



Strategies for the Hospitality Industry

ADVISORY

Harrah's: A Customer Relationship Management Case Study

An interview with Bob Gordman, *Gordman Group* and David Norton, *Harrah's Entertainment*.

Effective customer relationship management (CRM) has been at the heart of several success stories for many years. However, CRM is in the eye of the beholder and can mean everything from a targeted marketing or loyalty program all the way to a customer-centric strategy based on business intelligence supported by an organizational structure that is much more than the sum of the technology employed or the basic loyalty program.

As the hospitality and real estate industries experiment with the expansion of their existing customer-focused efforts, KPMG sought out a success story involving an effective customer-centric transformation. Kapila Anand, National Director, and John Repa, Director, both of the Real Estate and Hospitality Advisory services group of KPMG, spoke with David Norton, Senior Vice President of Relationship Marketing at Harrah's Entertainment and Bob Gordman, President of the Gordman Group, about

the strategic value of CRM and the critical success factors underlying the customer-centric transformation at Harrah's. Harrah's has been recognized for its outstanding marketing practices by the *Wall Street Journal*, *Information Week* and *CIO Magazine*. Prior to joining Harrah's in 1998, Mr. Norton held positions with American Express and MBNA. Mr. Gordman has held executive management positions with retail companies for more than 26 years. He specializes in strategic consulting and has recently coauthored the book "*The Must Have Customer*."

KPMG:

What do you believe are some of the lessons learned as a result of the implementation of CRM?

Gordman:

Failure to execute a CRM program is usually because it is approached as a one size fits all solution as opposed to being targeted to a core customer. One truly needs to identify and then under-

stand what motivates your best customers. The building blocks must include communication, understanding goals, the strategy and then applying discipline to execute the strategy.

Harrah's is a visionary. They have obtained the tailored data necessary to recognize their "must-have customers," spent the time understanding customer

"Failure to execute a CRM program is usually because it is not targeted at core customers— but rather approached as a one size fits all solution. "

rules, and then aligned their marketing programs, management incentives and technology infrastructure with a common goal. They are constantly innovating through the process itself—utilizing the intense customer knowledge that allows one to continue to evolve.

Harrah's:

Early on in our process, we established that our customers are customers of the company, not of an individual property. This is important for a CRM strategy to work. Additionally, we placed an importance on business intelligence. The data



we obtained and analyzed showed us that a customer who visits multiple Harrah's properties spends more. So, in shared markets like Las Vegas where we have six properties, the revenue goal for all six properties is based on the performance of the market collectively. We encourage our customers to stay within the Harrah's family if they are looking for different venues as opposed to going to our competitors. This requires our properties to view the customer as a company customer in order for the strategy to work.

Another lesson that we learned is that there is a fundamental difference whether one is focusing on revenue stimulation versus cost savings. Our focus was on revenue enhancement. We have continued to evolve as our company has expanded from 16 properties to over 40 properties nationwide as the result of several acquisitions. Subsequent to each of these acquisitions, the acquired properties were added to our loyalty program, the Total Rewards program. We started the process of conversion early on in each acquisition cycle in order to infuse our marketing capabilities quickly. The acquisition of Caesars exposed us to a different business model with distinctive customer needs. This meant the Company's vision had to expand to include a focus on the growth of non-gaming revenue early in the integration process.

KPMG:

In the hospitality industry, several organizations view their loyalty programs as effective CRM strategies. How would you articulate the difference and the nuances of a loyalty program versus an organization that has employed CRM initiatives to become a customer-centric organization?

Harrah's:

Loyalty programs are the conduit for customized marketing, but there is much more to our CRM initiative. The program and related data accumulated does lead to efficiency and knowledge of the business and its customers. The benefit of the information derived from the Total Rewards program is that it enables us to achieve a greater understanding of our customer needs so we can understand their expectations and target our efforts to meet the needs of our most valuable customers. For instance, it may tell us whether we need to expand table games at a particular property or increase the number of particular machines.

