Player Database and Loyalty Program

a. Loyalty Program

As the original pioneer of loyalty marketing in the casino entertainment industry, Caesars boasts the largest, most successful and most differentiating loyalty program, Total Rewards. The Total Rewards program ties together every element of Caesars' casino entertainment offering, including gaming, hospitality, nightlife, entertainment, spas, golf, skiing, dining, retail shopping, etc. at over 40 Caesars-managed casinos and resorts.

Total Rewards has a long history of industry-firsts, creating new ways to recognize and reward its members. Some examples are being the first program to allow comps to be stored from trip-to-trip, the first program to be usable across properties, the first program in the industry to introduce tiers with unique services and benefits and the first program to reward guests for hospitality spend (e.g., dining, hotel, shopping, shows, golf, spa, etc.).

Total Rewards is consistently rated the most preferred loyalty program among its members, with 64% of Total Rewards members citing it as their program of choice (vs. 32% for Empire City, 30% for Mohegan Sun and 19% for Foxwoods). Total Rewards was also recognized for innovation in 2012 and 2013 with the Colloquy Master of Enterprise Loyalty award, making Caesars the only company to win the award twice.

Total Rewards boasts unparalleled options for customers to earn and redeem Reward Credits, which are the currency of the program. Reward Credits are primarily earned through game play and hospitality purchases on property. In recent years, Total Rewards has expanded its network of partner relationships to give customers more earn and redemption options. Total Rewards customers can now earn and redeem Reward Credits for hotel stays with Starwood, tickets to live events through ticket reseller FanXchange and for retail purchases through the TR Marketplace which includes 500 online retailers and 3,000 stores.

Caesars captures the way in which it engages guests and employees in daily operations through its value of "Service with Passion". This focus on service creates a call to action for everyone to "take pride in everything we do." As Total Rewards captures guests' preferences, special occasions and needs, loyalty milestones and play levels, property operators are afforded continuous, often real-time, access to data that enables them to deliver personalized enhancements to each guests' experience. These often include shortened wait-times, acknowledgments of special occasions, personal greetings from property management during visits, access to special events and offers, exclusive access service lines and venues and many more features designed to create delight. Operators also respond quickly with personal follow-up communications when guests report service failures or disappointments. This occurs through an automated alert system known as Fix-It, also enabled by Total Rewards.

Caesars uses a rigorous measurement system powered by its Total Rewards database to collect almost half a million post-visit guest service surveys each year. The results of these surveys, including guest comments, are packaged and shared with management and staff each and every week of the year. The operations teams then utilize this information to drive improvements to both the guest and employee experience. Caesars also collects guest service intelligence through social media, which shortens the response time to guests and often accelerates the pace of improvement.

Finally, Caesars invests in employees by offering rewards for demonstrating measured improvements to guest service. Employees and Supervisors can earn bankable points in quarters where improvement over the service scores of the same quarter of the prior year meet certain thresholds. Earned points can then be banked and redeemed later for the latest merchandise, travel and tickets and media experiences. This commitment completes Caesars Entertainment's strategic cycle of rigorous measurement of the guest experience, using guests' satisfaction and Total Rewards data to drive continuous improvement and rewarding employees for delivering excellence.

b. Casino Customer Relationship Management System and Database

Total Rewards also maintains the largest casino loyalty customer database. Since its inception in 1997, the program has built one-to-one relationships with 45 million members. Today, Total Rewards tracks over 80% of customer gaming play. Total Rewards has also made strides in recent years to learn more about the hospitality spend of customers and currently tracks 60% of hospitality spend to customers.

Caesars has set the industry standard on using data and analytics to drive insights and business decisions. In the same vein, Caesars has continued to offer unmatched analytical marketing capabilities that outpace its competitors. Caesars has developed sophisticated customer valuation techniques to identify customers who are engaging below full potential. Caesars has also continued to refine predictive models for disengagement, which allows Caesars to attempt to re-engage customers as their play decreases. Caesars' customer relationship management capabilities have enabled the company to drive a 22% premium in gaming revenue per unit over its competition in destination and regional markets in which it operates.

c. Availability of Total Rewards and Database for the Marketing, Promotion and Advertising of the Gaming Facility

Total Rewards will be used for marketing promotion and advertising of the Gaming Facility. All Total Rewards customer data is exclusive to Caesars. Caesars does not sell or share customer lists.

Details on how Total Rewards will be used are shared in Section (f) below.

d. "Active" and "Inactive" Members in the Database

Total Rewards consists of 7.1 million active playing members and 37.9 million inactive members. The Total Rewards database also consists of an additional 1.6 million active and 18 million inactive hospitality members.

(Note: Hospitality only guests include guests who stay at a hotel but do not formally sign up for the Total Rewards program and online signups who have not completed the verification process.)

e. Number of Rated Players included in the Database Located within 50--, 100--, 150-- and 200--Miles of the Proposed Gaming Facility

Below are several different views of the number of rated guests in the Total Rewards database within 50, 100, 150 and 200 miles of the proposed Gaming Facility:

Active Guests:

CEC Guests within 200 Miles of 10926			
	12M Active	**13-24M Active**	**Total**
0-50	486,963	258,189	745,152
51-100	382,876	187,479	570,355
101-150	370,017	177,835	547,852
151-200	110,714	70,850	181,564
Total	**1,350,570**	**694,353**	**2,044,923**

Total Guests:

CEC Guests within 200 Miles of 10926			
	Rated	**Not Rated**	**Total**
0-50	2,307,852	1,200,693	3,508,545
51-100	1,967,865	960,469	2,928,334
101-150	1,634,825	803,470	2,438,295
151-200	711,526	448,474	1,160,000
Total	**6,622,068**	**3,413,106**	**10,035,174**

f. Use of Database and Total Rewards to Market, Promote and Advertise the Gaming Facility

Caesars will market its New York property to Total Rewards customers through a combination of Direct Mail and email offers (750 million direct mail pieces and 470 million email pieces sent annually), direct one-to-one VIP experiences created by its network of over 600 VIP Marketing Hosts, Junket Representatives and National Casino Marketing Branch Office Directors, real-time marketing while the customers are on property and a full calendar of entertainment offerings.

For direct mail and email offers, Caesars will package a basket of incentives including Hotel, Dining, Spa, Entertainment and Free Slot Play based on the intimate understanding of its customers. Caesars will use its innovative and proprietary predictive modeling, segmentation and analytics to predict the best combination.

Caesars has been very successful in offering incentives for Total Rewards customers to make cross-property trips. Over 70% of gaming revenue comes from Total Rewards members who play at multiple properties in the Caesars network. Offers to the Woodbury Gaming Facility will be sent quarterly to the National Total Rewards Database and will be integrated into existing and standalone marketing campaigns executed by Caesars' properties in Atlantic City, Philadelphia and any of its network of Casino Resorts as strategy and opportunity dictate.

For VIP customers, Caesars uses state-of-the-art technology to support the personalization of marketing messages. The VIP Marketing organization collects personal preferences information and tracks interaction points using a tailored CRM solution based on technology originally developed by Salesforce.com. Armed with personalized guest profiles, propensity scores, profitability potential information and guest preferences, VIP hosts are able to tailor communications and offers to maximize impact with Caesars' best guests. Caesars will use this technology to target and incentivize VIP guests within the proximity of the Woodbury Gaming Facility to visit.

Furthermore, Caesars' extensive background in multicultural marketing through its dedicated Asian, Latino and Middle Eastern Marketing teams and relevant in-language offers and entertainment offerings will be used to draw the large and diverse populations residing within 200 miles of the Gaming Facility.

Caesars has also pioneered the use of real-time marketing to customers, based on a combination of information about historical profile, real-time information and real-time location. Originally under the banner of Caesars' proprietary PRISM (Personalized Real-time Interactive Slot Marketing) project, the organization has created several distinctive capabilities that competitors have not been able to replicate.

Interactive CRM (iCRM) combines real-time information about current game play with historical information about past play behaviors. Together these two sets of information enable Caesars to trigger real-time offers to customers who are playing either above or below their individual historical levels. Customers can also be challenged to reach individualized play thresholds in order to receive certain offers (e.g., play to a certain level above your normal behavior and we will award you an additional personalized offer based on the individual's observed preferences.)

The same real-time rules engine underlies the Real-time Casino Marketing (RTCM) toolset. When VIPs arrive on property, check into the hotel, or sit down to play a game, the real-time rules engine can be configured to trigger notifications to casino hosts. For example, if a certain VIP has arrived on property after an unusually-long absence, a casino host could be dispatched in real-time to their precise location to welcome them back to the casino. Another example would be if a customer experiences a statistically-unusual run of bad luck, having lost a significant amount within a short period of time, the RTCM system can send a host to introduce themselves and offer to buy them dinner. The host notifications include all of the relevant information (e.g., name, loyalty program tier, profitability, length of relationship, physical location and information about the specific situation that must be addressed).

A full calendar of Events, Promotions and Headliner Entertainment will be planned and executed at the Gaming Facility catering to the spectrum of gamblers, from the casual retail gambler to the ultra-high end VIP customer, as well as the non-gaming hospitality customer looking for a unique high end experience. The structure of these experiences will be to go head-to-head with and surpass offerings at existing facilities in the Northeast and will include headliner Entertainment promoted by Caesars' partners at AEG Live and C3 Presents, Gaming Tournaments, Celebrity Chef events capitalizing on Caesars' third-party restaurant offerings by the world's top culinary experts, Signature Events for Top Tier Total Rewards Members drawing in customers from across the Unites States and internationally, as well as partnership marketing tying in Caesars' exclusive relationships with Starwood and Norwegian Cruise Lines.

Total Rewards will be used to promote the facility to new customers through many methods which have been proven across multiple markets. Caesars will promote a temporary loyalty card status match at launch for high end customers of local competitors. Caesars will also run proven acquisition campaigns such as "Play $100 on us" (slot customers are given a voucher which can be redeemed on their next trip for up to $100 in losses) and "Play 30" (play 30 minutes on property and eat free at the buffet) to acquire new members into the Total Rewards database. These methods were employed at Horseshoe Cincinnati, Caesars' most recent casino opening and over 50% of visitation in the first five weeks came from new signups to the Total Rewards program.

Caesars will support its direct marketing efforts with traditional, digital and social media advertising campaigns. Caesars spends over $45 million every year on offline advertising and an additional $21 million on online advertising. The new casino in Woodbury represents a significant expansion of the Total Rewards network and as a result Caesars will promote

the casino resort across its entire footprint. This advertising will include direct communications to all Total Rewards members, strategic advertisements in the 20 markets and their respective feeder markets, in which Caesars operates, as well as those in the forthcoming Woodbury market.

Attached are several supporting articles and case studies on Caesars' player database and loyalty program, including:

- Attachment VIII.B.2_A1 Stanford Graduate School of Business case study on Harrah's CRM
- Attachment VIII.B.2_A2 *Las Vegas Review Journal* article on Caesars expanding its Total Rewards Program
- Attachment VIII.B.2_A3 Article by Caesars Entertainment CEO Gary Loveman on Data Mining in *Harvard Business Review*
- Attachment VIII.B.2_A4 *The Plain Dealer* article on Horseshoe Casino Cleveland's loyalty program
- Attachment VIII.B.2_A5 *Harvard Business School* case study on Harrah's
- Attachment VIII.B.2_A6 Press release on Colloquy Master of Enterprise Loyalty award 2012
- Attachment VIII.B.2_A7 Press release on Colloquy Master of Enterprise Loyalty award 2013

Attachment VIII.B.2_A1

HARRAH'S ENTERTAINMENT INC.:
REAL-TIME CRM IN A SERVICE SUPPLY CHAIN

THE CASINO INDUSTRY

In 1931, the state of Nevada passed a law legalizing casino gambling. In 1935, Harold's Club opened in Reno, Nevada. In 1937, Bill Harrah opened his first club in Reno. This club was the first to attract large numbers of out-of-state patrons. Harold and Harrah's casinos were viewed as the first successes in the history of the American gaming industry. They encouraged the development of similar private and public casinos in Nevada, making Reno, Nevada the center of the casino industry at that time.

As of 2003, the industry had come a long way since its inception. A significant new expansion phase was started in the late 1980s, when Iowa and South Dakota legalized casino gambling. Nevada and New Jersey were the only two states that allowed such operations until that time. Many other states soon followed suit. In 2000, there were 11 states with commercial casinos, 23 with tribal casinos and five with racetrack casinos. The casino industry employed over 370,000 people and paid over $4.5 billion in state taxes.

Over the years, the competitive structure of the casino industry changed drastically from the early days when casinos were concentrated in one or two states. The industry became much more competitive with many new players attracted by the great profitability and numerous success stories in the market. Gambling of all sorts was much more easily accessible. One example of such increased accessibility was the rise of riverboat casinos (legalized in 1988 in many states that did not allow casino gambling). In 1999, $8.4 billion of gaming revenues (about 28 percent of the gaming industry's total) came from water-based casinos.[1] These types of casinos could be opened relatively quickly and cheaply as compared to traditional land

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[1] Graves, T., Industry Surveys: Lodging & Gaming, Standard & Poor's, McGraw-Hill, February 10, 2000, p. 5.

casinos, where serious entry into the Las Vegas market, for instance, could cost more than $1 billion along with several years of construction.

More recently, growth of the casino industry in general had slowed following the bursting of the "high-tech bubble" and then the disruptive effects of the September 11th events and the resulting economic slowdown. Since tourism was one of the industries most severely affected by the terrorist attacks, commercial casinos that depended mostly on tourists suffered heavily.

Another significant change affecting casinos was the introduction of online gaming. While regulatory issues still remained, this was fast becoming an important part of the overall gaming industry. With an ever-increasing number of people using the Internet and growing consumer confidence in online financial transactions, the number of people that were willing to gamble online increased sharply. Online gambling revenue grew rapidly from $651 million in 1998 to $3.067 billion in 2002,[2] mounting a serious threat to the traditional gaming business. However, as of 2003, it was still illegal to participate in online gaming in the U.S.

With overall revenue growing from $24.5 billion in 2000 to $25.7 billion in 2001[3] (see **Exhibit 1**), the gaming industry remained an important contributor to the U.S. economy. This growth was mainly driven by new gambling opportunities and customer-friendly regulatory changes. More than 53 million Americans visited casinos in 2002, with an average frequency of approximately one casino visit every two months (see **Exhibit 2**).

HARRAH'S ENTERTAINMENT INC.

With 26 casinos in 13 U.S. states, Harrah's Entertainment Inc. was one of the most recognized and respected brand names in the casino entertainment industry. Harrah's had grown quickly from the bingo parlor built by Bill Harrah in 1937, building and acquiring properties throughout Nevada and beyond.[4]

In 1973, Harrah's became the first casino company listed on the New York Stock Exchange (symbol: HET). In 2003, Harrah's operated hotel casinos in more markets in the United States than any other casino company, including outlets in Reno, Lake Tahoe, Las Vegas, Atlantic City, and New Orleans. The company also operated riverboat, dockside, and Indian reservation casinos (see **Exhibit 3**).

Harrah's was the world's third-largest gaming company, behind Park Place Entertainment and MGM Mirage.[5] It conducted its business through a wholly owned subsidiary, Harrah's Operating Company Inc. (HOC), and through HOC's subsidiaries. HOC owned and operated four casino brands: Harrah's, Harveys, Rio, and Showboat. In 2003, it was a $4.5 billion company with

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[2] http://www.nua.ie/surveys/analysis/graphs_charts/comparisons/gambling_revenue.html

[3] http://www.americangaming.org/survey2002/overview/

[4] For example, Harveys and Rio were two recent acquisitions.

[5] http://www.hoovers.com/co/capsule/1/0,2163,13861,00.html;
http://www.reviewjournal.com/lvrj_home/2002/Oct-11-Fri-2002/business/19823753.html

more than 44,000 employees, 1,458,021 square feet of casino space, 14,400 hotel rooms, 200 food outlets, 42,000 slot machines, and 1,200 table games.[6]

Bill Harrah, the founder of Harrah's, was committed to getting to know his customers and was keen to ask them their opinions and ideas whenever they visited. In fact, his conversations with customers led him to be the first to install carpet on a casino floor. This pervasive focus on customer satisfaction had become deeply rooted into Harrah's corporate philosophy and was the guiding force behind the company's remarkable growth. Harrah's was currently focused on building loyalty and value with its target customers through a unique combination of great service, excellent products, unsurpassed distribution, operational excellence, and technology leadership.

