

The Harrah's Case:

Background

- Gambling industry is the pioneer in IT adoption
- Wynn's strategy and Harrah's strategy
- Why Harrah's use “theoretical win” to predict a customer worth instead of observed win?
- Experimental marketing/ A&B test (e.g. the cancelation of same day cash)
- Selling more to existing customer can significantly increase revenues

Questions

Q1: Are the marketing programs (i.e., New business program, loyalty program – frequency upside, loyalty program – budget upside, retention program, the total reward program) effective?

Q2: Are the results from the marketing programs sustainable when competitors introduce similar programs?

Q1: Are the marketing programs effective?

1. New business program
2. Loyalty program – frequency upside
3. Loyalty program – budget upside
4. Retention program

Q1: Are the marketing programs effective?

1. New business program

Exhibit 2b New Business Program Analysis

Sign-up Month	New Customers		1 Month After Signup		2 Months After Signup		3 Months After Signup	
	Customers	Theoretical	Customers	Theoretical	Customers	Theoretical	Customers	Theoretical
1-Apr-99	1022	\$31,992	125	\$10,857	103	\$10,478	85	\$10,093
1-May-99	837	44,673	133	10,772	134	15,799	102	10,950
1-Jun-99	825	46,291	135	13,231	128	10,941	91	12,823
1-Jul-99	808	45,725	162	24,712	137	23,229	109	26,629
1-Aug-99	742	43,423	164	17,494	103	11,122	97	11,817
1-Sep-99	760	42,257	141	20,102	118	15,744	104	18,995
1-Oct-99	990	54,935	178	26,086	151	24,168	148	16,080
1-Nov-99	1064	63,687	225	28,657	182	23,824	142	21,988
1-Dec-99	772	41,494	143	15,906	149	16,517	94	13,229
1-Jan-00	986	\$46,502	206	\$20,041	193	\$22,123	92	\$12,476

	Customers			
	1st Month	2nd Month	3rd Month	1st-3rd
1-Apr-99	12%	10%	8%	31%
1-May-99	16	16	12	44
1-Jun-99	16	16	11	43
1-Jul-99	20	17	13	50
1-Aug-99	22	14	13	49
1-Sep-99	19	16	14	48
1-Oct-99	18	15	15	48
1-Nov-99	21	17	13	52
1-Dec-99	19	19	12	50
1-Jan-00	21%	20%	9%	50%


	Revenues			
	1st Month	2nd Month	3rd Month	1st-3rd
1-Apr-99	34%	33%	32%	98%
1-May-99	24	35	25	84
1-Jun-99	29	24	28	80
1-Jul-99	54	51	58	163
1-Aug-99	40	26	27	93
1-Sep-99	48	37	45	130
1-Oct-99	47	44	29	121
1-Nov-99	45	37	35	117
1-Dec-99	38	40	32	110
1-Dec-99	43%	48%	27%	118%

Q1: Are the marketing programs effective?

2. Loyalty program – frequency upside

502-011 -18-

Exhibit 2c Loyalty Program (Frequency Upside)—Offer Behavior Change by Offer and Month

Offer	Report Period	# of Guests	Hotel %	Red %	# of Trips	Trips per Guest	# of Days	Days per Trip	Hours	Hours per Day	Theo Win	Observed Win	Comp Amt.	Comp %	Avg. Theo win per Trip	Avg. Theo win per Day	Avg. Theo win per Hour
PRE	Jan-99	21*	24%	5%	20	1.0	34	1.7	109	3.2	\$7,770	\$12,745	\$1,361	18%	\$389	\$229	
	Feb-99	28	18	11	28	1.0	50	1.8	166	3.3	11,957	15,436	2,434	20	427	239	72
	Mar-99	30	17	10	28	0.9	41	1.5	148	3.6	6,596	(1,432)	799	12	236	161	45
	Apr-99	40	23	18	40	1.0	61	1.5	173	2.8	5,051	6,100	845	17	126	83	29
	May-99	36	14	8	36	1.0	64	1.8	218	3.4	9,000	5,838	1,585	18	250	141	41
	Jun-99	953	29	22	978	1.0	1,709	1.7	6,496	3.8	267,907	270,836	42,514	16	274	157	41
POST	Jul-99	133*	25	31	153	1.2	252	1.6	987	3.9	74,275	95,263	12,558	17	485	295	75
	Aug-99	146	26	44	172	1.2	286	1.7	870	3.0	43,240	51,900	8,987	21	251	151	50
	Sep-99	166	40	58	188	1.1	362	1.9	1,270	3.5	70,824	94,739	16,110	23	377	196	56
	Oct-99	152	42	53	178	1.2	319	1.8	1,286	4.0	58,354	87,082	12,300	21	328	183	45
	Nov-99	102	52	55	111	1.1	198	1.8	761	3.8	29,095	50,920	7,151	25	262	147	38
	Dec-99	83	42	41	98	1.2	167	1.7	554	3.3	23,187	38,983	4,304	19	237	139	42
Total		1,890	31%	32%	2,030	1.1	3,543	1.7	13,037	3.7	\$607,256	\$728,410	\$110,948	18%	\$299	\$171	\$47

*To be read as, of the 953 customers who received an offer in June, 21 customers had patronized the casino in January and 133 customers patronized the casino in July.

Q1: Are the marketing programs effective?

