



Designing a Tiered Player Rewards Program

As a casino matures and its database of active players grows, it is the natural tendency of casino leadership to consider the implementation of a tiered player rewards program (TPRP). This marketing initiative is driven by a number of factors, not the least of which is the realization that a small portion of the casino's database is contributing an inordinately large share of gaming revenue. Thus a TPRP is implemented to offer the casino's best customers higher levels of service and recognition. However, creating a tiered rewards program involves far more than the design, manufacture and distribution of various colored membership cards, distributing the appropriately colored cards to the right segments of the database and the planning of a few premium player parties. A TPRP, like any marketing initiative, requires clearly defining attainable objectives, a strategy that will allow the casino to achieve those objectives and tactical plans that carry out that strategy.

The first question that must be answered is "what are the objectives of a TPRP program?" While fostering loyalty, providing higher levels of recognition and taking care of the casino's best customers are all reasonable objectives, they are immeasurable and cannot be quantified. Rather, a casino must delineate measurable goals. These goals may include: increasing the number of "A" level club members, grow the "A" and "B" segments by 10% and 5% respectively or increase the median number of visits per month among premium tiers by 5%.

Strategy tells the casino marketers how marketing objectives will be achieved. Unfortunately, most casinos forego developing a strategy for their tiered player rewards program and simply try to copy other casino companies' reward programs. Unbeknownst to many casino marketers, casino reward programs differ dramatically as do their strategies. Mimicking the wrong TPRP could lead to a significant waste of marketing resources.

Two examples of different reward programs are Harrah's Total Rewards and Station Casinos' Boarding Pass program. While each has multiple tiers and base their qualifications on some measure of gaming activity, they are vastly different programs with different goals and diverse strategies.

Harrah's Total Rewards

Harrah's Total Rewards program is a national program that serves dozens of casinos across the United States. Total Rewards was designed to take advantage of Harrah's extensive distribution model, where a cluster of Harrah's owned casinos in a region of the country market to each other's

databases in an attempt to keep gamers playing within the Harrah's chain of casinos. Each one of the company's casinos is linked to the Total Rewards program, which in turn operates on a highly customized and proprietary information system.

Total Rewards basic structure is a tiered program. Unlike the vast majority of casino reward programs, players do not earn bonus points. Rather they earn a combination of tier credits and reward credits. Tier credits are used to determine one's ranking while reward credits are used for comps and other purchases. When a player earns a sufficient number of tier credits, they advance to a higher tier as indicated in the following table.

Harrah's Tier Status			
Tier	Tier Credits	Coin-In Reels	Coin-In Video Poker
Gold	0 - 3,999	-	-
Platinum	4,000	\$20,000	\$40,000
Diamond	10,000	\$50,000	\$100,000
7 Star	100,000	\$500,000	\$1,000,000

Tier credits must be earned within a calendar year. \$5 coin-in earns 1 tier credit on slots, \$10 on video poker.

The assumed goal is to foster loyalty to the brand. It also appears that Total Rewards utilizes an *aspirational strategy* where by members of higher tiers receive dramatically higher levels of recognition and service than

regular members. Every element of the customer service delivery process at each Harrah's property is designed to show that Diamond and 7-Star customers are an elite group and are deserving of special attention. Access to private lounges, priority restaurant seating, special queues at the cashier's cage and more compelling mail offers are all accorded to members of premium tiers. The suite of benefits is so great that Total Reward players aspire to get to those premium tiers.

Station Casinos Boarding Pass

Station Casinos, one of the most successful developers of local-oriented casino properties, employs a more traditional rewards program designed for its Southern Nevada casino properties. It too offers a tiered program with points earned on a coin-in basis. Points can be redeemed for comps and also act as a measure of one's tier status. The table on the following page details the number of points needed to qualify for each tier.

The Boarding Pass program is built on traditional measures of frequency of visitation, recency of visitation and monetary value. Once premium status is achieved, significant status is bestowed upon the player. However, unlike

the Total Rewards program, the Boarding Pass program requires recent gaming activity in order to maintain premium status. To their credit, Station Casinos leadership understands that it operates in a highly competitive market and customers can be easily swayed to visit other Las Vegas casinos. However,

Boarding Pass Program	
Tier	Requirements
Preferred	499 points or less in 90 days
Gold	500 points or more in 90 days
Platinum	60,000 points or more in 90 days
President	225,000 points or more in 90 days
Chairman	By invitation

there is a consequence to those customers that shift their loyalties to other casinos and that is the possible loss of premium status. Thus,

players are taught that if they reduce their gaming activity, even for a relatively short period of time, they risk the loss of their premium status.

Station Casinos and Harrah's Entertainment are two of the world's most successful casino companies. Yet they are decidedly different companies with different marketing strategies. It is for those reasons that their tiered player reward programs differ. What they have in common is a cohesive marketing strategy designed to achieve marketing goals and objectives.

Rule to Remember

Attainment of premium status does not entitle a customer to lifetime membership. The single greatest mistake that casino operators make is not devising a strategy where membership in a premium tier expires. Premium cards must have expiration dates. Customers must be given ample warning when their status is set to expire and be allowed an opportunity to re-activate their membership.

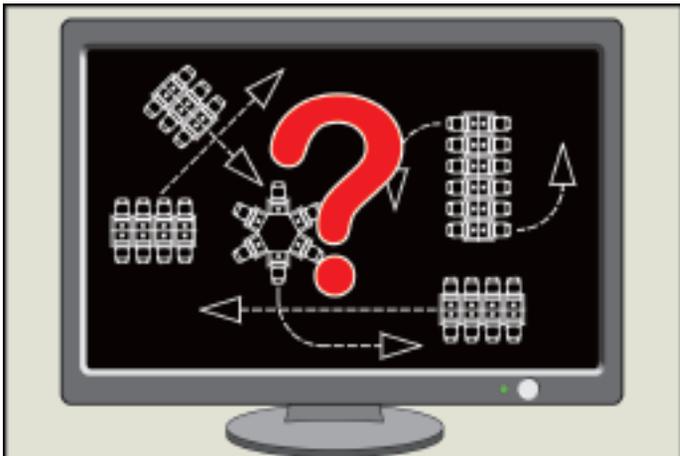
A TPRP must be able to identify and capture new members who display inordinately high levels of gaming activity. Most tiered programs are designed to reward players who have longstanding relationships with a casino. Players must generate high levels of coin handle over several months. The casino in turn evaluates their play on a quarterly or even an annual basis. This kind of system ignores those new customers that come in, play at very high levels and are ignored by the system until a database analyst runs a quarterly or semi-annual review of the database.

A TPRP must operate within the constraints of

the property's casino management system. Each manufacturer of player tracking systems has unique features and benefits. They also have constraints and the casino operator must design their TPRP to operate within those constraints.

Every casino must design its own TPRP in order to achieve its own objectives. The greatest danger is to think that by just mimicking another casino, one can design a successful TPRP. A TPRP must work in harmony with the suite of physical amenities that a casino has to offer, the casino management system that the TPRP operates on, the staff that will manage it and also operate within the constraints of the casino's player reinvestment strategy. ♣

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