National Customer Database: The Beginning

Phil Satre, who became president and CEO of Harrah's in 1984, was guided by the same principles of customer satisfaction when, in 1988, he began sending feedback forms and congratulatory certificates to people who had won slot machine jackpots. By looking at the forms, he noticed that some customers often visited more than one Harrah's property. That insight ran contrary to a long-held corporate assumption in the casino industry that customers were generally loyal to only one property. Moreover, he discovered that these customers were a fast growing segment of Harrah's revenue.

He shared these findings with John Boushy, senior vice president of brand operations and CIO at that time. Together, they began to consider the possibility of tracking customers across different properties with a single national Player Card. The Player Card program was similar to the airline industry's frequent flyer program, but targeted frequent players at Harrah's properties. When a player inserted his/her card into the slot machines or the video poker machines, the amount of time he/she played and the wins and losses were recorded in the customer database. A customer earned points as he/she played more. These points could be traded for complements, or *comps*, such as free meals, hotel rooms, show tickets, air tickets, and even cruise trips. The program enabled Harrah's to track the playing behavior of its customers.

Before this, Harrah's already had a Player Card program, but the cards were valid at the issuing property only. In order to make a national player card program work, the company's highly decentralized operating structure and site-based IT systems had to be changed. For example, the company had to standardize the card-reading systems at all locations. The new nationwide Player Card program would allow them to implement a rewards scheme targeting those customers who visited more than one Harrah's property.

In the early 1990s, gambling on Indian reservations and riverboats was legalized and an expansion boom in the casino industry followed. Due to changing corporate priorities during this high growth period, the plans for the national Player Card program were marginalized, although Satre remained convinced that it was a worthwhile goal.

When growth began to slow down in the mid-1990s, Satre's interest in the project was rekindled

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[6] TIBCO Presentation to Harrah's CIO Tim Stanley, 2002.

by Gary Loveman, a Harvard Business School professor who later became Harrah's COO. Loveman noted that the casino industry was marked by extraordinary disloyalty. He saw an opportunity to create the same kind of loyalty in the gaming industry that people felt towards brands such as Nike, Pepsi, and BMW. Loveman suggested that Harrah's should focus on increasing sales at existing facilities instead of opening new properties. He proposed two ways to increase sales at existing casinos: through service and marketing. The service quality in the casino industry was traditionally characterized as "lousy."

The Total Rewards Program

In 1997, Harrah's introduced its "Total Gold" system for tracking, retaining, and rewarding its 15 million nationwide guests regardless of which casinos they visited over time. A frequent guest would be immediately recognized upon presenting a Total Gold card and would be duly rewarded for his/her repeat business. Later on, Total Gold was renamed "Total Rewards" (TR) and was significantly enhanced, making the program more comprehensive and easier to understand. Ultimately, TR became an improved customer loyalty program, which combined all of Harrah's player rewards and recognition programs, including Total Platinum and Total Diamond cards. In addition, it simplified the communication of how customers earn the rewards they want.

By the end of 2000, TR was the only multi-branded loyalty program in the industry that recognized and rewarded customers in multiple locations across the country. It applied to all Harrah's properties, including Rio and Showboat. Harrah's had invested more than $65 million in technology to implement the program (approximately $30 million for development and $35 million for support)[7]. In addition, Harrah's owned 3 patents for its real-time data technology.[8] These patents kept Harrah's one step ahead of its competition in the areas of recognition and rewards, two key considerations for building loyalty among customers.

Harrahs.com

In September 2000, Harrahs.com was re-launched (see **Exhibit 4**). The new Web site featured online reservations, account tracking of the TR program, online games, and other services. Designed to be more customer-service oriented, it was a significant step up from the previous Web site, which was essentially an online brochure[9]. In 2003, Harrah's deemed that online gaming development, continued refinement of its prize-winning CRM system, and development of an enterprise-wide data warehouse were its priorities for the coming years.

WINet

For its service-oriented strategy and the loyalty card program to work, Harrah's had to link all of its properties to enable company-wide information sharing. To accomplish this, the IT department was up against incredible odds. It had to get two different computer platforms—an IBM system that ran the lodging, events, and casino management systems, and a Unix system

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[7] http://www.hotel-online.com/News/PressReleases2000_2nd/May00_JBoushy.html

[8] http://www.hotel-online.com/Neo/News/PressReleases1998_4th/Nov98_HarrahsIT.html

[9] Goff, Leslie J. "The Skills That Thrill," *ComputerWorld*, December 4, 2000.

that ran the customer database—to communicate. IBM and AT&T, who were Harrah's consultants, told them that this would be impossible. Boushy and his team, however, were not convinced, and set out to develop such a system on their own.

With 19 million customers pouring through the doors of Harrah's 26 U.S. properties each year, keeping track of this customer base required sophisticated technology. Boushy and his team realized the importance of capturing customer data (in Patron Database, or PDB) to predict how profitable a customer might be and to launch direct marketing campaigns. They started building the Winners' Information Network (WINet) in mid-1994, and it was completed in February 1997. WINet now served as the backbone for TR, as well as Harrahs.com.

WINet connected and consolidated customer information from all of the company's transactional, slot machine, hotel management, and reservation systems. Data was captured and collected from a variety of systems. The hotel system recorded the details of a customer's stay, demographic data, and preference data. In the case of slot machine play, the customer inserted the loyalty card into the machine and every play was recorded. With table games (e.g., blackjack), the player gave the card to the dealer and the manager entered the games played and the betting patterns over a period of time (typically every two hours). Others, such as the hotel reservation system, involved human data entry.

WINet consisted of a national database of operational customer data and a data warehouse (a central repository including both customer data and data on hourly slot machine usage). The marketing department used the data warehouse to analyze the customer information for patterns and insights. Based on the WINet system, Harrah's developed systems to classify its customers into different segments. It then created individualized marketing programs for customers based on their segment and projected value to Harrah's (see **Exhibit 5**). Based on customer response to the marketing initiatives, it analyzed the information and continuously updated its predictions.

When a customer called Harrah's to make a reservation, the customer's name and segment, win/loss statement, most frequented casino, and potential value to Harrah's were displayed on the computer screen of the agent taking the call. The agent asked the guest if he/she was responding to a promotional offer (like a free one-night stay at the Hotel) and then accessed the reservation system to check room availability. Given the same room availability, the customer (depending on who he/she was) could be declined, accepted, or receive a free upgrade, as suggested by the revenue management system. The offers sent to each customer were recorded in the customer database, so the guests did not have to have them in-hand during the call. This reduced the average talk time since Harrah's employees no longer had to ask for information that was collected previously.[10]

Harrah's recognized that if it spent one-tenth the amount invested in marketing and advertising on additional IT initiatives, it would be able to achieve most of the solutions needed to gain this competitive advantage. The marriage of gaming and technology was the fastest growing area of new solutions. New slot games, automated table games, customer data collection, customer service, and games management were all affected by available new technologies. Harrah's came

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[10] Levinson, Meredith. "Jackpot! Harrah's Big Payoff Came from Using IT to Manage Customer Information," *CIO Magazine*, February 1, 2001.

to rely on its customer database to identify the most profitable customers who visit their properties, and devise clever incentives to keep them coming back.

The NCR Solution

Harrah's selected NCR's Teradata warehouse technology and Cognos's enterprise analysis tools, since they provided one of the most powerful solutions available to handle the increasing amount of customer data at the time. This allowed them to keep track of millions of customers' activities and provided Harrah's with the means to analyze, predict, and maximize the value of each customer relationship. With this knowledge, Harrah's could market more effectively, increasing the attraction and retention of its targeted customers. For its growing business Harrah's needed a data warehouse that could start small, but scale up very quickly. Teradata allowed the company to grow without changing its platform.

After incorporating the Teradata-Cognos solution, Harrah's had a better understanding of its customers and the activities they enjoy at their properties. With this information, the casino chain could customize customer rewards based on individual preferences. Knowing their customers better differentiated them from their competitors. By 2000, Harrah's was producing more than 20 million offers annually,[11] and was tracking them to determine how and when they were used. Moreover, by analyzing and making predictions from the data it collected, they could target promotions to individual customer preferences. For example, Harrah's might award hotel vouchers to stay overnight to out-of-state guests, while it would be more appropriate to offer free show tickets to customers who made day-trips to the casino.

Resistance to Changes

During the time that WINet was being built, Satre was trying to convince skeptical regional property managers that the new strategy would benefit their businesses. Historically, the properties operated independently and competed with each other. General managers were in full control over their casinos, their markets, their customers, and their employees. Consequently, some regional property managers felt threatened by Satre's push to encourage customers to visit properties in different markets. They thought that they would lose their customers and were unwilling to share the information about them. To prove to themselves and the regional property managers that this was not true, Harrah's management conducted several tests. The results showed that there was a great deal of cross-market play, which was very promising.

Satre argued that encouraging customers to visit different casinos would increase their loyalty to the Harrah's brand and revenues to the company overall. He also maintained that the value of nationwide marketing campaigns (such as the Player Card program) would outweigh the potential cost of internal competition among the various Harrah's properties. In addition, the national database system would avoid asking customers to re-enter the personal information at each property and prevent them from having to hear about the benefits and liabilities of each property-specific play card.

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[11] "NCR Solution Beats the Odds for Casino Chain," *NCR Customer Success Stories*, 2000.

Finally, Satre convinced the general managers that the corporate marketing department could help individual casinos effectively leverage the information in the national customer database. The company developed promotions that encouraged people to visit both the regional and destination properties. Programs such as Millionaire Maker, a slot machine contest that sent winners from each casino to a destination property for the final round, were profitable for each property involved. The company could not put on these events as efficiently and as effectively without appropriate IT support, and without having changed property managers' possessive attitudes about their property, customers, and employees.

Closed Loop at Harrah's

Harrah's strategic position in the highly competitive casino industry was to use modern IT to return to its founder's original conviction: Serve your customers well and they will be loyal. Perhaps the strongest commitment was easily noticeable by customers themselves—everyone from property managers to waitresses treated them with respect, consideration, and personal attention. The casino general managers stopped and talked to customers, which increased the customers' sense of importance.

Following the success of its various CRM initiatives, other players in the casino industry had started to mimic Harrah's through various programs of their own. Hence, Harrah's wanted to further extend its current differentiating edge over the competition. Tim Stanley, the CIO of Harrah's, summarized the company's vision in a February 2003 interview:

> It's the idea of the *active enterprise*. We want to make our interactions with customers—whether they take place on the phone, on our website, or at a slot machine—more dynamic and proactive. We're taking what we've done with our data warehouse, operational systems, and our CRM environment and integrating them in an active environment, so when someone checks in to a hotel, we know exactly what needs to take place on the property to provide them with a seamless experience."[12]

The active enterprise referred to a closed loop that started with data, analysis, and marketing interventions, extended to customer responses, and then finally came back to data. Under the leadership of David Norton, senior vice president of relationship marketing, Harrah's developed a "decision sciences model" (refer to **Figure 1**) that worked as follows:
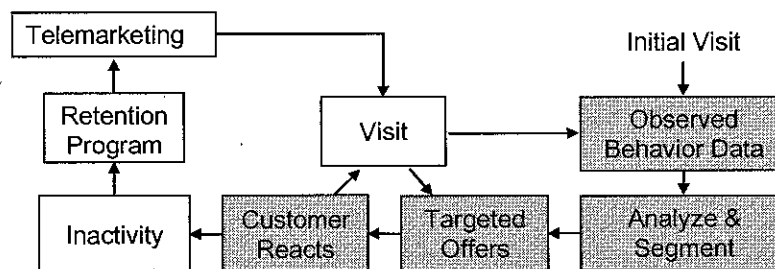

Figure 1 – Decision Sciences at Work

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[12] "Harrah's Doubles Down for I.T.," *CIO Magazine,* February 2003.

Observed Behavior Data

Harrah's maintained its Patron DB, collecting core customer information (such as name, age, social security number, address), play history, trip history, preference (such as room type, week-day or weekend visitor, and favorite comp types), and reimbursement of comps. The data came from a variety of sources at each touch point—TR center, hotel front desk, Web site, and call center. Of particular importance was TR that provided the incentives for customers to allow the collection of play data and collect rewards and better service. Harrah's estimated that approximately 75 percent of play transactions were tracked via TR, while the remaining 25 percent represented typically non-serious gamers. For new customers with no data, Harrah's had a program called "Play $100 on us." It invited a new TR member to play at Harrah's, and a loss of up to $100 was reimbursed by Harrah's. The key benefit to Harrah's was the play data that Harrah's got from the new customer. The gaming data was highly sensitive, and Harrah's took extra care of its handling. This information was kept confidential and shared only within Harrah's and its affiliates. A customer could completely opt out of the data collection, but this decision would potentially come at the expense of no TR benefits.

Analyze & Segment

Based on the data it gathered, Harrah's could split the marketing campaigns for each property into 80 to 100 different segments. Segmentation was based on the frequency of visits, length of relationship, demographics, marketing activity history, and other detail transactions. Such segmentation enabled Harrah's to evaluate the worth of each customer and derive predicted behavior. Harrah's tiered card program, TR, also provided three segments—Gold, Platinum, and Diamond. Depending on the card type, the value of the customer, and room availability, customers received differential treatment. For example, when a customer tried to check in at a Harrah's hotel with no prior reservation, he/she would hear quite different responses from the clerk depending on his/her customer status. These responses could range from "With pleasure, sir. Our manager says that the first night will be on us," to "I am sorry, sir. We have no vacancy tonight." Diamond members were greeted in a separate VIP room.

Targeted Offers

Based on the company's segmentation strategy, corporate marketing made key decisions and took actions regarding marketing campaigns, as well as redesign of TR, or layout of slot machines. Campaigns took a variety of forms, including promotion, offers, and advertisement. An example of a *promotion* was a sweepstake that awarded cash, free hotel trips, and cars. *Offers* were the most widely used instruments at Harrah's. Usually, "shelf campaigns" were designed at the corporate marketing department, while each property's marketing manager ran the campaign, (i.e., selection and execution). An offer could be a free one-night stay at Harrah's in Lake Tahoe. Or, it could be a $100 cash offer to a randomly chosen player who gambled at 3:00 pm this coming Tuesday. The property's marketing manager would select a certain shelf campaign, and determine the type and amount of offer for each segment. For example, he/she may select all the "decliners" whose activity level has gone down significantly for the past three months. He/she could also apply shelf campaign #9 that offered a free two-night stay with free breakfasts for two. In terms of marketing campaign expenses, the property paid all of the costs associated with the campaign. Thus, a property marketing manager had a large set of choices to apply to good customers, decliners, or new customers within a limited budget. About twice a month corporate marketing also ran regional or national campaigns.

Customer Reacts

Various marketing campaigns lead to observable results. From standard reports at the property level, Harrah's could review some key performance metrics such as offer acceptance rates and profitability by segment. Corporate marketing analyzed the predicted results against the actual performance of each segment and customer group, and assessed the effectiveness of the campaigns—usually within a matter of two weeks. This feedback could result in tweaking offers for under-performing segments (e.g., by changing offer amounts or types) and maintaining status quo for successful segments. Property marketing took the input and used it to make subsequent local decisions.

In pursuit of a real-time active enterprise, Harrah's established a strategic partnership with TIBCO Software Inc. In September 2002, Harrah's announced that it would use TIBCO's technology as its Enterprise Business Integration Platform, to provide a key technology ingredient in its next generation business integration strategy. With TIBCO's software Harrah's would further extend its CRM leadership capabilities.

ABOUT TIBCO

TIBCO Software Inc. was founded in 1985. Headquartered in Palo Alto, CA, TIBCO was a leading provider of total business integration solutions delivering infrastructure software that enabled businesses to *seamlessly integrate business systems in real-time*. The company's Enterprise Application Interface (EAI) solutions were middleware software that gave large enterprises the ability to more easily enable and manage interactions among their internal systems, employees, partners, and customers. TIBCO's products achieved this by enabling incompatible computer systems to interact with each other in real-time, automating processes that spanned those systems, and giving people the ability to monitor and interact with information and processes. As a result, people got an integrated view of all the information they need to make better, faster decisions. Processes were both connected and automated, so that people could dynamically and flexibly manage high-risk and high-reward situations. Customers and partners actively participated in the flow of information and processes, improving customer satisfaction and supply chain performance.

TIBCO technology was first used to digitize Wall Street and was since adopted in diverse industries including financial services, telecommunications, electronic commerce, transportation, logistics, manufacturing, and energy. [13]

TIBCO and Teradata

TIBCO Software Inc. and Teradata announced their global active data warehousing partnership and the availability of TIBCO's new Teradata Infrastructure Pack in May 2002. Teradata's active data warehouse solutions housed an immense amount of business information about customers, suppliers, product inventory, and financial data. TIBCO's real-time Infrastructure Pack extended the value of these enterprise systems by exposing the rich contextual information stored in the Teradata data warehouse to the rest of the operational systems. Traditionally, Teradata's enterprise data warehouse application offered very industry-specific repositories of information.