3. Loyalty program – budget upside

Exhibit 2d Loyalty Program (Budget Upside)—Offer Behavior Change by Offer and Month

Report Period	# of Guests	Hotel %	Red %	# of Trips	Trips per Guest	Days	Days per Trip	Hours	Hours per Day	Theo Win	Observed W/(L)	Comp. Amt.	Comp %	Avg. Trip	Avg. Day	Hour
Jun-99	235	0%	37%	368	1.6	401	1.1	767	1.9	\$13,544	\$18,011	\$88	1%	\$37	\$34	\$18
Jul-99	241	0	33	374	1.6	405	1.1	878	2.2	16,931	15,699	182	1	45	42	19
Aug-99	284	0	26	427	1.5	474	1.1	1,015	2.1	18,710	22,042	233	1	44	39	18
Sep-99	302	0	26	528	1.7	611	1.2	1,247	2.0	23,520	20,004	603	3	45	38	19
Oct-99	578	0	40	1,028	1.8	1,135	1.1	2,109	1.9	28,905	31,918	534	2	28	25	14
Nov-99	267	0	50	577	2.2	649	1.1	1,193	1.8	23,646	39,205	318	1	41	36	20
Dec-99	291	0	75	721	2.5	830	1.2	1,528	1.8	32,105	63,248	668	2	45	39	21
Jan-00	250	0	62	583	2.3	686	1.2	1,228	1.8	27,370	30,952	617	2	60	40	22
Feb-00	247	0	63	581	2.4	679	1.2	1,237	1.8	36,885	39,060	1,550	4	63	54	30
Mar-00	288	0	67	717	2.5	852	1.2	1,529	1.8	43,318	59,028	1,927	4	60	51	28

Q1: Are the marketing programs effective?

4. Retention program

Exhibit 2e Retention Program—Offer Behavior Change by Offer and Month

Offer	Report Period	# of Guests	Hotel %	Red %	# of Trips	Trips per Guest	# of Days	Days per Trip	Hours	Hours per Day	Theo Win	Observed W/(L)	Comp Amt.	Comp %	Avg. Theo win per Trip	Avg. win per Day	Avg. win per Hour
	Jul-98	5,980	0%	14%	8,695	1.5	11,079	1.3	27,882	2.5	\$1,603,196	\$1,691,024	\$312,370	19%	\$184	\$145	\$57
	Aug-98	5,041	0	13	7,284	1.4	9,330	1.3	22,962	2.5	1,325,049	1,366,126	209,748	16	182	142	58
	Sept-98	3,098	0	17	4,369	1.4	5,416	1.2	12,791	2.4	705,836	1,008,256	106,832	15	162	130	中, 0
	Oct-98	1,444	1	21	2,272	1.6	2,661	1.2	6,303	2.4	354,198	483,471	55,006	16	156	133	56
	Nov-98	326	2	16	478	1.5	553	1.2	1,213	2.2	63,140	94,869	9,242	15	132	114	52
	Dec-98	10	10	0	14	1.4	16	1.1	25	1.6	1,293	1,729	54	4	92	81	51
	Jan-99	362	4	14	366	1.0	441	1.2	1,086	2.5	60,999	68,786	9,089	15	167	138	58
	Feb-99	3,578	0	22	4,140	1.2	5,325	1.3	12,676	2.4	661,868	803,336	105,703	16	160	124	53
	Mar-99	4,592	0	24	5,659	1.2	7,114	1.3	16,967	2.4	900,992	1,048,778	130,620	14	159	127	53
	Apr-99	4,052	0	22	5,166	1.3	6,597	1.3	16,488	2.5	911,712	1,040,968	123,737	14	176	138	55
	May-99	3,576	0	22	4,637	1.3	5,850	1.3	15,134	2.6	810,873	967,491	114,451	14	175	139	54
	Jun-99	3,325	0	23	4,492	1.4	5,710	1.3	14,113	2.5	806,390	863,057	108,807	13	180	141	57
	Jul-99	3,934	0	21	5,606	1.4	7,074	1.3	18,357	2.6	1,160,901	1,099,528	179,247	15	207	164	63
	Aug-99	3,769	0	20	5,277	1.4	6,827	1.3	17,713	2.6	1,047,831	1,293,718	169,202	16	199	153	59
	Sep-99	3,197	1	20	4,476	1.4	5,737	1.3	15,139	2.6	922,912	1,031,069	124,268	13	206	161	61
	Oct-99	2,882	1	22	3,982	1.4	5,057	1.3	13,743	2.7	760,428	918,241	105,493	14	191	150	65
	Nov-99	2,589	1	21	3,455	1.3	4,397	1.3	11,750	2.7	635,578	815,021	91,749	14	184	145	54
	Dec-99	2,151	1	21	2,834	1.3	3,597	1.3	10,144	2.8	595,359	562,899	71,643	12	210	168	59
Total		53,906	0%	20%	73,202	1.4	92,781	1.3	234,484	2.5	\$13,328,555	\$15,163,367	\$2,027,261	15%	\$182	\$144	\$57

Source: Harrah's Entertainment Inc.

Q2: Are the results from the marketing programs sustainable?

1. Target market: avid gamblers who play frequently for entertainment across markets
2. Advertising campaign to attract gamblers who view gambling as entertainment
3. The service and experience provided in the casino
4. The new organizational structure that allows properties to think beyond their local profits
5. Extensive distribution of casinos to sign up as many avid gamblers as possible
6. Process patent on the ability to use customer worth across properties and \$100 million investment in hardware and software

Ethical issue

- Is it ethical to use customer data to attract them into gambling