

White Paper:  
An Analysis of Harrah's Total Rewards  
Players Rewards Program  
©2006 Gaming Market Advisors

December 2006

Prepared by  
Gaming Market Advisors

330 E. Warm Springs Rd  
Las Vegas, NV 89119

4340 E. Kentucky Ave. Suite 311  
Denver, CO 8024



# Table of Contents

<b>I. SUMMARY OF FINDINGS .....</b>	<b>1</b>
<b>II. PROJECT OVERVIEW .....</b>	<b>4</b>
<i>Methodology.....</i>	<i>4</i>
<b>III. TOTAL REWARD PROGRAM OVERVIEW .....</b>	<b>5</b>
<i>Tiers and Tier Credits.....</i>	<i>5</i>
<i>Reward Credits.....</i>	<i>7</i>
<b>IV. TOTAL REWARDS MARKETING STRATEGY .....</b>	<b>11</b>
<b>V. TOTAL REWARDS TIER BENEFITS.....</b>	<b>18</b>
<i>Gold Level.....</i>	<i>19</i>
<i>Platinum Level.....</i>	<i>19</i>
<i>Diamond Level.....</i>	<i>20</i>
<i>7-Star Level.....</i>	<i>21</i>
<b>VI. STATION CASINOS BOARDING PASS PROGRAM .....</b>	<b>29</b>
<b>VII. RESORTS INTERNATIONAL DESTINATION CLUB.....</b>	<b>32</b>
<b>VIII. BEST PRACTICES.....</b>	<b>36</b>

### **Disclaimer**

Gaming Market Advisors has made a best effort to secure accurate information. However, much of the information contained in this report was received from third-parties which Gaming Market Advisors did not validate or verify. Accordingly, Gaming Market Advisors makes no warranty, real or implied, regarding the data contained in this report. Furthermore, it is important to note that numerous statements are made with regards to specific figures relating to Harrah's Total Rewards. These statements are only estimates made by Gaming Market Advisors based on public information and hearsay gathered from industry experts.

## I. Summary of Findings

Harrah's Entertainment's Total Rewards Customer Loyalty Program's ("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 inserts their card into an electronic gaming device, the LED display shows the customer's name, the number of Tier Credits accrued over the course of the calendar year and then the number of Reward Credits that are available for redemption.

Total Rewards offers four tiers, the highest level being 7-Star. The following table details the number of Tier Credits, earned on coin handle that must be earned within a calendar year in order to advance to each tier.<sup>1</sup>

<b>Harrah's Tier Status Calendar Year Program</b>			
<b>Tier</b>	<b>Tier Credits</b>	<b>Coin-In Reels</b>	<b>Coin-In Video Poker</b>
Gold	0 - 3,999	\$0	\$0
Platinum	4,000	\$20,000	\$40,000
Diamond	10,000	\$50,000	\$100,000
7 Star	100,000	\$500,000	\$1,000,000
7 Star Renewal	85,000	\$425,000	\$850,000
<i>Tier credits must be earned in a calendar year</i>			
<i>Status applies for the following 15 months ending 3/31</i>			

In addition to Tier Credits, players earned Reward Credits. Reward Credits are essentially comp dollars. There are two kinds of Reward Credits: Base Reward Credits and Bonus Reward Credits. Base Reward Credits are earned on a coin-in basis just like Tier Credits. Five dollars coin-in on slots or \$10 coin-in on video poker earns one Base Reward Credit. Base Reward Credits can also be earned at table games based on type of game, length of play and average bet. One Reward Credit has a value of 1¢. Reward credits are earned as a percent of handle at 0.2% for slots and 0.1% for video poker.

In addition, Total Rewards awards Bonus Reward Credits as one plays a gaming device. Bonus Reward Credits are essentially additional comps that are issued electronically and are based on a number of factors including the kind of machine played (stepper reel, video reel, video poker), the denomination of the game, the theoretical hold of the game and whether the machine is a participation game, wide area progressive or company owned machine. Bonus Reward Credits

<sup>1</sup> \$5 coin-in on reels or \$10 coin-in on video poker earns one Tier Credit.

are also issued at varying rates depending on the length of time that a player wagers at a particular machine.

Total Rewards employs an aspirational strategy that is designed to get players to seek higher tier levels. Every element of the customer service delivery process at every Harrah's property is designed to show that Platinum, Diamond and 7-Star customers are an elite group and are deserving of special attention. Customers aspire to this higher level of recognition as well as the more generous mail offers sent to customers in the higher tiers. It is this aspirational strategy that is at the heart of the Total Rewards program. Every restaurant, Cashier's Cage, Hotel Registration and Total Rewards booth has two queues: one for Platinum/Diamond/7-Star and one for Gold and others. In Las Vegas, Diamond/7 Star customers can show their card and jump into the front of the taxi line. The Rio features a separate buffet dining room and upgraded service for Diamond and 7-Star members within its Carnival World Buffet. The message is very clear: if you like playing at Harrah's, you owe it to yourself to advance to a higher tier and enjoy the recognition that goes along with being a premium player.