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[13] http://www.tibco.com.

The TIBCO middleware brought more data, faster, to a broader audience. When a new business event was detected or generated, decision support systems could then analyze the impact of the event against the backdrop of the warehouse's strategic content to recommend optimal business decisions that met customer needs based on historical, current, and predictive information.

TIBCO and Teradata provided contextual business intelligence combined with enterprise data warehousing for operational decision-making and processes. Using this new software from TIBCO, companies could connect their Teradata data warehouses to their operational systems—including ERP, CRM, SCM, billing, provisioning, customer service, and order entry—allowing data to flow bi-directionally between the systems within seconds of an update or change.[14]

Real-Time Data Warehousing at Harrah's

Initially, TIBCO's software was deployed as part of a project that enabled new customers of TR to be recognized in near-real-time at every one of Harrah's 26 properties. In addition, Harrah's could leverage the powerful combination of TIBCO's messaging platform, Business Process Management (BPM) tools, and eBusiness Portal and Web Services technology[15] for its next generation enterprise-wide information architecture. The company could now actively upgrade its ability to get, move, and use information in real-time, adding value to customers, management, and shareholders every step of the way.

A significant advantage of using a middleware solution such as TIBCO was that it worked in parallel with the existing systems and therefore the costs of transitioning were reduced. This was a key advantage for Harrah's since it had already invested heavily in its IT infrastructure and did not want any disruptions of the existing applications. For the first two months of the implementation, TIBCO's engineers worked on a pilot project, providing actionable, real-time information on two of Harrah's properties at Lake Tahoe—Harrah's and Harveys. These two casinos were geographically adjacent and therefore provided a good pilot project for Harrah's to evaluate the utility of TIBCO's solution.

The initial project proposed to use TIBCO's technology to acquire customer information for TR members and make offers in real-time at either property. This goal essentially meant that Harrah's could use the already accumulated customer information from its massive national database and make it available wherever the customer was present. This goal improved upon the existing system by adding the significant time dimension to information. For example, in the past the information contained in the data warehouse could be used to make offers to customers to encourage them to visit a casino. However, the offers weren't made in real-time while the customer was still at the casino. With Harrah's new systems the following scenario was now possible:

> It is Saturday night. Harrah's Casino in Lake Tahoe is overflowing with dazzling
> lights and eager gamblers. John and Sarah decide that they need a break from

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[14] http://www.teradatalibrary.com/pdf/eb1653.pdf.

[15] News Release from Harrah's announcing the strategic partnership with TIBCO.

their daylong gambling. John leaves the blackjack table, and the pit manager promptly records his gambling activity, while Sarah removes her TR card from the slot machine. They walk across the street to Pacifica Seafood Buffet at Harveys Hotel. After being seated for dinner they hand their TR cards to the waiter, knowing that they have accumulated enough points today to receive two free buffet meals at any Harrah's affiliated restaurant. During their dinner they feel glad to have come to Lake Tahoe after receiving a promotional coupon in the mail from Harrah's for a free night of accommodation. After their meal, the waiter hands them two free tickets to the Improv show tonight at Harveys casino to thank them for their patronage to Harrah's casino and the TR Program that day. John and Sarah thank the waiter and smile at each other. Ever since they signed up for the TR program they had been receiving promotional offers in the mail. Now they were even receiving offers while at Harrah's casino! "Also, how did they know we love the Improv show?" Sarah wondered.

The IT Structure with TIBCO

Over the years, Harrah's had made a significant investment in its IT infrastructure because it supported a complex and diverse technology stack. Furthermore, as Harrah's acquired several hotel and casinos, each of these properties had their own processes and systems, so there were further differences in the various systems across the Harrah's properties (see **Exhibit 6**)

By providing a layer of interaction across multiple platforms and multiple applications without needing any significant reengineering, TIBCO facilitated the transition from a point-to-point to a centralized system (see **Exhibit 7**). All places where user interaction was needed were identified and a central portal to provide these interfaces was deployed at these touch-points. Furthermore, by using the Web services capabilities provided by TIBCO, the interfaces between various applications running at Harrah's were also centralized. Backend systems, like databases and Enterprise Data Warehouses (EDW), were provided with TIBCO interfaces, which were triggered by various events. The working of the system (consisting of DB, EDW, applications and TIBCO products) could be summarized as follows: agents' actions or service requests from upstream (either terminals or application software) generate "events," which then trigger all components of the system to respond in real-time.

TIBCO's system made available location- and time-specific information regarding customers. Combining this information with customer profiles from the existing database meant that even more customized and relevant offers could be made to individuals in real-time. For example, if the slot machines were running full and a particular customer liked Mediterranean food, offers could be presented at the screen of his/her slot machine giving some reward for eating at a Mediterranean restaurant that was not running at full capacity at that moment.

Network traffic was reduced since now for every customer action, only one message would be sent to the central portal and all other system components that needed this information could use it. Thus, redundant network traffic (one point-to-point message for every application) was not required. This resulted in an overall increase in network performance, which helped in achieving real-time customer and resource information at the relevant points.

EPILOGUE

Instead of investing lavishly on the "dazzle factor" of their properties like most of their major competitors, Harrah's decided to follow a very different path. They committed themselves to knowing more about their customers. Harrah's heavily invested in building up a state-of-the-art IT infrastructure designed to collect information about customers and to interact with them on an individual basis. Harrah's leadership in the technology arena was well recognized by CIO 100 and Enterprise Value Awards, as well as awards from Forbes, Computerworld, InformationWeek, and the Data Warehousing Institute.[16]

This strategy had paid off and resulted in Harrah's establishing itself as the leading performer in the industry (see **Exhibit 8** for its income statement). With its IT-based customer service strategy, Harrah's had the potential to significantly improve customer loyalty. In its customer satisfaction scoring (CSS) system, 38.7 percent of respondents gave *A* ratings in 2000. These ratings climbed to 42.1 percent in 2001 and to 44.3 percent in 2002. These high scores also translated to sizable revenue increases. Harrah's estimated that a one-grade increase in CSS would lead to 5 to 10 percent in revenue lift, and a two-grade increase could cause a 10 to 15 percent lift. Indeed, same store revenue (hotel and gaming combined) grew 33 percent, from $172 to $229, between 2000 and 2002. Further, the company experienced 17 consecutive quarters of same store sales growth since 1999 until 2003 Q1. A large portion (23 percent) of this increased revenue resulted as cross-market play brought in more than $1 billion in 2002. Harrah's share of gaming budget has also increased from 36% to 42% between 1999 and 2002, and Harrah's estimated that each 1 percent increase in share consolidation represented $.20 in earning per share (EPS). During the same period, EPS grew 110 percent, from $1.28 to $2.90. The stock price reflected similar performance (see **Exhibit 9**) over the years during the company's transformation to an active enterprise.

Harrah's Enterprise Data Warehouse project was an essential component in achieving this success. Its recent strategic partnership with TIBCO added a real-time dimension to its existing data warehouse, enabling Harrah's to move one step closer to its vision of becoming a "real-time active enterprise." This powerful mix of technologies opened up a whole range of exciting new possibilities for Harrah's, and the company appeared well positioned to not only maintain but further extend its lead over competitors. It also held great potential for other companies (in many different industries) that wanted to build long-term customer loyalty by interacting with them in real-time. Harrah's story was that of a company which, when driven by intense competition, re-invented itself by going back to the basic values of its founders, realized through the use of the latest technology.
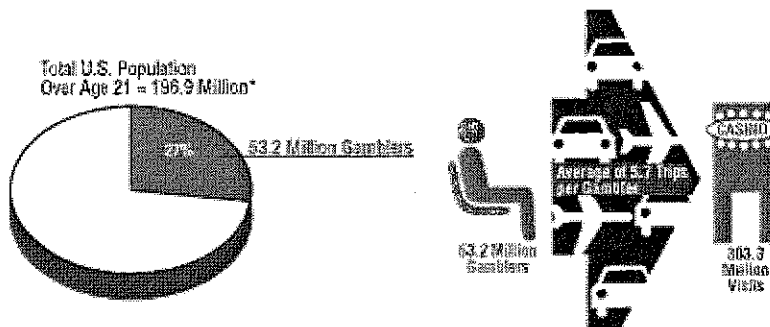
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[16] http://www.techieindex.com/tibco/firsttimeuser/news.asp.

Exhibit 1
Customer Spending On Commercial Casino Gaming 1991-2001 ($Billions)
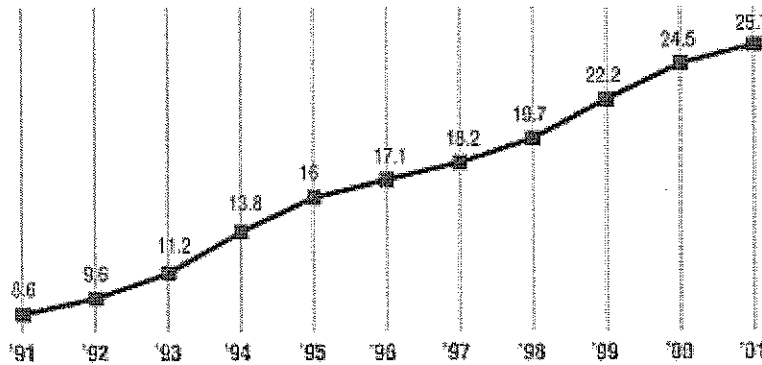
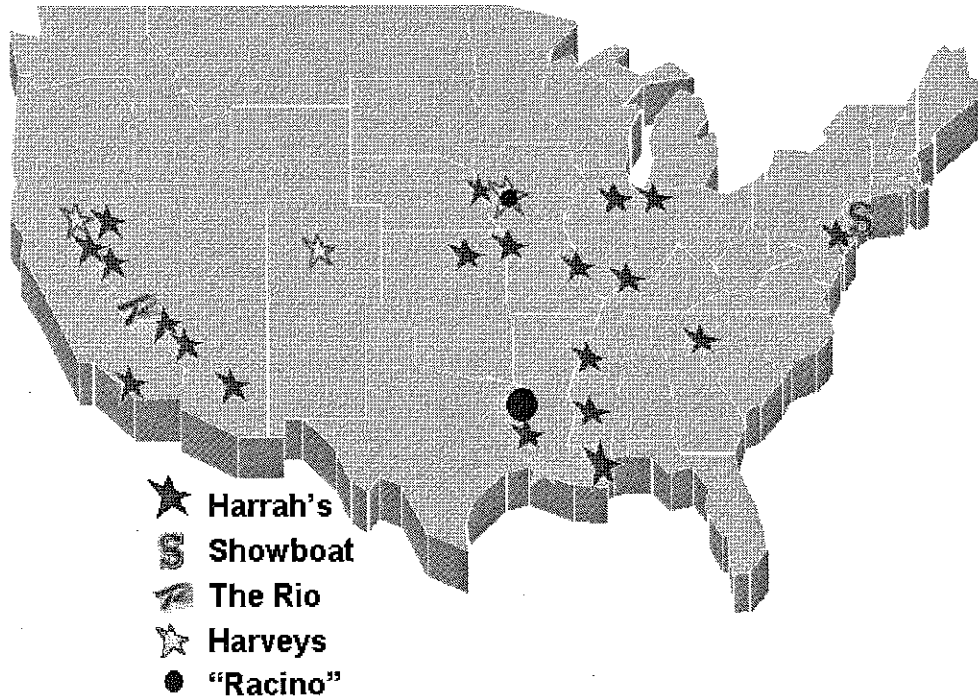Source: Christiansen Capital Advisors (1991-1999), American Gaming Association (2000-2001)

Exhibit 2
Total Number of Visits

* 2000 U.S. Census Bureau.

Source: Harrah's Entertainment, Inc./NFO WorldGroup, Inc

Exhibit 3
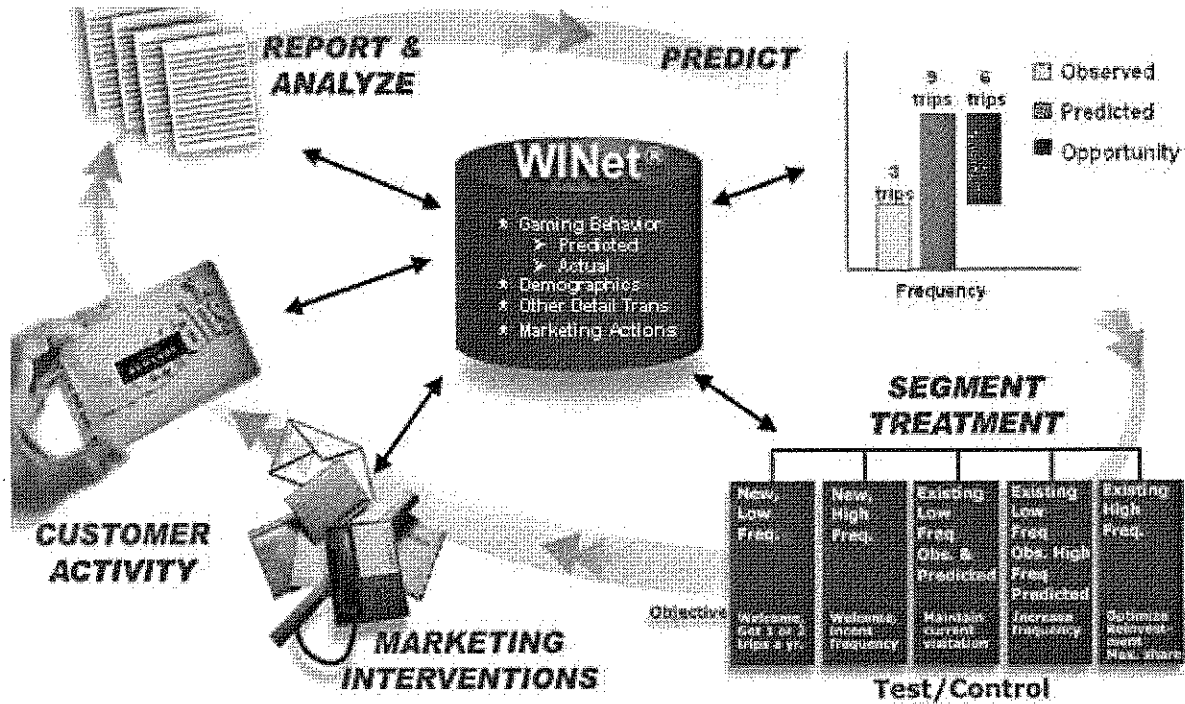**Harrah's Casino Locations**

★ Harrah's
§ Showboat
🚣 The Rio
☆ Harveys
● "Racino"

Source: TIBCO Presentation to Harrah's CIO Tim Stanley, 2002.
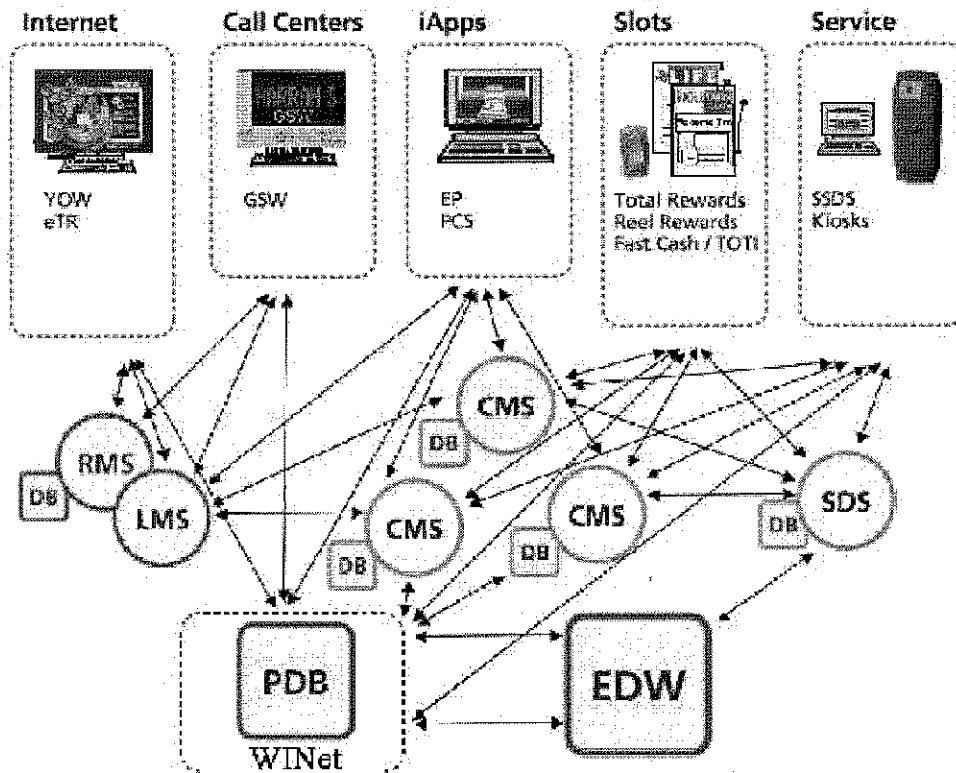
Exhibit 4
Harrahs.com

Source: www.harrhas.com.