Our CRM initiative radiates throughout our organization and many customized customer-centric initiatives happen at the individual property as well. For example, reaching out and touching guests celebrating important events such as birthdays is done at the property level. Our data shows us that positive

customer contact has a direct impact on revenue generation and loyalty. This inherit decentralization of initiatives and human touch lends itself to a dependence on property management and line employees to execute a high level of guest satisfaction, which contributes to

“Loyalty programs are the conduit for customized marketing, but there is much more to our CRM initiative.”

long-term customer loyalty. Incentives are established to make sure that customer-centric behavior is recognized and rewarded.

Additionally, we learned the importance of ongoing education and training, especially in new markets and given the turnover experienced at businesses like ours. Therefore, we put together a marketing analysis team at corporate which is available for the property personnel so they have trained resources and reliable data available.

Gordman:

Regarding the evolution of loyalty programs, the core premise of the program is business intelligence. The airline industry has done a good job, in general, at executing customer loyalty programs with benefits, rewarding travel fre-

quency and developing tiered reward and recognition levels. Although the programs may serve a purpose, most, if not all, airline carriers would not be considered customer-centric organizations.

Personally, I belong to a loyalty program at a major car rental company because of the convenience and speed of service, and I am a loyal customer to them despite their loyalty program, not because of it. The company has a complete record of my rental patterns, including number of days, cities, participation in special offers, etc. They choose to ignore all of that, and they infrequently send me the same package of offers that every member gets—an offer that doesn't align with my needs or rental patterns.

“One must truly examine what motivates customers—this requires business intelligence i.e., data accumulation and analysis as well as the ability to use this data in a way that engenders loyalty.”

You have to know the customer rules and play by them, if you expect to build customer loyalty. It is a total concept which encompasses guest satisfaction, hiring the right people, motivating and compensating people accordingly.

KPMG:

It has been our experience that many companies believe that CRM is primarily a technology driven initiative. How would you respond to that?

Harrah's:

When investing in technology, it is important to ask can I get value and what am I going to do differently? If

these questions aren't answered, it can lead to a spiral in investing in technology. At Harrah's, before IT initiatives are undertaken, consensus is sought among the IT Department, the Marketing Department, and the users in the field. Collectively, this group brainstorms the functionality of the project.

“Our CRM focus is not solely dependent on the technology but simply enabled by it.”

In addition, we have a marketing council which includes representatives from corporate as well as the property level and is chaired by the CEO. The bottom up approach is inclusive of property representatives and works well for us. Since many of the technologies are deployed at the property level, it provides additional insight regarding functionality, as well as having advocates of the potential capability at the property level.

Gordman:

The most important part of a CRM program is not the technology. Technology is only the accumulation and perhaps the extrapolation of data. One other factor that organizations tend to overlook is that a change in mindset takes time and change management is critical as the technology is rolled out. My experience is that change is typically never effective if it is the responsibility of the middle of the organization – it has to be top down and bottom up concurrently.

KPMG:

When organizations are trying to measure the effectiveness of a CRM initiative, what are the specific metrics you use?

Gordman:

It's a state of mind versus state of wallet. One should be able to see some results in a relatively short period of time. A

sound strategy needs to be in place before starting the CRM initiative, so the change in behavior can be measured. The change in mentality needs to stem from the top, with top executives asking not just what is it going to cost, but rather what is it going to cost not to do it.

Harrah's:

At Harrah's, CRM is embedded in what we do. It is difficult to separate what are customer service driven versus traditional CRM initiatives in terms of return on investment. All changes within the organization are part of in one cohesive strategy. We do however; measure cross market revenue, tracked play and growth by segment. Customer satisfaction is obviously critical to the success of CRM. Employing the bottom up approach, our compensation structure at the property level is directly tied to guest satisfaction. Finally, employee satisfaction is critical to client satisfaction, so we believe in employee surveys and acting upon the results.

“Our CRM vision has been instrumental in building relationships with customers across various channels to grow profitability at Harrah's.”

Our investment in general has resulted in a high rate of repeat business, in addition to enticing new customers to our properties. We have experienced same store growth as well as a unified customer view which provides the basis for expansion into other channels. Our CRM vision has been instrumental in building relationships with customers across various channels to grow profitability at Harrah's.