Customers in the upper tiers make up a minority of total customers but contribute an oversized share of gaming revenue and profitability. For example, 7-Star customers make up 1/10<sup>th</sup> of 1% of the total database but contribute 10% of Tracked Play (Tracked Play refers to the coin handle that is generated by players who have their cards inserted in gaming devices). The following table details the distribution of Total Rewards customers across the four tiers.

<b>Distribution of Members By Tier</b>	
<b>Tier</b>	<b>%</b>
Gold	88.6%
Platinum	6.5%
Diamond	4.7%
7-Star	0.1%
<b>CY 2005</b>	

In addition to higher levels of service and premium amenities, the primary benefits of the Total Rewards program are the variety of coupon offers that players within certain tiers receive in the mail. Players are categorized by Total Rewards Tier, Last Play Date, Daily Average Theoretical Win and place of residence. Players then receive offers from their home casino, designed to drive them back to their home property as well as reward them with free rooms, meals, etc. at other Harrah's properties, particularly those in Laughlin, Reno, Lake Tahoe and Las Vegas. In fact, 90% of hotel customers staying at Harrah's Las Vegas are Total Reward members from other markets who are visiting because of a comp room package offer.

The program enjoys very high participation rates with 78% of coin handle recorded as Tracked Play. While not as high as Station Casino's Boarding Pass program, it is near the upper limits of tracked play found in domestic casinos.

While Total Rewards is a centralized program, driven by a national brand and supported by a very sophisticated and content rich, interactive web site, individual properties and regions are given a considerable amount of autonomy in designing marketing offers as well as the benefits that are bestowed upon the four tiers. Section V details benefits that are given to 7-Star members at each Harrah's property and the range of benefits is dramatic.

Day-in and day-out Total Rewards is a rewards program designed to appeal to the needs of individual properties and their customers. Thus, each property determines the kinds of room offers, tournament offers and bounce-back cash that it gives its customers and is not bound by Harrah's Entertainment in what it must offer its players aside from basic benefits. The basic philosophy can best be described as "Think Globally; Market Locally."

Unlike traditional casino marketing, which rewards gamers based on recency of visitation, frequency of visitation and monetary value, Harrah's actually sends more offers with higher values to people who have reduced their frequency of visitation and spending level. Harrah's seems to have recognized that frequent gamers do not require as much incentive to return as less frequent players.

Total Rewards was designed to support Harrah's Distribution Model. With 37 gaming properties, Harrah's is able to offer members free vacation offers in Las Vegas as well as vacation offers to Harrah's properties in regional markets. Harrah's can keep its less popular properties (Laughlin, Reno) filled with known gamers and keep its Las Vegas properties filled 365 days a year with proven gamers (rather than unproven Tour and Travel customers), while at the same time adding value to its Total Rewards program. No other gaming company has the channels of distribution (30+ regional properties) to pull customers from, and six Las Vegas casinos to reward those customers with free room offers.

## II. Project Overview

Player reward programs have long been the foundation of casino marketing plans. Casinos in the United States have long recognized the importance of building their databases of customers, segmenting those customers by recency of visitation, frequency of visitation and expected monetary value, and inducing those customers to return through targeted direct mail offers.

Harrah's Entertainment has long been regarded as the pre-eminent database driven Casino Company. Total Rewards, the Company's player rewards program, boasts over 40 million members. Harrah's leadership often cite their Total Rewards Program as the lynchpin of the Company's marketing efforts and one of the primary reasons for the Company's success.

Gaming Market Advisors conducted an Analysis of Harrah's Total Rewards Program in order to understand the program's fundamental strategies and key success drivers. In addition, the Consulting Team examined the tiered programs offered at Station Casinos and Colony Resorts in order to understand how other tiered programs compare to the Total Rewards Program and to identify the industry's best practices.

GMA provides clients with Market Feasibility Studies, Primary Research, Due Diligence, Payroll Control, Operations Analysis, Business and Marketing Plans, and Player Reward Program Design exclusive to the gaming industry. The principals and associates of GMA are very familiar with player reward program design and player reinvestment in both regional markets as well as destination markets such as Las Vegas.

### Methodology

GMA visited Harrah's gaming properties in Las Vegas, Reno, Lake Tahoe, San Diego, St. Louis and Joliet, gambled at those properties and examined the benefits and features of the Total Rewards program at each property. Next, the GMA Consulting Team interviewed gaming executives who worked at Harrah's Entertainment. The goal in this exercise was to better understand how player reinvestment costs are shared among multiple properties as well as at the corporate level.

GMA then gained access to an online user group that was dedicated to the Harrah's Total Rewards program. This user group is not affiliated with Harrah's Entertainment and was established by Harrah's players in order to share information on the Total Rewards program. The Consulting Team examined over 4,000 postings that were made over the last two years in order to understand the ins and outs of the Total Rewards program. Finally, the Consulting Team engaged gaming customers in conversation at various Harrah's properties in order to understand what they like about the casino and the benefits of the Total Rewards program.

### III. Total Reward Program Overview

The Total Rewards program 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.