Exhibit 5
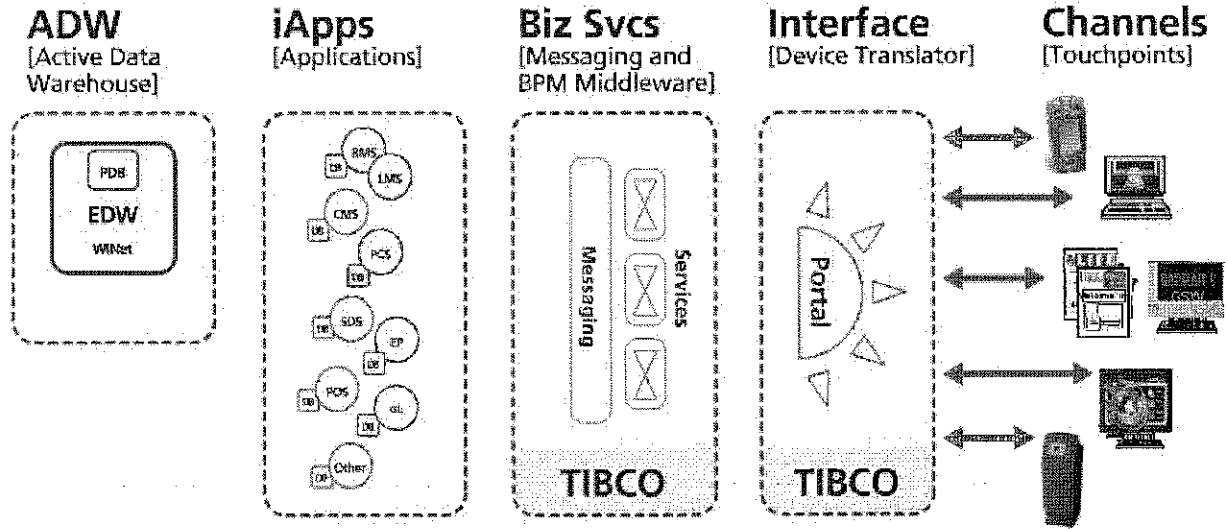**WINet and Harrah's Customer Segmentation Strategy**

Source: TIBCO Presentation to Harrah's CIO Tim Stanley, 2002.

Exhibit 6
Harrah's IT Infrastructure Before TIBCO

Source: TIBCO Presentation to Harrah's CIO Tim Stanley, 2002.

Exhibit 7
**Harrah's New IT Infrastructure**

Source: TIBCO Presentation to Harrah's CIO Tim Stanley, 2002.

Exhibit 8
HET's Income Statement

Period Ending:	Mar 31, 2003	Dec 31, 2002	Sep 30, 2002	Jun 30, 2002
Total Revenue	**$1,068,335,000**	**$443,517,000**	**$1,337,356,000**	**$1,371,827,000**
Cost Of Revenue	$557,927,000	($16,521,000)	$778,239,000	$866,765,000
Gross Profit	$510,408,000	$460,038,000	$559,117,000	$505,062,000
Operating Expenses				
Research And Development	N/A	N/A	N/A	N/A
Selling General And Administrative Expenses	$237,258,000	$235,903,000	$245,203,000	$220,306,000
Non Recurring	$1,318,000	($4,195,000)	$8,435,000	$3,910,000
Other Operating Expenses	$80,524,000	$74,735,000	$80,965,000	$77,193,000
Operating Income	$191,308,000	$153,595,000	$224,514,000	$203,653,000
Total Other Income And Expenses Net	$685,000	$3,017,000	($1,915,000)	($887,000)
Earnings Before Interest And Taxes	$191,931,000	$152,323,000	$226,888,000	$202,766,000
Interest Expense	$58,874,000	$65,682,000	$60,744,000	$58,470,000
Income Before Tax	$133,057,000	$86,641,000	$166,144,000	$144,296,000
Income Tax Expense	$49,101,000	$31,799,000	$61,405,000	$54,607,000
Equity Earnings Or Loss Unconsolidated Subsidiary	($62,000)	($4,289,000)	$4,289,000	N/A
Minority Interest	($3,160,000)	($2,518,000)	($3,697,000)	($3,573,000)
Net Income From Continuing Operations	$80,796,000	$52,324,000	$101,042,000	$86,116,000
Nonrecurring Events				
Discontinued Operations	$284,000	$1,555,000	N/A	N/A
Extraordinary Items	N/A	N/A	N/A	N/A
Effect Of Accounting Changes	N/A	N/A	N/A	N/A
Other Items	N/A	N/A	N/A	N/A
Net Income	**$81,080,000**	**$53,879,000**	**$101,042,000**	**$86,116,000**
Preferred Stock And Other Adjustments	N/A	N/A	N/A	N/A
Net Income Applicable To Common Shares	**$81,080,000**	**$53,879,000**	**$101,042,000**	**$86,116,000**

Source: Yahoo! Finance.

Exhibit 9: Harrah's Stock Performance
September 2000 to September 2003
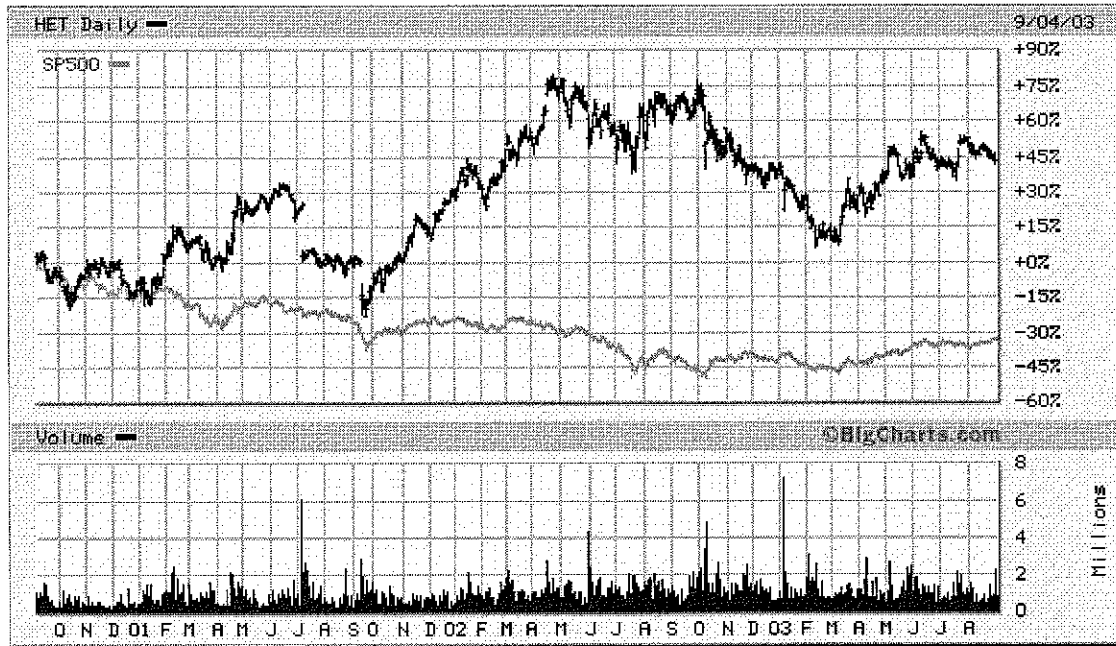
Source: BigCharts.com

Attachment VIII.B.2_A2

Caesars expands Total Rewards program

By Howard StutzLAS VEGAS REVIEW-
JOURNAL

March 1, 2012 -
10:31pm

Buying a pair of jeans from Target or a flat-screen TV from Best Buy now will earn Caesars Entertainment Corp. customers points that can be redeemed at any of the company's 40 properties nationwide.

The casino operator on Thursday rolled out new features of its 15-year-old Total Rewards customer loyalty program, which now will include opportunities to earn points and credits outside the company's casinos.

Members of Total Rewards -- some 45 million strong, according to Caesars Entertainment -- still earn points through casino play and spending on hotel rooms, shows, retail, dining and other nongaming amenities at the company's resorts.

Going outside the casino is a new twist.

"We started out as a slot club," said Joshua Kanter, vice president of Total Rewards for Caesars Entertainment. "Obviously, it's much more. Our intent is to make this program as valuable to our guests as possible, and meaningful to their lives outside of the resort property."

Caesars kicked off the Total Rewards launch with a sleek new logo and a concert extravaganza that included performances by Mary J. Blige, Cee Lo Green, P Diddy, and Maroon 5 at locations in Los Angeles, New York, Chicago and New Orleans. The concerts were simulcast to a private party at Serendipity 3 at Caesars Palace.

Up next is a 90-day contest where program members can win more than 90,000 prizes. Top prize is an all-expenses paid trip to Caesars Palace, including travel aboard a private jet.

Total Reward has long been considered the first player loyalty system of its kind in the gaming industry. It also serves as a customer tracking system for Caesars Entertainment, allowing the company to monitor the spending habits of its guests, which can be incorporated into direct-marketing programs.

"We have always taken pride in being the first to launch multiple tiers and other ways to make the program better," Kanter said.

Total Rewards was originally rolled out in 1997 as the Total Gold slot players club when the company was known as Harrah's Entertainment.

"Our business has grown to encapsulate so much more than gaming," Caesars Entertainment Chairman Gary Loveman said. "Every single one of our nearly 40 resorts across the country provides a 360-degree entertainment experience."

As part of the new enhancements, Caesars Entertainment will offer additional ways to redeem points at the properties, including preferred pricing at restaurants in Caesars-operated resorts.

Also, frequent nongaming leisure travelers will be recognized and earn additional points. Meeting planners and business travelers will receive additional rewards based on frequency of visits.

Caesars also created a portal through the Total Rewards website where customers can earn benefits and points while shopping online at more than 500 retailers, including Best Buy, Target, Barnes & Noble and Banana Republic.

Officials said the benefit was the first in the gaming industry to offer casino customers credits outside the resort.

"This allows customers to earn points in their everyday lives," Kanter said.

Contact reporter Howard Stutz at hstutz@reviewjournal.com or 702-477-3871. Follow @howardstutz on Twitter.
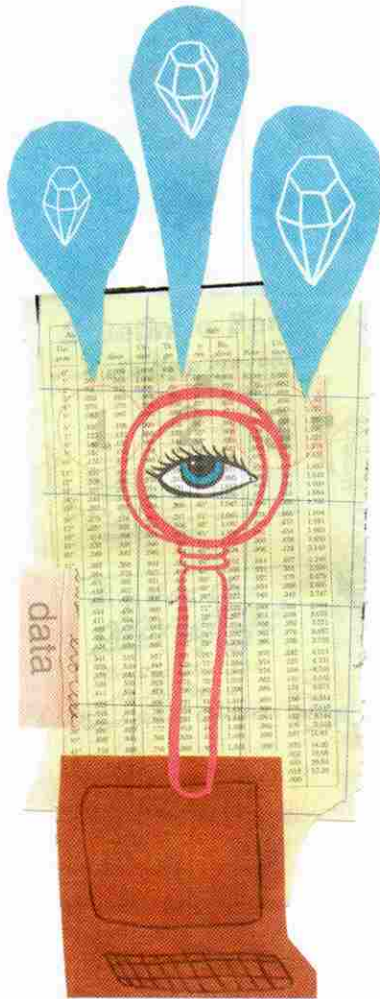
Attachment VIII.B.2_A3

Diamonds
in the
Data
Mine

by Gary Loveman

Harrah's Entertainment has outplayed its competition and won impressive gains, despite being dealt a weak hand by the economy. The secret? Mining the company's rich database to develop compelling customer incentives.

IT'S A FRIDAY NIGHT on the Las Vegas Strip, and all of the neighbors are making spectacles of themselves. The $750 million Mirage boasts a Vesuvian volcano that erupts loudly every 15 minutes. Next door, at Treasure Island, a faux British frigate battles a pirate ship at regular intervals. Further down the Strip, the Bellagio sports a lake festooned with sparkling, dancing fountains that beckon to passing tourists.

Meanwhile, the customer pulling into Harrah's Las Vegas is dazzled more by the service than the building. A smiling valet greets her by name. Instead of having to wade through a crowded lobby to reach the casino, she steps quickly into the gaming room and sits down at a slot machine. The card reader on the machine pages her host, who approaches every so often to ensure that she's happy with the service she's receiving. Although the customer doesn't fit the stereotypical profile of a Las Vegas high roller, Harrah's makes sure she feels special. Because the casino delivers the recognition and service she has come to expect, she'll return to Harrah's again and again.

Harrah's Entertainment has the most devoted clientele in the casino industry – a business notorious for fickle customers. That loyalty to Harrah's, which now operates 26 casinos in 13 states, has enabled the gaming company to record 16 straight quarters of same-store revenue growth. In 2002, Harrah's posted more than $4 billion in revenue and $235 million in net income.

We've increased customer loyalty, even in the current challenging economy, in two ways. First, we use database
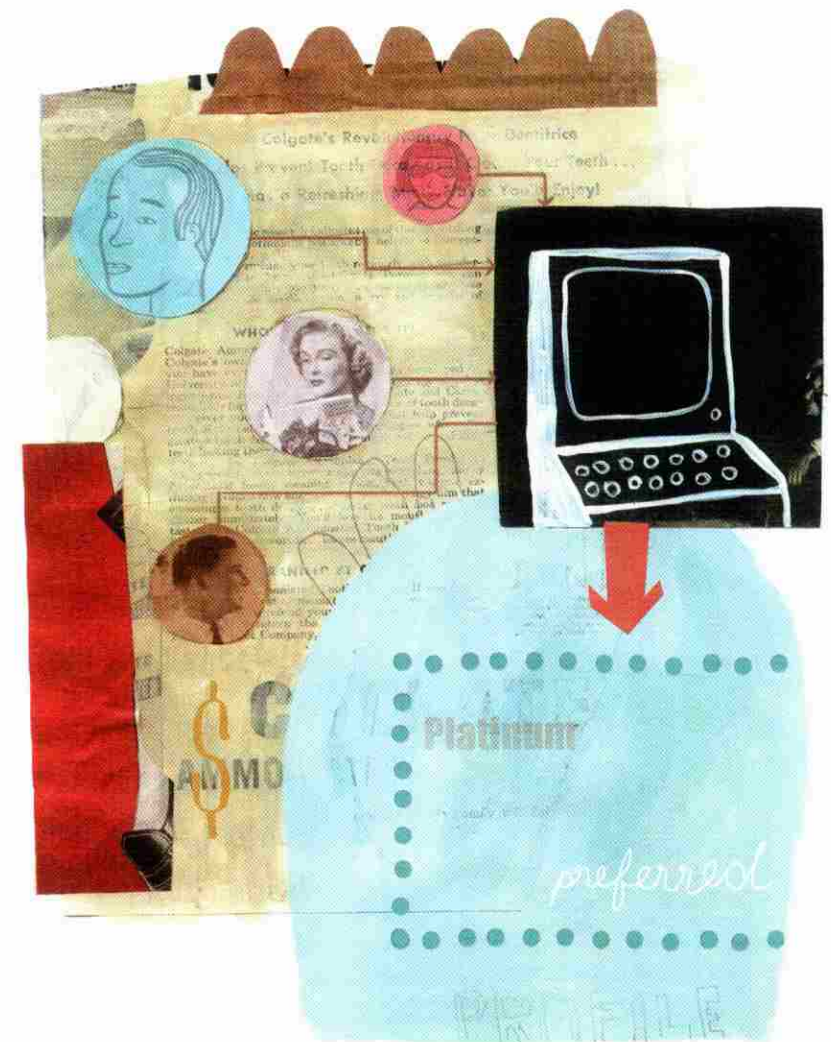
marketing and decision-science-based analytical tools to widen the gap between us and casino operators who base their customer incentives more on intuition than evidence. Second, we deliver the great service that consumers demand. In short, we've come out on top in the casino wars by mining our customer data deeply, running marketing experiments, and using the results to develop and implement finely tuned marketing and service-delivery strategies that keep our customers coming back.

