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Harrah's E-Business

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Abstract

This case discusses the changing market and future of Harrah's casino entertainment in E-Commerce area. All information was derived from interviewing managers and employees, Internet survey, and journal articles. The case outlines the important of E-Business to the casino industry and its current and futures players. It concludes that, in this highly competitive casino business, management must change their focus and desired outcomes to survive in the era of E-Business.

Harrah's E-Business

Harrah's Entertainment, Inc. is the most recognized and respected name in the casino entertainment industry, operating 23 casinos in the United States under the Harrah's, Showboat, Harvey and Rio brand names. With more than 60 years history, Harrah's is focused on building loyalty and value with its targeted customers through a unique combination of great service, operational excellence and technology leadership.

Like any other business Harrah's recognizes the important of E-Business. According to Dave Norton, the corporate VP Marketing, the Website enables Harrah's to keep customers informed of the latest and greatest news at their favorite property; E-mail marketing provides a new channel to communicate with customers. The Internet is a great prospecting and acquisition source. The Internet also possesses several positive attributes that provide a great opportunity to Harrah's such as targeting, marketing, and quickly response to and from customers. Customer information can be gathered and used to personalize the interaction.

A recent survey indicated that Harrah's customers are becoming web-enables. 24.4% of the customers use the Internet everyday, 82% use Internet to gather information, and 98% prefer to receive e-mail news from Harrah's (see Charts 1-4 in Appendix).

Harrah's Entertainment has already teamed up with IBM to build the web sites. The competitors have been invested heavily in building and updating their sites. For example, MGM web site provides their customers with hotel reservations, loyalty program employment entertainment.

Harrah's management Internet strategy is to maximize the uses of the web site, and has aggressively developed the site that focuses on Harrahs.com while giving the properties (divisions) the abilities to customize their own intra-sites. According to Phil Satre, CEO of Harrah's Entertainment Inc. "Our intent was to develop a corporate site with significant functionality for all properties". Harrah's IT to find software is easy to uses, compatible, and provide an integrated solution for users in local property that needs to explore trends and patterns of the industry. Because of its demographic distribution, Harrah's IT department controls the amount of alteration access by an end user and provide the capability for that end user to alter data to meet his or her properties (divisions) needs at the same time.

In September 1999, the management team decided to develop a corporate site with significant functionality for all its properties. After examining numerous alternatives, the IT department allowed its properties to have unique content within a structured framework meanwhile all properties have the same feature and capacity. All the end users of Harrah's received the Internet technology training. Harrah's website consists of the following compone nts:

1. Consistent Look and Feel of Each Site
   - Format/Lay-out
   - Functionality
2. Consistent Lay-Outs
   - Page Linkage
   - Information
3. Core Content Across All
   - Messages
   - Alliances

There are two key interrelated components of Harrah's Entertainment e-commerce strategy: relationship management and new customer acquisition.

- Relationship Management: Add functionality that will enhance profitability of customer relationship. These functions are: 1) Self-service through less expense channel, 2) Dynamic marketing, and 3) Deeper knowledge of the customer.
- New Customer Acquisitions are: 1) Increase awareness of Harrah's prospect Strategic partnerships, 2) Exciting and memorable website, and 3) Strong on-line advertising.

Harrah's management required a web site where customers could access information and perform key transaction such as hotel reservation, check balance, and property information. The web site is linked to Harrah's partners such as Hertz credit card while all the information is currently available over the phone. The web site helped to reduce the expense of customer service. For example the customer can access his or her information anywhere in the world. Sitting in Brazil with one click, customer is able to book their hotel reservation, rent a car, and even reserve a dinner. The web site also enables Harrah's to acquire customer information that Harrah's do not have access to by teaming up with difference e-commerce partners such as Excite, Expedia, Priceline, Hertz, and First Tennessee Visa. Using these partnerships and the Internet technology, Harrah's attracts potential customers to Harrah's web site and eventually to Harrah's Casino.

Harrah's competitors, both physical casinos and Internet gaming, have reduced revenue year over year and invested heavily in building and updating their sites. A recently

survey from Bear Stearn stated that on line or "e" gaming is a huge market in the US and the world. It is estimated that there are approximately 650 licensed and unlicensed online casino, sport book web sites. Other new sites of gaming are added each day. These sites generate reported wagers of at least $800 million annually. This supported Harrah's management decision to present on the Internet.

The marketing strategy is the uses of e-mail to target both new and existing customers. E-mail marketing is applying traditional direct marketing concepts to the Internet for a more engaging dialog with the customer. The management objective of E-mail marketing is to put an actionable message in front of a predisposed buyer. The ACNeilson research indicated that 75% of Internet users expect more people to know their e-mail address than their phone number in the future and half of online users (50%) now say that they prefer to uses e-mail instead of the phone (34%) to communicate with business associates. There are several benefits for E-mail marketing. By forming relationships with customers and providing them with personalized e-mail, Harrah's can enhance its ability to form loyal, long-lasting relationships with the customers through personalized dialog. An example of E-mail marketing is Comet Cursor; the company software can replace the traditional cursor symbol with a customized graphic. Currently Comet Cursor has an installed user base of 30 million and a million more people downloading the software each week. Comet Cursor are spread primarily by 80,000 sites that are using this cursor technology in exchange for running a tile ad that allows site visitors to download the software. Individual consumer can download and use the Comet Cursor software for free. The comet system's main source of income is licensing its software to big corporate sites that want to strengthen their branding efforts by customizing their cursors. Harrah's could possible use the Comet Cursor as an acquisition tool.

