Harrah’s is Revamping Rewards Plan

Company Seeks to Entice Clients to Gamble in Ways Most Profitable for Casino

By CHRISTINA BINKLEY

In an industry known for relying on the gut instincts of men who wear diamond pinky rings, Harrah’s Entertainment Inc.’s bent for technological innovations has set it apart. Now the casino company is out to one-up itself by enticing customers to gamble in the ways that are most profitable for Harrah’s.

Today, Harrah’s is inaugurating a revamped version of “Total Rewards,” a customer-loyalty club it launched in 2000 that changed the way the casino industry tracks customer data and markets itself to the masses. At the time, rewarding good customers was nothing new in the industry—for decades, casino executives have handed out freebies known as “ comps” to high-rolling players of blackjack and the like. But the Harrah’s program combed data on millions of its customers to finely tune marketing messages, enticing them to gamble more at Harrah’s casinos.

Other casino companies had rudimentary slot clubs at single casinos rather than a company’s array of properties, and Harrah’s executives boasted they were eight years ahead of rivals. Total

dancers at Harrah’s Rio casino in Las Vegas, a trip for two to Elvis Presley’s Graceland estate. That’s because Harrah’s had found that many of its incentives—such as tickets to boxing matches and NASCAR races—appealed more to men than women.

But the revamp goes much further: With “bonus points,” it is designed to channel gamblers toward games that make more money for the casino, as well as lure them to casinos during off-peak times.

Starting today, Harrah’s will give the 27 million members of Total Rewards “bonus points” when they play higher-margin slot machines, such as Wheel of Fortune or Elvis. The rewards, limited under the old program to slot-machine play, have been extended to include blackjack and other table games. Gamblers will also be urged with bonus points to place bets during slow periods, like winter in Lake Tahoe, or Tuesdays just about anywhere. Customers suspected of straying to Harrah’s rivals will be offered additional bonuses to come back.

“With this bonus-credit apparatus, we can really adjust the juice,” says Gary Loveman, president and chief executive of Las Vegas-based Harrah’s. “The loyalty points are a function of customer profitability.”

Point programs are widely used in industries dealing with consumer products and services, and some yield a stick as well as a carrot. For example, several airlines trying to boost profitability started awarding fewer points to travelers who fly on discount fares. Taking a similar approach, Hilton Hotels Corp. has stopped awarding points to guests who don’t book rooms through Hilton.

Programs that reward frequent gamblers use concepts that “go back to B.F. Skinner and all the pigeon studies,” in which animals were fed when they performed certain tasks, says Bill Eadington, an economics professor and director of the Institute for the Study of Gambling at the University of Nevada in Reno. He adds: “Players like to receive positive reinforcement—pats on the back, in effect.”

“We’ve been pushed” by rivals, particularly small regional casino companies such as Ameristar Casinos Inc. and Horseshoe Gaming Holding Corp., Mr. Loveman concedes.

Harrah’s found Ameristar was drawing customers who gamble frequently but don’t spend a lot of money, such as those who play slot machines four times a week, betting $20 each visit. Because Harrah’s required them to spend credits immediately, these people couldn’t earn enough credits fast enough to buy any goodies. The overhauled system allows them to save up credits to buy cheaper items, such as $5 coupons at restaurants and complimentary valet parking.

Now that customers will be earning so many bonus points, they need bigger and better things to buy with them. A 35-page catalog is loaded with items gauged to appeal to those with dreams of grandeur. It would require $800,000 in bets to name a horse race at the Harrah’s-owned Louisiana Downs racetrack, plus a stay in a Harrah’s suite in Shreveport, La., and a chance to throw a wreath around the neck of the winning horse, estimates Randy Fine, Harrah’s vice president of Total Rewards.

Another catalog enticement: NASCAR driver Larry Foyt’s car. It can’t be legally driven on the road, it has no passenger seat, and would require placing roughly $9 million in bets, Mr. Foyt estimates. But “this gives that kind of customer something to aspire to,” he says.