A Dicey Business

By the time I had left Harvard Business School to join the corporation as chief operating officer in 1998, Harrah's had become the first nationwide casino business, thanks to a geographic diversification plan promulgated by Phil Satre, the company's chairman and then-chief executive officer. Satre led the wave of gaming growth in the 1990s, expanding Harrah's from four casinos in two states to 26 casinos across 13 states currently.

Satre's vision differed markedly from the strategy pursued by other big casino operators, whose "If you build it, they will come" philosophy focused on attracting customers to a fantasyland Las Vegas. Companies such as Mandalay Resort Group and MGM–Mirage invested heavily in constructing costly must-see casinos offering a wide range of amenities – fabulous spas, high-end shopping malls, dazzling shows – designed to appeal to a broader audience than simply gamblers. Their hope was that such facilities would attract an ever-growing number of new customers. This strategy ultimately transformed both the Las Vegas skyline and tourist spending patterns: The Las Vegas Convention and Visitors Authority reported that, in 2001, revenues from dining, entertainment, shopping, and other activities outpaced the city's casino revenues by a three-to-one margin.

Satre, by contrast, focused on expanding the corporation's gaming business outside Nevada and Atlantic City, seeing geographic diversification as an opportunity to introduce the Harrah's brand to new customers and to insulate the company from regional economic vagaries. Once Harrah's posted high returns in these emerging markets, its competitors also began to expand into them. But Satre believed that competing largely on the basis of billion-dollar facilities in the face of new competition was not the most prudent use of capital because the returns on such buildings often weaken when the novelty wanes.

Fortunately, Satre had two important arrows in his quiver. First, he knew that, unlike its competitors, Harrah's didn't depend heavily on its stores, restaurants, bars, or shows; it drew the lion's share of its revenues – 87.2% in 2001 – from its casinos. He also suspected that cultivating lasting relationships with the company's core customers – slot players – would lead to greater and more sustainable profit growth. So he opted to invest in development of the intellectual and technological capabilities needed to assemble and analyze data about those customers. The goal was to provide good service to them and thus encourage their loyalty to the company's brand. When Satre hired me as COO, he said he wanted to change Harrah's from an operations-driven company that viewed each casino as a stand-alone business into a marketing-driven company that built customer loyalty to all Harrah's properties.

Former Harvard Business School professor Gary Loveman is the CEO of Harrah's Entertainment. He is the author or coauthor of five HBR articles, including "Putting the Service-Profit Chain to Work" (March–April 1994).

KERI SMITH

One tactic the company had already decided to use to enhance customer loyalty was called Total Gold, a player-card program that was modeled after the airline industry's frequent-flier programs. Launched in 1997, Total Gold was designed to provide regular customers with incentives to visit Harrah's properties throughout the country. Customers inserted their Total Gold cards into slot machines and earned credits as they played. They were rewarded with the standard fare that all casinos offer – free hotel rooms, dinners, show tickets, gift certificates. But there were three problems with the program. First, nothing differentiated this program from our competitors' efforts. Our customers simply took their free rooms and dinners and drifted across the street to do their gambling. Second, our customers earned different rewards at different properties; there was no uniformity in the program. Third, and most important, our customers were not given any incentives to consolidate their gaming with Harrah's.

While Total Gold wasn't much good for keeping customers loyal to Harrah's, it was quietly digging our future diamond mine. By tracking millions of individual transactions, the information-technology systems that underlie the program had assembled a vast amount of data on customer preferences. At the core of the Total Gold rewards program (and its successor, Total Rewards, which

> Instead of focusing on how much people spent in our casinos during a single visit, it became clear that we needed to focus on their potential worth over time.

I'll describe below) was a 300-gigabyte transactional database that recorded customer activity at various points of sale – slot machines, restaurants, and other retail areas in our properties. Database managers fed that informa-

tion into our enterprise data warehouse, which contained not only millions of transactional data points about customers (such as names, addresses, ages, genders) but also details about their gambling spending and preferences. The database was a very rich repository of customer information.

Slicing the Dicing

When we started digging into the database, one statistic stood out: Our Total Gold cardholders told us in surveys and focus groups that they were spending only 36% of their annual gaming budgets at Harrah's. This presented an opportunity. There was a promise of tremendous upside if we could induce customers to spend more of their gaming money at Harrah's *and* if we could communicate effectively with them. I suggested to Satre that we might be able to divert more of our customers' annual gaming budgets to Harrah's if we borrowed a page from the playbooks of other businesses whose case studies I'd long taught. Basically, we needed to do what the Starbucks and Nordstroms of the world had done – change the way consumers made decisions about our merchandise.

To do that, we clearly needed to slice and dice the data finely enough that we could develop effective marketing programs. Common practice calls for defining marketing strategies apart from database strategies – that is, the company comes up with a grand marketing scheme and then tries to adjust the database to its strategies. Unlike many companies, we decided to let the data suggest the specific marketing ideas to us.

The information we found in our database indicated that a loyalty strategy based on same-store sales growth would work. Same-store sales is a classic measurement of a simple retail-loyalty strategy: The goal is to get a customer to visit your store regularly, just as she might routinely visit her hairdresser and mechanic. The hairdresser and the mechanic envelop the client in reasons to be loyal, primarily by developing a friendly relationship. We decided to

develop just this kind of close relationship with the people who visit Harrah's casinos.

Before we could persuade customers to come back time after time, however, we needed to take a hard look at them and understand how much value each of them brought to us. We discovered that 26% of the gamblers who visited Harrah's generated 82% of our revenues. We were surprised to find out who our best customers really were. They emphatically were *not* the gold cuff-linked, limousine-riding high rollers we and our competitors had fawned over for many years. Instead, they turned out to be former teachers, doctors, bankers, and machinists – middle-aged and senior adults with discretionary time and income who enjoyed playing slot machines.

We also learned that these customers typically did not stay in a hotel but visited a casino on the way home from work or on a weekend night out. At the same time, we found that our target customers often responded better to an offer of $60 of casino chips than to a free room, two steak meals, and $30 worth of chips because they enjoyed the anticipation and excitement of gambling itself. And we were able to develop quantitative models that allowed us to predict, based on an individual's play, his or her "customer worth" – the theoretical amount we could expect the customer to spend not just during one evening but over the long term.

Suddenly, we saw how we could differentiate our brand. Understanding the lifetime value of our customers would be critical to our marketing strategy. Instead of focusing on how much people spent in our casinos during a single visit, it became clear that we needed to focus on their potential worth over time. For instance, we could see that customers who said they were very happy with the Harrah's experience increased their spending on gambling at Harrah's by 24% per year; customers who said they were disappointed with Harrah's decreased their spending by 10% per year.

The best way to engage in this kind of data-driven marketing is to gather more and more specific information about

customer preferences, run experiments and analyses on the new data, and determine ways of appealing to players' interests. We realized that the information in our database, coupled with decision-science tools that enabled us to predict individual customers' theoretical value to us, would allow us to create marketing interventions that profitably addressed players' unique preferences. The more we appealed to these preferences, the more money the customers would spend with us.

So we decided to act on a radical idea: We would reward customers for spending in ways that added to their value. Most consumer businesses insist that they can't treat one customer differently than they treat another, even though some customers are obviously worth

> All employees are told daily: If your service can persuade one customer to make one more visit a year with us, you've had a good shift. If you can persuade three, you've had a great shift.

much more than others. To us, that approach was fundamentally wrong, but it didn't mean that we had to focus on the relatively small number of high rollers. Rather, we made a point of treating our millions of regular customers differently depending on their value to us.

It turned out that our customers – I would venture to say all customers – actually enjoy aspiring to higher levels of achievement and reward. It's simply human nature. Understanding this, we split our customers into three tiers: Gold, Platinum, and Diamond cardholders, based on their annual theoretical value. Platinum and Diamond cardholders receive greater levels of service, which adds an aspirational element to the program. For example, our database told us that our best customers wanted service quickly – they didn't want to wait

in line to park their cars, or eat in restaurants, or check in at the front desk. So we decided to make a point of routing our customers into three different lines. People who weren't card-carrying Harrah's members and Gold customers stood in lines at the reception desk or the restaurant. Platinum customers would stand in still shorter lines, and Diamond cardholders would rarely ever have to stand in line. This created a visible differentiation in customer service.

It was essential for our customers to see the perks that others were getting. Once we divided the lines this way, we watched as our customers did what they could to earn the higher-tiered cards. Every experience in our casino was redesigned to drive customers to want to earn a higher-level card. As it turns out, marketing that appeals to customer aspiration works wonderfully.

We also set up a series of triggers in the database and analyzed the customers' responses to those triggers. If, for example, we discovered that a customer who spends $1,000 per month with us hadn't visited us in three months, a letter or telephone call would invite him back. If we learned that he lost money during his last visit, we invited him back for a special event. Our telemarketers were trained to listen for responses to specific offers – a certain percentage of our customers responded positively to offers of a steak dinner; others would respond to offers of two free nights in the hotel.

Once entered into our database, these responses provided fodder for more slicing, dicing, and experimentation. It's important to note that our database strategy hinged on our ability to combine data from all of our properties, so customers could use their reward cards in multiple locations. Combining transactional data from all our sites was so important that we developed and ultimately patented the technology to do it.

We also decided to use our transactional data to "sell" our slot machines. In the past, we had no way of knowing why customers chose to play at certain machines. Was it because of the way the machines looked? Or because other machines were occupied? Or was it because

we had signs on top of them proclaiming the odds? Our transactional database told us exactly what the patterns of play were in our casinos. We discovered that at any given time, it was possible to know which specific customers were playing at particular slots in Harrah's Las Vegas and what it was about that specific machine that appealed to them. This knowledge allowed us to configure the casino floor with a mix of slot machines that benefited both our customers and our company.

Hitting the Customer Service Jackpot

Deep data mining and decision-science marketing would be worth little in driving same-store sales growth were it not for another simultaneously applied and extremely critical ingredient – an absolute focus on customer satisfaction. When I came to the casino business, there was an insufficient focus on customer service. We decided that great service would allow us to build – just as Home Depot, Four Seasons, and other great brands do in their fields – the capacity to brand ourselves as the only nationwide consumer gaming business.

Customer service is something most organizations say they focus on. But, in fact, they often fail to institute systems to use customer service to reinforce loyalty with carrots and sticks. Our data told us that our customers want friendly and helpful attention in addition to fast service. We decided to link employee rewards to customer satisfaction. Accordingly, we chose to measure all employee performance on the matrices of speed and friendliness. The better the experience the guest had, the more money employees stood to make. To this end, all Harrah's employees take part in a certification program that trains them to deliver excellent service. From housekeepers to slot attendants, from valets to stewards, from receptionists to chefs, all employees are told daily as they arrive at work: If your service can persuade one customer to make one more visit a year with us, you've had a good shift. If you can persuade three, you've had a great shift.

We implemented a bonus plan to reward hourly workers with extra cash for achieving improved customer satisfaction scores, which we culled from very detailed customer surveys. If a property's overall rating rose 3% or more, each employee could earn $75 to $200. What has made the bonus program work is that the reward depends on

Meeting budget at the expense of service is a very bad idea. If you're not making your numbers, you don't cut back on staff.

everyone's performance. If the valet's scores were low but the steak house receptionist's were high, the receptionist would check in on the valet. Likewise, if one property received low scores and another high ones, the general manager of the lower-scoring property might visit his colleague to find out what he could do to improve his property's scores.

It's important to note that we chose to measure customer satisfaction scores independent of a property's financial performance. In 2002, one property had record-breaking financial results, but employees did not receive bonuses because their customer service scores were mediocre. Our employees are obsessed with their property's customer satisfaction scores for a good reason: In 2002, we paid $14.2 million in bonuses to nonmanagement employees based on their properties' customer satisfaction scores. Since the program's inception, Harrah's has paid out more than $43 million in bonuses.

This score-driven customer satisfaction measure has allowed properties – even those in troubled markets – to continue to grow. Take, for example, our casino in Laughlin, Nevada. Despite strong competition and a mere 1% increase in the local market's gaming revenues in 2002, Harrah's Laughlin recorded a 14% gain in revenues. Why? Because its customers were loyal, thanks to great service. In fact, the employees at

Harrah's Laughlin earned the highest customer service scores in the company.

Our experience with customer service has shown us that meeting budget at the expense of service is a very bad idea. If you're not making your numbers, you don't cut back on staff. In fact, just the reverse: The better the experience a guest has and the more attentive you are to him, the more money you'll make. For Harrah's, good customer service is not a matter of an isolated incident or two but of daily routine. When he goes off duty, the Laughlin general manager tells employees to call him at home – anytime, day or night – whenever they see five people waiting in any line. To us, this is living proof that our same-store sales growth in tough markets has been driven by sustained attention to great customer service.

The Winning Hand

Everything we do to market Harrah's is framed in terms of players' decisions to visit, or not visit, one of our casinos. One measure of the effectiveness of our strategy is that many of our competitors have adopted similar programs after viewing our company's performance over the past few years. But our competitors continue to focus largely on facilities, while we keep combining improved facilities with breakthroughs in marketing and customer service. We maintain our competitive advantage by using our human capital and technology systems to get to know our customers better.

Harrah's will keep adding excitement and benefits to the Total Rewards program, widening its scope across gaming-related activities. And we'll keep enhancing the benefits that players get from consolidating their gaming within our brands.

Let the neighbors lure tourists with knights on horseback, fiery volcanoes, pirate ships, and mini-Manhattans. We'll just keep refining what we're already pretty good at: drilling into our data and making sure our regular customers are more than satisfied. ▽

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Attachment VIII.B.2_A4
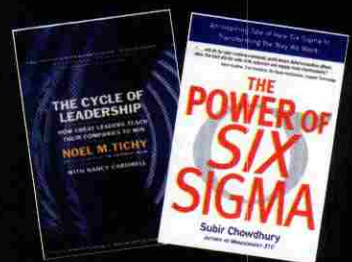
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Horseshoe Casino Cleveland operator rewards big spenders with perks

Thomas Ott, The Plain Dealer By Thomas Ott, The Plain Dealer
Follow on Twitter
on May 09, 2012 at 9:30 PM, updated May 10, 2012 at 9:57 AM

CLEVELAND, Ohio -- Spend like royalty at the Horseshoe Casino Cleveland, and the manager, Caesars Entertainment, will treat you like royalty.

Caesars' Total Rewards customer-loyalty program offers an escalating series of perks that begins with discounts on merchandise and free meals, hotel stays and gaming.

The program's 40 million members include 80,000 who live within 50 miles of the casino that will open Monday on Cleveland's Public Square.

You can join Total Rewards for free at the casino or by visiting the Horseshoe Cleveland or Total Rewards websites. From there, it can get pricey.

Members earn their way to the highest privileges with credits, accumulating one for every $5 played on a reel slot machine, $10 played on video poker and $5 spent on entertainment. Credit for table games varies based on the type of game, average wager and length of play. Members also get credit for winnings that they use to continue playing.

Advancing from the entry level Gold tier to Platinum -- and staying there -- requires members to amass 4,000 credits a year. That's $20,000 wagered on reel slots and $40,000 on video poker, though it's likely that table games account for many of the credits.

Diamond Club members have to earn 11,000 credits a year, and reaching the pinnacle, Seven Stars, requires 100,000 credits a year. If measured only in video poker, 100,000 credits would mean $1 million.

Diamond Club members enjoy their own lounges in Caesars' casinos and express lines for hotel check-in, casino buffets and taxis. Seven Stars members get all of the above (except they go to the head of the line), plus admission to

Related stories
- Horseshoe Casino Cleveland gives media a preview
- Bill to update Ohio gambling laws passes Ohio Senate
- Cleveland Cement Contractors cited for December

private "signature" events and annual cruises and other trips.

An elite group of big spenders are assigned personal hosts to plan travel. They also receive free limousine rides to the airport and chartered air flights.

"At the very, very high end, we have white-glove attention," said Joshua Kanter, a Las Vegas-based Caesars vice president. "We want them to know how special they are, how important they are to us."

Most Total Rewards members are relatively modest spenders. Sluggish growth in that group prompted rules changes that took effect last month, Caesars Chief Financial Officer Jonathan Halkyard said, according to transcripts conference calls with industry analysts.