It is important for Harrah's to have partnership with other e-commerce company. There are overwhelming numbers of partnership opportunities. The management objective for a successful partnership including the following attributes:

- Speed Wins – the window of opportunity are forever shrinking; partnerships deals that range from handshakes to contracts are inked in a few days, not months in the Internet age.
- Build A Network – information, transactions, and/or customers flow between several businesses, and the value of such a network are greater than sum of its parts.
- Strive to be Innovative – old-school partnerships focused on incremental business; now, alliances that competencies from different but converging industries open doors to new markets for their parent companies.
- Field the Best Team – employ top-notch people and sufficient resources, and give them the autonomy necessary to move at Internet speed.

By achieving these attributes Harrah's will have a successful web site to service both new and existing

customers. There are several types of deals that Harrah's can offer to its partners. The traffic based with payment for the traffic could generate good revenue for Harrah's. Another type of deal is the Affiliate Program, which offers flat sales commission. These deals could generate high revenue. There are several advantage and disadvantage with these two as follow:

- Advantage – Good revenue potential, relatively easy to manage, payment no matter customer purchase or not, partner takes care of billing.
- Disadvantage – Customer can bypass portal, does not generate revenue based on sales, all customer transaction resides on partner site, customer can bypass Harrah's for future purchases.

The management believes that the on-line customer service is a critical component of the Harrah's Web site. The Search function is available throughout the Harrahs.com site to help site visitor's navigate the site for more specific items. Full text searching is available to provide link to the pages that match the search. Harrah's long-term goal for customer service is to develop a more robust e-care solution.

The Internet provides Harrah's with a wealth of possibilities from a business perspective. The successful Harrahs.com site provides numerous opportunities for Harrah's marketing. It can announce promotional events such as shows. It can also inform customers of alliance with partners, an opportunity to get their questions answered more quickly and in greater detail without interaction with humans. This provides Harrah's with another vehicle to attract new customers. According to the Harrah's business model (see Fig. 1 in Appendix), there are a number of ways to attract customer to the Harrahs.com site.
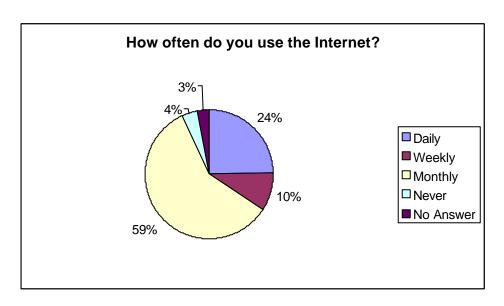
The Harrahs.com opened in September 2000, and the result is impressive. Harrah's management strategy now is to combine the Harrahs.com site (E-Business) and "Physical Casino" to make a strong value proposition above and below the e-line (see Fig. 2 in Appendix):
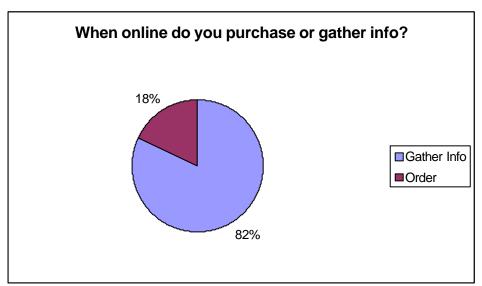
- "Physical Casino" implications – lower serve cost, decrease marketing expense, increase hotel occupancy, and acquire new player.
- E-Business implications – increase visits to Harrahs.com, simplify and save time for customer visit, strengthen e-relationships with customers, and attract new e-partners.
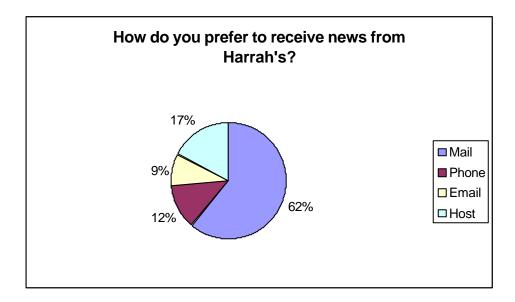
Harrah's Entertainment continues to show its leadership in groundbreaking ness in casino industry. Harrah's recognizes the E-Business true value and uses Internet technology in Harrahs.com site. Harrah's Entertainment Inc., unique web site is a sure success for the company and its investors. With what Harrah's call the Total Gold package that makes it difficult for other casinos to duplicate the industry's leading E-Business model, Harrah's will keep its leadership position in the industry.

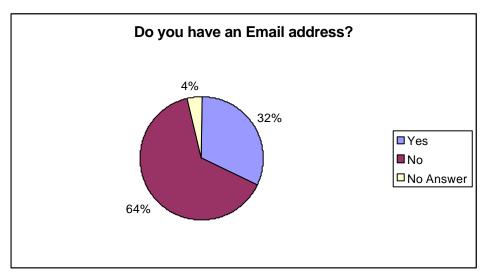**Reference** is available upon request to Shaoping Zhao

Chart 1-4

How often do you use the Internet?

3%

4%

24%

Daily
Weekly
Monthly
Never
No Answer

10%

59%

When online do you purchase or gather info?

18%

Gather Info
Order

82%

How do you prefer to receive news from Harrah's?

- Mail
- Phone
- Email
- Host

62%
12%
9%
17%

Do you have an Email address?

- Yes
- No
- No Answer

32%
4%
64%

Fig. 1

Customer Relationship Management

Direct Mail

Prop Collat

General Adv.

Promo's

Customer Acquisition

General Adv.

Site Linka

Partners

Promo's

Fig. 2

Interesting

Interesting Functionalit

B&M tie-in

E-LINE

19M Customers

Multi-million

Affinity

Relationship with Customer

Brand

Physical Infrastructure

High Touch Business