulted in a consistent increase of trips per guest between October to March from 1.8 to 2.5. Also, the redemption rate increased from 40 to 67%.

1.4. *Retention Program* was tailored to those customers who had broken their historical visitation pattern and showed signs of potential attrition. The key here was to determine how much to reinvest in retaining loyal guests. This program seemed to be working even though the cost of the offer had increased from \$30 to \$40. The rate of redemption was over 20%, translating into 1600 plus returning customers.

1.5. *Total Rewards Program* was put in place to capture the lost business by encouraging cross-market visitation among the Harrah's customer base. The goal was to make it easier

for customers to earn and redeem rewards. This program resulted in an achievement of a 72% increase in the number of customers visiting more than one Harrah's property.

## **2. Why is it important to use the "customer worth" in the Database Marketing efforts rather than the "observed level of play"?**

The "customer worth" calculation allowed Harrah's to begin building relationships with their customers based on their future worth, rather than on their past behavior. The historic transactional data was used to build these predictive models and to forecast customer worth, which was referred to as Harrah's "secret recipe". This calculation measured the potential of a customer and took into account the share of their wallet that was going towards other gambling properties, as opposed to just the limited spending patterns as shown by their Harrah's behavior. Being able to identify these "avid experienced players" led to Harrah's being able to identify that 26% of players provided 82% of the revenues, indicating a steep skew, which is an ideal scenario for CRM practices.

## **3. How does Harrah's integrate the various elements of its marketing strategy to deliver more than the results of Data Base marketing?**

One of the key factors to Harrah's success was their ability to re-organize departments and functions to include, and enroll, the various property managers that ruled their own domains. Corporate Harrah's was able to solicit and earn the buy-in of these stakeholders by informing, training and also via direct reporting, so that communication and benefits of the program were clearly understood. So, not only were the Data Base objectives achieved, but Harrah's was able to evolve and develop a customer-centric culture. This integration throughout the organization led to an overall adoption of the strategy to encourage customers to spend their money at Harrah's locations on a broad basis.

## **4. Can Harrah's strategy be replicated?**

As the Wall Street Journal reported, "The results are impressive enough that other casino companies are copying some of Harrah's more discernible methods." However, the exact technological approach that Harrah's took in predicting customer's worth cannot be replicated, since Harrah's has a patent on this technology. If a casino company shifts their emphasis to the building of their business on customer loyalty, as opposed to innovations of product or cost structure, or enhances their relationship marketing strategy, they too can market to their existing customers in a more targeted fashion; i.e. the Trump card for Trump Hotels & Casino Resorts.