The changes allow members to earn and redeem credits, both on line and in stores, with Target, Best Buy, Apple and other retailers. They also gain credits by interacting with Caesars on Facebook and other social-media websites.

collapse of parking garage at Cleveland casino
Previous stories
May. 9, 10:08 am: Cleveland casino visitors may find they can walk a few blocks, save money on parking

May. 8: Where to park in downtown Cleveland: Your guide to public lots and garages near major attractions

Apr. 16: Horseshoe Casino Cleveland not ready for bus groups, tour operators say

Apr. 11: Corky & Lenny's approved to open express version of Woodmere eatery in Cleveland casino

Feb. 21: Media tours Horseshoe Casino

More about Horseshoe Casino

Caesars tracks swipes of Total Rewards cards members to determine members' interests and target them for offers of free hotel stays, meals, show tickets and gaming. Speaking to a Cleveland business group in March, Caesars President and Chief Executive Officer Gary Loveman pledged to come up with packages that will "bring a lot of new people to Cleveland."

Caesars will fete Diamond and Seven Stars members at a "dignitary event" before Monday's opening, said Marcus Glover, general manager of the Horseshoe Casino Cleveland.

In early June, Caesars will bring in a select group of Horseshoe customers from around the country, Glover said. He said another group spanning all of Caesars' casino and resort subsidiaries will follow a week later.

Glover said Caesars will package play at the Horseshoe with tickets to attractions like PlayhouseSquare shows and the Rock and Roll Hall of Fame.

"We are talking with our marketing department about what other things can we create that don't already exist," he said. "We are talking about

creating a few of our own festivals."

But the benefits can have a downside. Comps, as casino industry's free perks are known, are one of the "triggers" that psychologist Heather Chapman sees in problem gamblers she helps in private practice and at the Cleveland VA Medical Center.

Some of Chapman's patients have lived for weeks in rent-free hotel rooms given as comps, leaving only after their gambling stash ran out. She recalled one man who refused to surrender his loyalty card -- not necessarily from Total Rewards -- to his family because he still had a bunch of lobster dinners to collect.

A look inside the Horseshoe Casino Cleveland

Members of the media got a glimpse of the new Horseshoe Casino Cleveland, which opens May 14. The $350 million casino is located in the historic Higbee Building at Tower City Center in downtown Cleveland.

"They get pulled in by the glitz and the glamour," Chapman said. "For the majority of people I work with it has at least some impact on their decision making and behavior."

Attachment VIII.B.2_A5

RAJIV LAL

Harrah's Entertainment Inc.

The results are impressive enough that other casino companies are copying some of Harrah's more discernible methods. Wall Street analysts are also beginning to see Harrah's—long a dowdy also-ran in the flashy casino business—as gaining an edge on its rivals. Harrah's stock price has risen quickly in recent weeks as investors have received news of the marketing results. And the company's earnings have more than doubled in the past year.

— *Wall Street Journal*, May 4, 2000[1]

Philip G. Satre, Chairman and Chief Executive Officer of Harrah's Entertainment Inc., read with satisfaction the *Wall Street Journal* article about Harrah's. The story discussed the company's marketing success in targeting low rollers, the 100% growth in stock price and profits in the year to December 1999, and the revenue growth of 50% which significantly outpaced the industry (see **Exhibit 1**).

The $100 million investment in information technology seemed to be paying off.

But that day Satre was more interested in the marketing activities that had contributed to these results (see **Exhibits 2a –2f**). He asked Gary Loveman, then Chief Operating Officer, and his team of "propeller heads" two questions. He wanted to know "how much" these marketing efforts had contributed to Harrah's overall performance, and if these marketing results were a one-shot event or could be achieved year after year, especially as the competition introduced similar programs.

Gambling in the United States

The United States had a long and complicated relationship with gambling. Early religious settlers felt that it was immoral. Yet the limited entertainment options of the frontier meant that gaming parlors co-existed, often uneasily, with churches.

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[1] Christina Binkley, "Lucky Numbers: Casino Chain Mines Data on Its Gamblers, And Strikes Pay Dirt --- `Secret Recipe' Lets Harrah's Target Its Low-Rollers At the Individual Level --- A Free-Meal `Intervention'," *The Wall Street Journal*, May 4, 2000.

During the 1950s, Benjamin "Bugsy" Siegel, a known gangster, saw an opportunity to elude California's strict ban on gambling and also quench its citizens' thirst for gaming. Siegel traveled to Nevada, since the state had tolerated gambling in the 1930s during the construction of the Hoover Dam, and built a luxury Caribbean-style hotel and casino called the Flamingo in Las Vegas. To attract gamblers, Las Vegas began offering inexpensive hotel rooms, food, free drinks, and well-known entertainers. Performers such as Frank Sinatra and Elvis Presley played to full houses there.

In 1978 casinos spread to Atlantic City and then to states like Colorado, Louisiana, and South Dakota. The early 1980s saw casino resorts become more popular for guests and businesses alike, and casino growth was poised to increase dramatically by decade's end. Casino gambling was approved in Iowa, Illinois, Mississippi, Missouri, and on many Native American reservations. In 1989 Iowa became the first state to allow gambling on riverboat casinos.

Also in the late 1980s, Stephen Wynn almost single-handedly changed Las Vegas by taking gambling to the next level when he built the Mirage resort. The casino resort had a shark tank, a wild animal haven, and an artificial erupting volcano. Others soon followed suit. Old casinos such as the Sands, the Hacienda, and the New Frontier were demolished. New casinos like the Luxor—a glass version of the Great Pyramid with copies of Egyptian monuments and statues of the pharaohs—were built to attract tourists looking for entertainment.

Although many new casinos were introduced in various cities in the early to late 1990s, by 1999, Nevada and Atlantic City still claimed over 40% of the $31 billion in total gambling revenue in the United States (see **Exhibit 3**).

Las Vegas, the largest U.S. gaming market, was a unique destination city and, during the late 1990s, became a mecca for national conventions and "must-see" mega resorts. Vacationers could easily spend a week visiting all of the major casinos and other attractions in Las Vegas, or simply sit poolside, go to a show or shop, and enjoy fine dining. Wynn's $1.6 billion Bellagio Hotel, inspired by Italy's Lake Como region, opened in October 1998 with an 8.5-acre lake and 1,400 fountains.[2] According to data compiled by the Las Vegas Convention and Visitors Authority (LVCVA), the average Las Vegas visitor in 2000 was expected to spend $1,329 during a 3.7 day stay—50 percent on gambling, 20.6 percent on lodging, and the remainder on meals, shopping, transportation, shows and sightseeing.

Unlike Las Vegas, Atlantic City was more of a "day tripper's" destination. Approximately 30% of its visitors arrived by charter bus and generally stayed for less than a day. The winter cold made the Boardwalk less appealing to tour group business.[3] In 1999, there were 12 hotel/casinos, of which 10 were located on or near the famous Atlantic City Boardwalk. Only one new casino had been built in Atlantic City since 1987: the Taj Mahal, opened in 1990.[4]

The geographic expansion of legalized and state supervised gambling broadened the industry's customer base. People who had never seen the bright lights of Las Vegas nor strolled the Boardwalk in Atlantic City were being lured to riverboats in states like Iowa and Louisiana, land-based casinos in Detroit and New Orleans, and casinos on Native American land in various states. By 1999,

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[2] Tom Graves, "Standard & Poor's Industry Surveys—Lodging and Gaming," August 17, 2000.

[3] Brian Maher and Jennifer Smith, "Credit Lyonnais Securities (USA) Inc.—Gaming Industry Highlights," March 6, 2001.

[4] Tom Graves, "Standard & Poor's Industry Surveys—Lodging and Gaming," August 17, 2000.

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riverboat-type casinos were operating in six states, and Native American-owned facilities were in business in over 12 states.[5]

Company Background

The man who industrialized gambling, William Fisk Harrah—26-year-old charmer, pathological car lover, and bingo entrepreneur—arrived in Reno, Nevada in May 1937 and commenced his casino operations.[6] In 1939, Harrah opened a bingo parlor in the two-block gambling heart of Reno, Nevada, which had legalized gambling eight years earlier. In 1942, Harrah opened a casino, equipping it with blackjack, a dice table, and 20 slot machines.[7] In 1946, the company, by now called Harrah's, expanded and added roulette to the card and dice tables and began serving liquor. The spotless, glass-fronted, plush carpeted casino was a sharp contrast to the rough frontier-type betting parlors of the time.

In 1955, Harrah bought a dingy casino on the southern shore of Lake Tahoe, and four years later, he relocated the casino across the highway to create the world's largest single structure devoted to gambling. The new casino had a 10-acre parking lot and an 850-seat theater-restaurant that drew star entertainers. Next, Harrah constructed the highest building in Reno—a 24-story hotel across the street from his casino, and then, in 1973, he opened an 18-story hotel in Lake Tahoe. Every room came with a view of the lake and a marble-finished bathroom.

By 2000, Harrah's Entertainment, Inc. was well-known in the gaming industry and operated casinos in more markets than any other casino company. Harrah's had 21 casinos in 17 different cities, including operations in all five major traditional casino markets (Las Vegas, Lake Tahoe, Laughlin, Reno, and Atlantic City). The company also owned or operated casinos in Joliet and Metropolis, Illinois; East Chicago, Indiana; Vicksburg and Tunica, Mississippi; Shreveport, Lake Charles, and New Orleans, Louisiana; and Kansas City and St. Louis, Missouri. In addition, Harrah's managed a number of Native American casinos located in Arizona, North Carolina, and Kansas.[8] In summary, Harrah's operated land-based, dockside, riverboat, and Indian casino facilities in all of the traditional and most of the new U.S. casino entertainment jurisdictions (see **Graphic A**).

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[5] Ibid.

[6] Leon Mandel, *William Fisk Harrah, The Life and Times of a Gambling Magnate,* Garden City, NY: Doubleday & Co., 1982, p. 1.

[7] Harrah's Entertainment Inc.

[8] Jason Ader, Mark Falcone, and Eric Hausler, "Outside the Box: Exploring Important Investor Issues—Harrah's Entertainment, Inc.—Reaping the Benefits of Total Rewards," Bear Stearns Equity Research, November 10, 2000.

Graphic A: Harrah's Operations, early 2000[9]
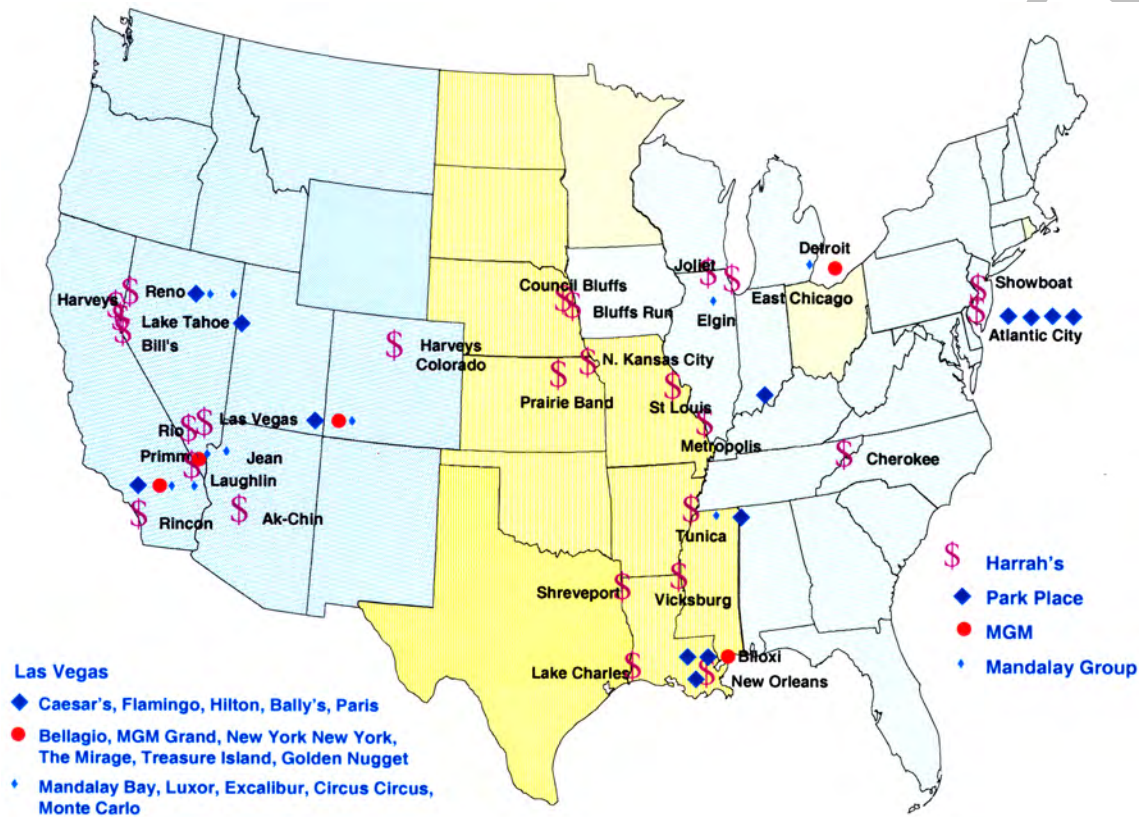
Source: Harrah's

Early Strategy

Satre, who joined Harrah's in 1980 as Vice President, General Counsel, and Secretary before becoming CEO in 1984, reflected on his first moves:

> Initially I focused on people more than anything else and I thought that was a sustainable competitive position at that time. The strategy seemed to be working in the early 1990s as Harrah's led the way to take advantage of legalized gambling in many states beyond Nevada and New Jersey. These new markets provided Harrah's with explosive growth and a highly profitable business.

> I also started a program to communicate with customers who won over a certain amount in our jackpots. I asked them which other casinos they had visited and planned to visit. I was amazed at the amount of cross-market visitation from these customers and yet we received only a small fraction of their gaming dollars when they visited Las Vegas and Atlantic City. At the same time, we were developing rewards programs based on tracking cards (akin to

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[9] Rio and Showboat were Harrah's properties.

4

frequent shopper cards) at each of our different properties. The rewards took totally different forms at each property because each property was pretty autonomous.

Satre frequently talked with John Boushy, then the head of marketing/IT, about how much better it would be if customers could use the same loyalty card at every Harrah's location. That way Harrah's would know more about customer play at each property. Harrah's first investment toward this goal was the Winner's Information Network, a national database. The plan was to follow up with both a common card and common analytical tools for making decisions that were based on the data from tracking customers' play.

Customer Loyalty as a Core Competency

By the mid 1990s, competitors had entered the new markets with better and flashier properties. The Mirage in Las Vegas had set a new standard and began to spawn imitators. With no new jurisdictions planning to legalize gambling, Harrah's was facing the formidable task of growing the business in a limited market. Satre realized that the people strategy was not sufficient to grow patronage and play at existing casinos:

I remember reading *The Discipline of Market Leaders*, which I shared with the management of the company. The book's fundamental thrust was that you could become a leader based on one of three competencies: innovations of product, cost structure, or relationships/customer intimacy.

We saw MGM and Mirage trying to innovate—creating highly themed environments that had lots of new experiences for their customers. Whether it was the theme park at the MGM or the dolphin tank and the tigers at Mirage. . . . In the early '90s, these companies were put up on a mantel as the companies to show where the industry was headed. Anyone who came to Las Vegas would say, "you guys [Harrah's] are living in the past." I told them that this would be great if you were starting from scratch, but if you were a 50-year-old company, the capital costs of making "must-see" properties would be enormous.

While there was great temptation to go down that path because it was exciting to try to design and build, we ultimately decided against it: customer loyalty was really our competency and we decided that we could become an industry leader based on that skill.

But by early 1998, the company's performance was not meeting Satre's expectations. He realized that Harrah's did not have the marketing horsepower to implement the strategy across all properties in a consistent manner. The company had excellent technology and great operations but not effective marketing. He expressed his concerns to Sergio Zyman, then Chief Marketing Officer at the Coca-Cola Company and a noted authority on consumer marketing whom he knew through the Coca-Cola/Harrah's strategic alliance. Satre recalled:

I went to see Sergio to get references for people that I might hire into a marketing job. He was a quick study, and said, "You are heading in the wrong direction. You don't need a marketing executive. How is your marketing executive going to implement in a company that has a history of autonomous operations and marketing is so tied to your operations strategy? You need a COO who is a marketer—who can implement your marketing, but make sure it goes through all the properties, and that there is no hiccup or interruption between the corporate strategy and what is implemented at the property level.

A New Approach

Satre turned to Gary Loveman to fill this void. At the time Loveman was on the HBS faculty in the service management area and had worked with Harrah's as a consultant for five years. Satre felt that Loveman would help the company move "from an operations-driven company that viewed each property as a 'standalone business,' to a marketing-driven company with a focus on our target customers and what it took to build their loyalty to the Harrah's brand." The board supported Satre's recommendation to hire Loveman as Harrah's COO. He joined Harrah's in 1998 bringing his atypical range of experience. Loveman described his challenge at Harrah's in the following way:

In 1998, we were sitting on all this transactional data but not using it effectively. The statistic that jumped out and bit me was that for customers who visited Harrah's once a year or more, we got 36 cents out of their gaming dollar. Hence, they were visiting our competitors and showing remarkably little loyalty to Harrah's. That was the principal anomaly around which we organized everything else, and since then it has been an all-inclusive effort to envelop customers with reasons to be loyal.

