



**David Norton**  
Chief Marketing Officer

# Harrah's hits customer loyalty jackpot

SAS® identifies customers with highest potential to return

## Industry

Media and Entertainment

## Business Issue

Increase customer loyalty in the competitive US gaming industry.

## Solution

SAS® Customer Intelligence

## Benefits

SAS® Customer Intelligence helps Harrah's customize marketing campaigns based on potential customer value.

In the high-stakes world of the US gaming industry, success is often measured by glitz and glam. But Harrah's Entertainment, the world's largest gaming company, demonstrates that success is not always based on size or stature. In fact, while Harrah's competitors have continued to pour more and more revenues into bigger buildings and more extravagant facilities, Harrah's has chosen to invest heavily in customer relationship management (CRM) technologies and marketing techniques that build customer loyalty.

With a CRM architecture that includes SAS software for predictive analysis and business intelligence, Harrah's has combined advanced technology with innovative marketing expertise to encourage its best customers to return to its casinos again and again. As a result, Harrah's Total Rewards card is the industry's most sophisticated national multibrand loyalty program, and the company ranks No. 1 in profits as a percentage of revenues.

"We've really chosen a path less traveled," says David Norton, Chief Marketing Officer. "By focusing on technology and relationship marketing, we've been able to leverage our distribution advantage and engender loyalty across every key market." For Harrah's, those key markets include locations in Arizona, California, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey and North Carolina – a more diverse distribution of properties than any of its competitors.

## Much more than a loyalty program

Through Harrah's Total Rewards program, customers earn credits each time they visit and play. Accumulated credits are traded for rewards, cash, coupons or complimentary services, and tallied to determine customer loyalty levels of gold, platinum or diamond. Associated services and privileges become increasingly valuable with each new level.

But Total Rewards is much more than a loyalty program, says Harrah's President and CEO Gary Loveman. It is a key element of one of the most advanced customer relationship management systems found in any industry today.

"Using information gathered almost exclusively through card use, we have assembled a centralized, award-winning data warehouse containing information about how our customers interact with us," explains Loveman. "Decision-science-based analytic tools allow us to better understand our customers so that we can offer them the best reasons to visit and play at our properties."



Specifically, SAS retrieves data from the company's Teradata warehouse, organizes and normalizes the information, and builds predictive models that reveal which customers should be targeted for loyalty incentive programs.

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**David Norton**  
Chief Marketing Officer, Harrah's Entertainment

### Identifying potential value

Harrah's first established a segmented marketing approach in 1998. Using historical data, which showed how often customers visited and how much they spent, these early modeling efforts provided basic segmentation based on various demographic trends.

What Harrah's gained from the predictive capabilities of SAS, however, was something much more powerful – an accurate estimate of each customer's potential value. “Today we use SAS to build models that predict frequency and worth into the future,” says Norton.

Historical data will show how often a customer visits Harrah's casinos, explains Norton, but predictive models will reveal which customers are likely visiting other casinos in the market as well. Once SAS identifies these customers, Harrah's can target them for campaigns that will attempt to increase their loyalty to Harrah's.

“There really is this discrepancy between predictive and observed value that leads a customer to fall into an opportunity segment,” explains Norton. “SAS allows us to be very surgical and much more aggressive when marketing to those opportunity segments.”

Without SAS, he says, Harrah's would have to send blanket marketing materials to everyone on its mailing list, which would lower the profitability of its campaigns significantly. Instead, the company can divide customers into more than 80 different segments for each marketing campaign and target only those who are most likely to respond.

SAS also allows Harrah's to customize its predictions for each regional market, which is important because frequent customers in Las Vegas can look quite different from frequent customers in St. Louis or New Orleans. Plus, customers who live within driving distance of a casino receive different marketing promotions than customers who live farther away and plan their casino trips as vacations.

### CRM shows significant returns

According to Norton, nearly 50 percent of Harrah's revenue is driven by marketing, and the precision of SAS helps to ensure the effectiveness of those efforts. “Our profitability around marketing interventions is much higher because of the precision of understanding that SAS provides,” he explains.

From region to region, Harrah's gathers metrics that prove the success of its marketing endeavors. For example, combined revenue at the company's two Las Vegas properties rose 10 percent in 2003, and income from operations jumped 26.6 percent.

Likewise, gaming by customers who use their Total Rewards cards increased 5.6 percent in 2003, and the amount of gaming revenue generated by customers outside their home markets rose 15.6 percent.

Plus, Norton says, “We've been able to increase our share of customers' gaming budgets from 36 percent in 1998 to 45 percent today,” which means Harrah's customers, overall, are taking their business to Harrah's casinos 45 percent of the time.

Most importantly, says Norton, the program helps Harrah's staff treat all of its best customers – not just the high rollers – like VIPs. “Our customers really appreciate the fact that we know them more than they would expect. With SAS we can recognize what stage of the relationship they're in, and we can approach them with the offers that are most relevant.”



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