We need to first classify the customers depending on their interest.

There are various customer segments. But, when you look at profitability, these should be broader than those currently identified. These are the ones that fall above the "comp line"- those that deserve "comps", and then the ones that fall below it. This is measured based on the amount of money that a guest spends at the hotel (Casino) and the frequency of their visits. Those above the comp line in order of profitability are the whales, high rollers, and loyal lower-level gamblers.

Consider some aspects of behavior of the distinct groups.

For example, look at groups with theoretical win of $500, $10,000 and $100,000. Secondly, number of visits – this refers to the fact that someone that visits frequently and is loyal (sometimes identified as the lower-level gamblers) can be more beneficial to the hotel than one time large spending visitors. Thirdly, visit length – longer trips could be identified with any group, but according to Exhibit 8 the longer you stay the more likely you are to receive some short of comps. Also, whether the customers play in tables or slots – does not seem to be relevant to one group, rather the amount they bid and their potential losses to the company are more what is examined. Lastly, loyalty to a certain property – for whales this means that they could get access to exclusive perks and luxuries that money cannot buy them, for the high rollers an instant recognition and deference to their treatment is provided by hosts, and loyal lower-level gamblers that frequent the MGM can build a relationship that awards them comps as well. They can all earn points that can be spent in the first week of December.

Right now, it seems that they only capture the amount that is spent by the guests when they gamble and what they charge to their room. Everything else is not included in the data, so they only realize where about 60% of that entertainment profit is coming from. This is worrying, especially because 50% of the profit at MGM Grand actually came from the entertainment section such as shows, hotels, restaurants, and spas. They need to figure a way to determine their profits from other sources than just gambling and perhaps change their strategy on they give out comps and do business. We feel that more and more people go to Las Vegas for the food, shows, and good entertainment value that is provided in spades. This means that they are missing a lot of repeat business that they could be taking advantage of. There is definitely a distinct entertainment segment.