The Total Gold program, launched in Fall 1997, was intended to increase customer loyalty in a variety of ways, and it was supported by a lot of other marketing interventions that all had the same mission. They all intended, for example, to attract a 60-year-old lady from Memphis, Tennessee on a Friday night, as she and her husband were thinking about where to go in Tunica, Mississippi where Harrah's is one of 11 casino alternatives. We wanted people to think "Harrah's, Harrah's, Harrah's" in the same way that they went to the same hairdresser, cobbler and auto mechanic. All of our tools were a means to that end.

To achieve this goal, Loveman launched three major initiatives: changing the organization structure, building the Harrah's brand, delivering extraordinary service, and exploiting relationship marketing opportunities.

A New Organization Structure

His first priority was to build a new organizational structure. Harrah's division presidents and their subordinates in brand operations, information technology, and marketing services, started reporting to Loveman instead of to the CEO (see **Exhibit 4**). This emphasized that customers belonged to Harrah's and not simply to one of its casinos. Loveman explained:

Changing the organizational structure was a major accomplishment in light of the fact that historically, as with all our competitors today, each property was like a fiefdom, managed by feudal lords with occasional interruptions from the king or the queen who passed through town. Each property had its own P&L and its own resource stream, and the notion that you would take a customer and encourage them to do their gaming at other properties was not common practice. It required a lot of leadership from my boss and the people who ran these businesses to adopt this strategy and encourage customers to spend their money at Harrah's locations broadly rather than simply at their property.

Brand and Service

Next, because Harrah's had little meaningful brand differentiation in the casino industry, Loveman set out to develop a brand that had a gaming orientation and was centered on what the

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research told them was the most profound emotion of gaming—the feelings of anticipation and exuberance. He explained:

> People go to a casino because it makes them feel "exuberantly alive." That is what they are buying. They don't believe that they are going to win on average, but when they win, they have a ball. With every bet, gamblers anticipate the possibility of winning. Many described the adrenaline rush, the high, the pounding of their hearts and the tingling in their bodies that they feel when they were gambling. With every bet, they hoped to be able to sustain the level of fantasy that gambling provided. One gambler stated: "When you look up and you see that it's a hit and that you're going to get paid off, it's a tingling from my toes on up to the top of my head that comes into my body. That's what makes me want to put more money into the machines."

Harrah's research showed casino entertainment provides consumers a momentary escape from the problems and pressures of their daily lives. Gaming customers share the "exuberantly alive" feeling that risk-taking affords the likes of mountain climbers and skydivers, though casinos provide a far safer playing field. "So we focused all of our advertising around the feeling of exuberance," explained a Harrah's manager. Since Loveman's arrival, Harrah's spent $15-20 million per year in advertising to communicate the feeling of anticipation to the general audience.

Improving service was also important to the brand image. Harrah's was known for having the "friendliest employees." However, Loveman believed that the service was good but not distinguished. He recognized the need for better service on his very first night on the casino floor.

> I stopped and asked a gentleman who was playing a slot machine, "How are you doing tonight, sir?" and he said "Shitty." It dawned on me that my parents had not taken me through the "How are you – shitty" dialogue. I did not know what to say. The same experience was repeated more than once that night and I found myself not wanting to ask that question any more. But that is the world my employees live in every day. Providing service in this environment is tricky because most guests end up losing while playing in a casino. We had not trained our people to deal with these kinds of situations. We wanted to deliver a world class service experience that would transcend this issue.

Finally, Harrah's put in place a variety of interventions at the employee level —service process design, reward and recognition, measurement of executives—in as pervasive a fashion as possible to make service demonstrably better. Harrah's thereafter won the award for "best service" from *Casino Player*, the magazine of choice in the casino industry, for three years in a row.

Customer Relationship Management

The third and the most important initiative was to implement marketing tools and programs across all Harrah's properties. Loveman disbanded the existing marketing function and rebuilt it with people who preferred slide rules to mock-ups. Richard Mirman, a former University of Chicago math whiz, left Booz Allen & Hamilton to join the new team as Senior Vice President of Relationship Marketing. Under Mirman marketing became a very quantitative undertaking. Loveman explained:

> Customer Relationship Management (CRM) at Harrah's consists of two elements: Database Marketing (DBM) and the Total Gold program. The Total Gold program motivates customers to consolidate their play, and the data collected through the program allows us to execute direct marketing strategies that increase the efficiency and effectiveness of our marketing dollars.

The big innovation by Mirman and his group of "propeller heads" (David Norton, vice president of Loyalty Marketing and Dave Kowal, vice president of Loyalty Capabilities and Revenue Management) was development of quantitative models to accurately *predict* "customer worth"—the theoretical amount the house expects to win, over the long term, from a customer based on his level of play (see **Table A**). Historically, the casino industry had determined customers worth based only on observed play. Our ability to accurately predict play enabled us to begin building relationships with customers based on their future worth, rather than on their past behavior.

Table A: Theoretical Win

Theoretical Win from a Customer per day = A * B * N * H

A= the house advantage on a game (e.g., 6% hold on slot machines)[10]

B= the average bet (e.g., $ 1)

N= the number of bets per hour (a good slot machine player can pull the lever almost 15 times per minute)

H= the number of hours played per day.

Source: Harrah's

While it was simpler to make this prediction for a slot machine player, it was significantly more complicated for table game play. The transactional data collected ever since the launch of the Total Gold card in 1997 was used to build these models and forecast customer worth. Mirman called it Harrah's secret recipe.

Database Marketing (DBM):

DBM changed the way Harrah's invested in its customers. Consider the case of Ms. Maranees, reported in the *Wall Street Journal* article, who received invitations to two tournaments, along with vouchers for $200, all courtesy of Harrah's Entertainment Inc. According to Loveman:

These decisions were made using the decision science tools to predict customer worth rather than relying on observed worth from her first visit to the casino. While she would be considered a lousy customer based on her short visit to Harrah's, with the help of the information generated from one visit and one visit alone, Harrah's concluded otherwise by submitting her profile to the database. She was probably a great customer, but a great customer of Harrah's competitors. It makes sense to invest in converting her to a Harrah's customer. In the past, she would not have shown up on the radar screen.

Proactive Marketing: Opportunity-based Customer Segmentation—As soon as players used their Total Gold cards, Harrah's began to track their play preferences, betting patterns, where they liked to eat in the casino and whether they stayed the night, how often they visited, how much and how long they played. Combined with the basic information contained on the application card, which included birth date and home address, Harrah's could begin to develop a sophisticated customer profile.

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[10] The hold referred to the theoretical amounts a particular machine retains for the house over an extended period. In this case, the machine would theoretically return to the player $94 for every $100 played. Persistent players would eventually lose all their money.

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Harrah's estimated that 26% of players provided 82% of revenues, with avid players spending approximately $2,000 annually.[11] These "avid experienced players" that tended to play in multiple markets became Harrah's target customers.

Using this detailed information for every customer, Harrah's predicted potential customer playing behavior at Harrah's properties. Harrah's compared observed to predicted behavior and identified opportunity segments based on a disparity between predicted and observed values. As shown in **Graphic B**, there were three key opportunity segments for Harrah's as well as a segment where re-investment could be rationalized. Harrah's used customized marketing to achieve specific objectives such as driving incremental frequency, budget, or both. (See **Exhibit 5** for an overview of the potential messages and types of offers that Harrah's sent to customers. **Exhibit 6** provides a typical letter to a customer.)

Marketing Experiments—Harrah's quantitative approach also made it possible to conduct "marketing experiments" and track customers over time. This helped Harrah's discover the right marketing instrument, for the right behavior modification, for the right customer. As an example, Harrah's chose two similar groups of frequent slot players from Jackson, Mississippi. Members of the control group were offered a typical casino-marketing package worth $125 – a free room, two steak meals and $30 of free chips at the casino. Members of the test group were offered $60 in chips. The more modest offer generated far more gambling, suggesting that Harrah's had been wasting money giving customers free rooms.[12] Harrah's tracked the gambling behavior of the customers in the test and control group over the next several months to conclude that the "less attractive" promotion was indeed more profitable. Using such techniques, Harrah's eradicated the practice of "same day cash" at most of its properties—the process by which casinos returned a portion of a customer's bet each day with the hope that the customer would play it. Loveman explained:

> As we were looking for incremental business, we thought that giving people things today had no effect on their decisions when they were ready to go gambling again. We used the test and control methodology to gradually ramp back "same day cash" from 5% to zero. We saved half of it and gave back the rest to customers as incentives for the next visit. My operators were convinced that they would have screaming customers. By tracking customers over time, we could show the operators that they could eliminate "same day cash" without adversely affecting their business. Today, "same day cash" does not exist anywhere except to a very modest degree at Harrah's Nevada destination properties. Our industry has it everywhere and they advertise against us. The piece that is critical for us is to get our internal folks to recognize that we need to do things that drive incremental revenues.

Harrah's believed it had developed a customer centric approach to direct marketing. There were three key phases to a customer relationship. The first phase, "new business," was focused exclusively on customers new to the brand or to the property. Harrah's goal with its new business program was to encourage customers to take a second and third trip. The second phase, "loyalty," was focused on customers known for at least six months or three trips. Harrah's goal with its loyalty program was to extend continuously the relationship. The final phase, "retention," was focused on customers who had broken their historical visitation pattern. Harrah's goal with its retention program was to reinvigorate customers who had demonstrated signs of attrition. By using IT and decision science tools, Harrah's developed a variety of direct marketing programs to establish relationships with new

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[11] Jason Ader, Mark Falcone, and Eric Hausler, "Outside the Box: Exploring Important Investor Issues—Harrah's Entertainment, Inc.—Reaping the Benefits of Total Rewards," Bear Stearns Equity Research, November 10, 2000, p. 5.

[12] Binkley, op cit..

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customers, strengthen relationships with loyal customers, and reinvigorate relationships with customers who had shown signs of attrition.

Graphic B: Opportunity-based Customer Segmentation
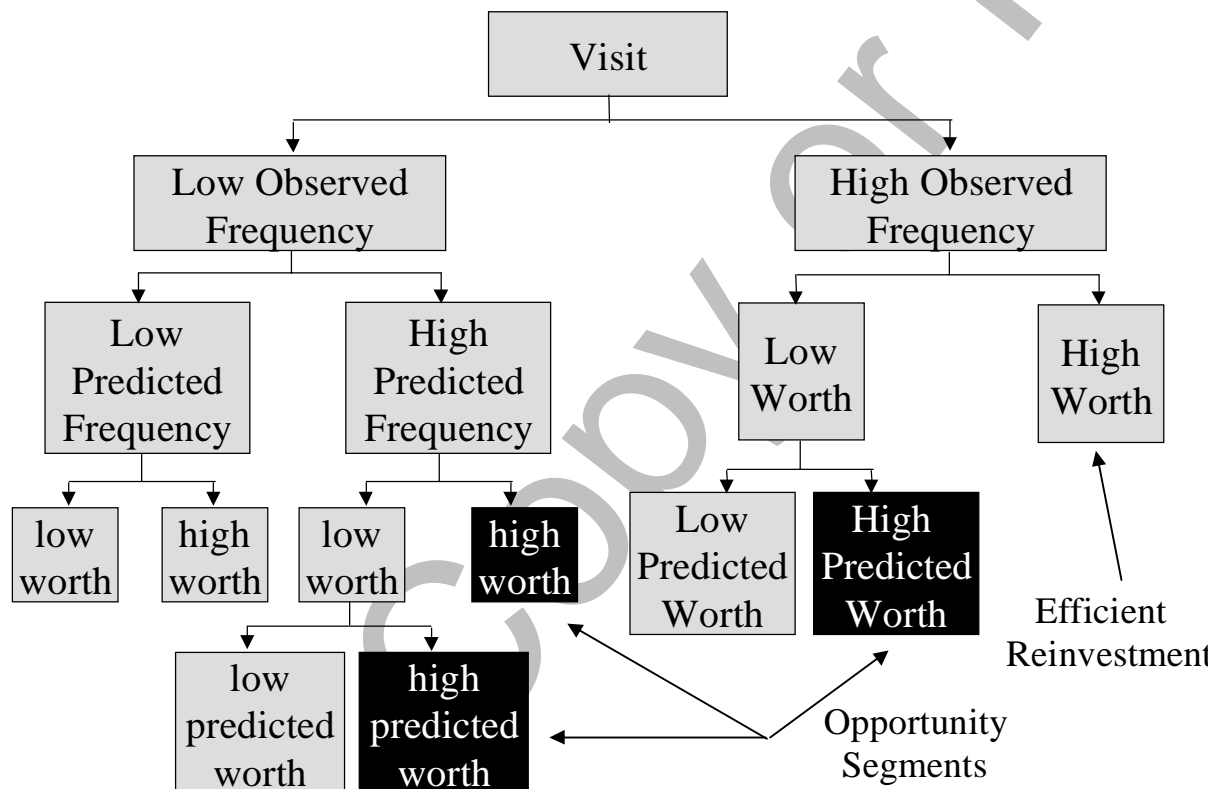
Source: Harrah's

Results from Data Base Marketing—Loveman and his team focused on results from the following programs:

- New Business Program

The New Business Program was designed to improve 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—thus allowing the particular offer to be more competitive with what the customer was currently receiving from their existing scenario of choice. This resulted in a more effective and more profitable new business program. **Exhibit 2b** illustrates the impact of such a program at a property.

- Loyalty Program—Frequency Upside

This program was designed to identify customers that, Harrah's predicted, were only giving Harrah's a small share of their total spending in a particular market. Harrah's capabilities enabled

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property marketers to develop programs that offered incentives for these customers to visit Harrah's properties more frequently—i.e., switch a trip from a competitor to Harrah's. **Exhibit 2c** tracks the behavior of a pool of 953 customers before and after the offer was sent in June. Harrah's calculated the profitability of these programs by comparing the incremental theoretical wins to the incremental cost of the program.

- Loyalty Program—Budget Upside

Harrah's also identified customers with budget upside—customers who were only giving a small share of their gaming budget to Harrah's on each trip. In most cases, a customer's allocation of budget was directly related to the order in which they visited casinos on a particular trip—the first stop received the largest share, the second received the second largest and so on. Therefore, the objective of this program was to encourage the customer to visit Harrah's first and thereby capture the majority of the single casino trips. **Exhibit 2d** tracks a group of customers with an upside budget potential. Harrah's was less sure if this program was working.

- Retention Program

The objective of Harrah's Retention Program was to reinvigorate customers who had broken their historical visitation pattern or had demonstrated other signs of attrition. Harrah's tested a variety of offers with customer segments to determine how much to reinvest in retaining loyal guests. The report shown in **Exhibit 2e** summarizes the visitation patterns for a group of customers whose patronage was declining in the second half of 1998. These customers had significantly reduced their aggregate frequency to Harrah's casinos. Based on their historical pattern of behavior, Harrah's had expected to see them in December but hadn't. The effects of the program are evident from tracking the behavior of 8,000 customers who received a direct mail offer in January 1999.

Having worked on the system for more than two years, Mirman and his team recognized that the full potential of these ideas would be realized only if these capabilities could be used at the local property level. Therefore, they made significant efforts in educating the local property managers and their marketing teams about the potential and effective use of these Data Base Marketing capabilities. Mirman and his group had to contend with the fact that marketing efforts at a property were ultimately the responsibility of the property manager and decided on how the Data Base Marketing efforts were integrated with their knowledge of the local market.

Mirman and his team accomplished these goals using a technology platform that was designed to track and manage transactions in casinos. However, it was generally acknowledged that execution of marketing programs based on the most current customer information was possible but required further investments.

The Total Rewards Program

The Total Gold program was designed to facilitate and encourage the cross-market visitation patterns of Harrah's customers. Through market research, Harrah's realized that a significant share of business was lost when Harrah's loyal customers visited destination markets like Las Vegas, but did not stay or play at a Harrah's during their visit. Harrah's estimated that more than a $100 million of lost revenue was generated by Harrah's customers in Las Vegas alone. The Total Program was intended to capture this lost business by making it easier for customers to earn and redeem rewards seamlessly at any of Harrah's properties across the country.

To execute Total Gold, Harrah's designed a completely integrated information technology network that linked all their properties together. The network enabled customer level information, like customer gaming theoretical value, to be shared in real time across the various casinos. This technology was then patented so as to bar Harrah's competitors from replicating what Phil Satre believed to be the company's future.

As a result of Total Gold, cross-market revenues (i.e., revenue generated from a customer in a market other than the one they signed up for) have grown significantly – from 13% in 1997 to 23% in 2000. At the Harrah's Las Vegas property alone, cross-market revenue now generates nearly 50% of the property's total revenue. Mirman says, ``our cross-marketing effort is what enables our Las Vegas property to compete against properties like the Belaggio and the Venetian (multi-billion dollar properties that are right next door to Harrah's Las Vegas). Mirage Resorts spent $1.8 billion to develop Bellagio to attract customers, we developed a distribution strategy that invites customers to our properties. A subtle but powerful difference.''

In July 1999, Mirman and his team revamped the program and called it Total Rewards. The motivation behind the change was the realization that even in local markets, Harrah's was only capturing a small share of the customer's gaming budget. The intention was to develop Total Gold into more of a loyalty program that would complement the direct mail strategy described earlier. Mirman added,

> Total Gold was a revolutionary technological innovation, but it lacked a number of the marketing fundamentals necessary to make it a true loyalty program. A loyalty program gives customers the incentive to establish a set of goals and then provides them with a very clear criteria for how to achieve them. Airlines have done a very good job at giving customers the incentive to aspire to earn free travel. Frequent flyer members have been trained to consolidate their travel on a particular airline until they have flown 25,000 miles and earn a free ticket. We wanted our customers to think about earning a complimentary steak dinner or a membership to our tiered card program.

The program is designed to encourage customer loyalty or consolidation of play both within a particular trip and across multiple trips or over the course of a calendar year. To promote the consolidation of play over the course of a trip, The Total Reward program provides a Reward Menu that translates reward credits to the various complimentary offerings. This menu enables customers to understand exactly what compliments are available and exactly what level of play is necessary to earn them. For the annual incentives to drive more frequency, Harrah's added two additional tier levels to the program. Total Rewards became a tiered customer loyalty program, consisting of Total Gold (no minimum customer worth), Total Platinum (theoretical customer worth $1,500 annually), and Total Diamond (theoretical customer worth $5,000 annually). The two programs, represented by different colored plastic cards, have accumulating benefits that are highly valued by the customers. The criteria to earn a membership into the program is based on a customer's annual accumulation of reward credits.

According to Mirman, there was also an emotional component to the Total Rewards program. "We want customers to think . . . I want to go to Harrah's because they know me and they reward me like they know me, and if I went somewhere else they would not."[13] Even though Harrah's knew everything about the customers' gaming behavior, customers were not concerned about privacy issues because they perceived the rewards and mail offers to be valuable to their specific needs. The company awarded three billion points during its first year of Total Rewards and had 16 million

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[13] Richard H. Levey, "Destination anywhere. Harrah's Entertainment Inc.'s Marketing Strategy," *Direct,* 1999.

members in late 1999. Total Rewards seemed to be having an impact on play consolidation based on the theoretical worths described in **Exhibit 2f**, for a sample of 100 customers.

Signing up Customers

To encourage sign-ups and play, Harrah's held give-away events for all cardholders at each property. Harrah's gave away houses, cars, million dollar prizes, trips (to great vacation destinations), jewelry, and the like. All one had to do to participate was to enroll in the Total Reward program and play. Customers knew that all these goodies came from the play being recorded.

Competition

Harrah's competed with numerous casinos and casino hotels of varying quality and size. Park Place Entertainment Corporation, with revenues of $2.5 billion, was the industry leader in 1998. A spin-off of Hilton Hotels, it owned 18 casinos and 23,000 hotel rooms, including Paris Las Vegas, Caesars, the Flamingo, Bally Entertainment Casinos, and Hilton Casinos. Park Place's gambling operations included resorts in Las Vegas, Atlantic City, New Orleans, and Biloxi, Mississippi, as well as Australia and Canada. The company seeks to maintain geographic diversity to reduce regional risk and provide more stable income streams. It strives to cluster properties in key locations to control operating expenses, reduce overhead and enhance revenue through cross-marketing. Acquisitions are an integral part of the company's overall strategy and a diverse customer base is served through a variety of properties such as Caesars for the high end market to the Flamingo for the value segment.

With $1.52 billion in revenues, Mirage Resorts mainly operated casinos in Las Vegas, but the company also had operations and tropical theme parks in Mississippi, New Jersey, and Argentina. Some of its better-known properties were the Mirage, Treasure Island, the Golden Nugget, and the Bellagio. Mirage is the leader in the Las Vegas strip gaming market targeting the upper-middle and premium segments of the market. It controlled approximately 60% of the high-roller market. Its strategy has been to develop high profile "must see" attractions. "We don't think of Mirage Resorts in terms of concrete and marble, games and shows, payrolls and budgets. We strive to create great resorts, each accommodating guests with a distinctive signature of charisma and style." [14] Mirage invests handsomely in its properties because "the presentation assumes that our guests appreciate and warrant fine quality, authenticity, and moments of unexpected, yet delightful grandeur." [15]

In 1998, Circus Enterprises, Inc. had revenues of $1.47 billion and owned about 10 casino resorts, including Circus Circus, the Edgewater, Excalibur, and Luxor. The company had casinos in Nevada, Mississippi, and Illinois. The strategy of the company is well stated in its 1999 annual report. "In Las Vegas, we are designing, piece by piece, spectacle by spectacle, the most ambitious, fully integrated gaming resort complex in the world—a fantasy of castles, glass pyramids, golden skyscrapers and more. One day we will own or control close to 20,000 hotel rooms along a single, continuous mile in the world's leading entertainment destination."[16] The most recent project, Mandalay Bay, was inaugurated on March 2, 1999. The property's attractions include, an 11-acre tropical lagoon featuring a sand-and-surf beach, a three-quarter-mile lazy river ride, a 30,000-square-foot spa and other entertainment attractions.

[14] Mirage Resorts annual report, 1998.

[15] Mirage Resorts annual report, 1999.

[16] Circus Circus annual report, 1999.

Trump Hotels & Casino Resorts, Inc. was also among the leaders in the gambling industry with several casinos such as Trump Plaza, Taj Mahal and Trump Marina, all in Atlantic City, and a riverboat casino on Lake Michigan. Owned by Donald Trump, the casinos had revenues of about $1.4 billion. With no growth in revenues, and $133 million loss on top of the losses in the previous two years, 1999 was not a good year for the company. Donald Trump, chairman, took on the additional responsibility of Acting President and CEO. His stated goal for the company was "to increase profitability by targeting better margin business coupled with a relentless pursuit of cost controls and efficient operations without diminishing the Trump experience our valued customers expect when they visit our properties."[17] The company had a major presence in Atlantic City. With the largest poker room in Atlantic City, the Taj Mahal is a "must-see" property in the Trump portfolio. The Trump Plaza targets the lucrative high-end drive-in slot customer and The Trump Marina is geared towards younger affluent customers but does not exclude its traditional base, middle and upper-middle market segments.

As part of its integrated marketing strategy, the Trump card was an important tool in its portfolio. Gamers were encouraged to register and use their cards at slot machines and table games to earn rewards based on their level of play. The computer systems kept records of cardholders playing preferences, frequency and denomination of play and the amount of gaming revenues produced. The management at the casino provided complimentary benefits to patrons with a demonstrated propensity to wager. A gamer's propensity to wager was determined by their gaming behavior at casinos in Atlantic City. It was important that a patron's gaming activity, net of rewards, was profitable to the casinos. The information collected though the Trump card was also used in sending direct mail offers to customers expected to provide revenues based on their past behavior and were offered more attentive service on the casino floor. [18]

Finally, on the East Coast, Harrah's competed with the largest Native American casino. The Foxwoods Resort and Casino, run by the Mashantucket Pequot tribe in Connecticut, grossed about $1 billion a year. Harrah's faced only local competition in many of the remaining markets.

The Gamble

As Satre stared out the window at the new construction that was taking place at the hotel next door, he tapped his fingers on the dense exhibits and thought about the term "Pavlovian marketing," once used by Mirman to describe these efforts. He hoped the reinvigoration campaign begun with Loveman's hiring would work, because Harrah's needed customer loyalty to stave off the onslaught of entertainment options from the competition. "The farther we get ahead and the more tests we run," Loveman had argued, "the more we learn. The more we understand our customers, the more substantial are the switching costs that we put into place, and the farther ahead we are of our competitors' efforts. That is why we are running as fast as we can."

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[17] Trump Hotel and Casino annual report, 1999.

[18] Paragraph excerpted from Trump Hotel and Casino's annual report, 1999.

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Attachment VIII. B.2._A6

COLLOQUY Recognizes

Caesars Entertainment

Master of Enterprise Loyalty Award (Global)

Initiative: Total Rewards

Caesars Entertainment Corporation defines itself as "a diversified casino entertainment company." Customers benefit from the company's Enterprise Loyalty strategy when they engage with Caesars through gaming, dining at com- pany restaurants, attending shows, buying gifts, and shopping online or offline with partner companies. It operates hundreds of outlets across nearly 40 properties in 20 cities across four continents. Caesars' resorts operate primarily under the Har- rah's, Caesars and Horseshoe brands.

The starting point for Caesars' Enterprise Loyalty strategy delivering personalized experience across the organization is the information-gathering power of its Total Rewards loyalty program. The program was relaunched and expanded in March 2012. "There has been a huge uptake in our signups that coincides with the launch of the new program–a 20% increase in new Total Rewards members, adding to the existing member base of 40 million," says Joshua Kanter, VP, Total Rewards at Caesars Entertainment.

COLLOQUY defines true Enterprise Loyalty companies as demonstrating five characteristics, and Caesars Entertainment's loyalty initiatives sparkle in all areas.

1. Customer-specific insights are derived from transactional data, behavioral data and collected customer preferences. "Customers have the option to provide preference information about the kinds of activities or entertainment that they enjoy most," says Kanter. "When guests engage in Total Rewards, they're choosing to let us know what kinds of entertainment matters most to them, through their purchases and/or gaming behaviors. This helps us craft personalized benefits, offers and experiences."

2. These insights are leveraged to develop enterprise-wide customer strategies, including creating customer segments that capitalize on high-value and high-potential customers. Insights are used to understand total customer behavior–for instance, helping target segments engaging with various parts of the enterprise. "With the launch of the new Total Rewards, we've broadened our message to appeal to entertainment seekers who may nor may not engage with the gaming portion of our offering. We've seen our customers engaging much more frequently in benefits oriented more toward dining and shopping and shows. We have seen literally two times the volume of purchases going through retail and dining outlets that are associated with Total Rewards cards."

3. The focus of the organization's entire product or service offering is based on customer-specific insights, related to merchandising, pricing, new product/service development, operations, marketing, customer experience, retail layout/design, retail locations, etc. Caesars' use of insights leads to smoother operations, and empowers better front-line service, and differentiated pricing. "We have what we call a 'differentiated service model' that's keyed off of Total Rewards tiers. For example, we strive to provide a great experience to every guest, including our entry-level Gold members. But we also have special hotel check-in areas, shorter lines and exclusive lounges for our Diamond and Seven Stars members. And our VIP-focused organization engages with our most high-value customers individually. Our VIP hosts develop personal relationships with their guests, and help them plan their future trips. Once a guest arrives on property, they are greeted by a local host who is on call to ensure that the guest always has access to whatever service they require." In general, "When a guest presents their card, every member of our front-line staff responds immediately with the level of service appropriate to the tier." For example, "We've given tier-based discounts to our customers when they shop in our retail stores, ranging from a 10% discount for Gold members all the way up to 25% discount for Seven Stars members."

4. The company's operational structure is aligned to better serve the right customer segments. Caesars has worked hard to achieve such alignment. "We used to have pockets of analysts all over the organization. It was quite fragmented. About a year and a half ago, we formed the Enterprise Analytics Shared Service, which consolidated our most talented analytical minds into a Center of Excellence. Enterprise Analytics supports every function that requires analytics throughout the company, including financial reporting, revenue management, gaming analytics, and marketing analytics."

5. Customer-based metrics as a gauge of corporate performance have been incorporated. "We have a robust Total Service customer listening program that helps us track and understand how our guests experience our properties. We focus not only on their overall experience at the property, but also on the elements of the experience. All of senior management's compensation is tied to our ability to continuously improve the guest experience."

Watch a video summary of Caesars' Enterprise winning case study.

View an interview with Caesars.

Kelly Hlavinka (left) and Jim Sullivan (right) present the COLLOQUY Loyalty Award to Andrea Mathews and Joshua Kanter from Caesars Entertainment

Attachment VIII.B.2_A7

COLLOQUY Recognizes

Caesars Entertainment

Master of Enterprise Loyalty Award

Initiative: Total Rewards

The Master of Enterprise Loyalty Award is presented to the company that executes an organization-wide strategy that shifts its focus from the product or channel to the customer. This operational commitment empowers the company to make all decisions with the customer at the center of its purpose.

In the spring of 2012, Caesars Entertainment expanded its Total Rewards program, resulting in a 20% increase in new members thanks to a sophisticated combination of data analysis, employee engagement and rewards systems. In 2013, it continued to use its Total Rewards data to elevate its segmentation, online presence and tier management strategies. "What we've focused on for the last year is how to personalize experiences both online and on property, across every touch point," said Joshua Kanter, senior vice president of Total Rewards. "This requires a tremendous amount of organizational coordination, to make use of our holistic customer data and trans- late it into operations, into property messaging and into customer experiences that resonate."

Caesars executed its strategy on five pillars:

1. Attitudinal segmentation: While Caesars has excelled at understanding its guests' demographics and travel requirements, it wanted keener insights into what motivated them as seekers of entertainment. So in the summer of 2012 it implemented a model to score every guest through attitudinal segmentation. Using Total Rewards insights, the model detected several customer categories, including: the Enthusiasts, who are motivated by energy and excitement; the Adventurers, who love to try every restaurant, new property and venue; and the Maximizers, who combine offers to get the most bang for buck. Fortified with this knowledge, Caesars' executive hosts suggest offers and attractions that appeal to each specific personality.

2. Integrating online and offline experiences: In the fall of 2012, Caesars implemented Project Galaxy, a whole- sale relaunch of its online presence. The new system relies on historical data to anticipate guest needs and present real- time offers and upsell options, such as a show or golf outing. The initiative caused many guests to migrate bookings from online travel agencies to Caesars' website and phone center. The number of unique visitors to Caesars' Las Vegas and Atlantic City booking sites rose by 8% and 5%, respectively, resulting in revenue increases of 18% and 6%. And just as Caesars uses offline data to inform its online interactions, it propagates guest information gathered online across its brick-and-mortar touch points.

3. Tier recalibration: One goal of an effective loyalty program is to elevate guests to higher-spending tiers. Caesars planned to do this by making it easier for guests to attain elite-tier status by changing the structure of Total Rewards to provide more personalized services along the way. It also implemented tier-related bonuses to inspire members to achieve top tiers faster. In the first four months of 2013, Total Rewards VIP members achieved elite status 20% faster because the guests consolidated their trips and increased their daily spending – the average daily value of VI Ps rose 5%. More revenue in fewer days equals better experiences, and that helps Caesars to stand apart.

4. Choice hospitality: Once its guests reach elites status, Caesars makes sure to recognize them in unparalleled fashion. The Laurel Collection of rooms, in a private corridor at Caesars Palace, includes an attentive staff and exclusive amenities, such as private event – of the Robert De Niro and Chef Nobu Matsuhisa restaurant collaboration – for a one-of-a-kind boutique stay. Through such efforts, Caesars is creating intimate events that enhance engagement among discerning, fashion- and entertainment-oriented customers.

5. Real-time casino marketing: Any time a guest interacts with a Caesars associate on a property -from a gaming table to eating at a restaurant -an executive host on the property receives a real-time notification that the guest is there and what the guest is doing. If the guest just paid the bill, for example, the host can introduce himself or herself (provide a card and offer a service. If the guest has an unlucky streak at a particular game, the system deploys a host to alleviate the situation, perhaps by buying the guest dinner: exclusive technology, which is proprietary to Caesars, has increased customer value by up to 30% per visit.

Caesars Entertainment is one of the world's largest diversified casino entertainment companies. It uses its Enterprise Loyalty strategy, with data gathered from its Total Rewards program, to enrich the customer experience while gaming, dining, attending shows, buying gifts and shopping online or offline with partner companies. Caesars operates hundreds of outlets on nearly 40 properties in 20 cities in North America, primarily under the Harrah's, Caesars and Horseshoe brands.