#### Tiers and Tier Credits

Tier Credits are earned on a coin-in basis, much like traditional casino bonus points. However, they cannot be redeemed for anything. They are used solely as a measure to determine a player's tier in the form of a Tier Score. \$5 coin-in on slots or \$10 coin-in on video poker earns one Tier Credit. Tier Credits are accumulated over a calendar year. How many Tier Credits a customer earns over the course of the year determines their tier for the remainder of the year and the following year. At the end of the calendar year, the Tier Score is reset at zero.

Total Rewards offers three basic tiers and a newly introduced super-premium tier. These include:

- Gold
- Platinum
- Diamond
- 7-Star

The 7-Star program was introduced in 2005 after the purchase of Caesars Entertainment, ostensibly to better segment what had suddenly become a very large database with a considerable number of *super-premium* players. Harrah's does not mention the 7-Star program on its web site and all information gathered on the program was done so through access to online discussion groups and other sources.

The following table details the number of tier credits and coin handle needed to attain tier status.

Harrah's Tier Status Calendar Year Program			
Tier	Tier Credits	Coin-In Reels	Coin-In Video Poker
Gold	0 - 3,999	\$0	\$0
Platinum	4,000	\$20,000	\$40,000
Diamond	10,000	\$50,000	\$100,000
7 Star	100,000	\$500,000	\$1,000,000
7 Star Renewal	85,000	\$425,000	\$850,000
<i>Tier credits must be earned in a calendar year</i>			
<i>Status applies for the following 15 months ending 3/31</i>			

To advance to Platinum status a player must have a minimum of 4,000 Tier Credits over the course of a calendar year. To achieve Diamond level status one must have a minimum of 10,000 Tier Credits. Avid players vie to achieve Diamond level status because of the benefits accorded them and the larger number of direct mail offers those members receive.

In addition to accruing 10,000 Tier Credits over the course of a calendar year players can achieve Diamond status in a day (“DIAD”). The levels that are needed for DIAD vary from property to property. One can also achieve Platinum status in one day at Harrah’s Laughlin (“PIAD”). Once Diamond/Platinum status is earned using the DIAD/PIAD method, the player maintains that status just as if that status was earned in the Calendar Year program.

Harrah's Tier Status 24 Hour Program				
Tier		Tier Credits	Coin-In Reels	Coin-In Video Poker
Platinum	Laughlin	1,000	\$5,000	\$10,000
Diamond	Laughlin & LV	1,800	\$9,000	\$18,000
Diamond	Atlantic City	2,000	\$10,000	\$20,000

*24 hour time period is midnight to midnight*

DIAD and PIAD were designed as a safety net to recognize and reward large handle gamers who may only gamble occasionally or walked into a Harrah’s property for the first time and played at a very high level. Clearly, anyone who can generate \$10,000 in coin handle in a 24-hour period is an avid and enthusiastic player and one who should be recognized, rewarded and encouraged to return. DIAD and PIAD capture those gamers and give them instant recognition.<sup>2</sup> Furthermore, DIAD/PIAD overcomes an inherent flaw in most casinos’ player reward programs that tend to ignore infrequent, high-handle players.

### Expiration of Tier Status

Once a player has achieved a certain status, he/she maintains that status through the following calendar year, plus three months. As an example, a player achieves Platinum status in April of 2005 and only plays a minimal amount after that. The player will maintain that status through all of 2006 and, without sufficient play in 2006, that status expires on March 31, 2007.

A player may advance to a higher tier during the course of a calendar year or qualify for DIAD and again, that status will be maintained through the next calendar year plus three months.

### Expiration of Tiered Card

<sup>2</sup> PIAD and DIAD are ideally suited for a tourism-oriented market. Most casino reward programs require some combination of frequency of visitation along with handle in order to advance to premium status. Often that recognition is awarded on an annual or quarterly basis, well after that gaming visitor has gone home. With PIAD/DIAD, a tourist walking in and gambling aggressively would be immediately recognized and accorded premium status.

Once a player achieves a certain tier status, they are mailed their new tiered card. Cards are embossed with an expiration date. During the first quarter of the calendar year all Platinum, Diamond and 7-Star players are mailed new cards, based on their total gaming activity for the prior calendar year.

### **Reward Credits**

Reward Credits are essentially comp dollars. There are two kinds of Reward Credits: Base Reward Credits and Bonus Reward Credits. Base Reward Credits are earned on a coin-in basis just like Tier Credits. Five dollars coin-in on slots and \$10 coin-in on video poker earns one Base Reward Credit. Base Reward Credits can also be earned at table games based on type of game, length of play and average bet. Reward credits are earned as a percent of handle at 0.2% for slots and 0.1% for video poker.

### **Bonus Reward Credits**

In addition, Total Rewards awards Bonus Reward Credits as one plays a gaming device. Bonus Reward Credits are essentially additional comps that are issued electronically and are based on a number of factors including the kind of machine played (stepper reel, video reel, video poker), the denomination of the game, the theoretical hold of the game and whether the machine is a participation game. Bonus Reward Credits are also issued at varying rates depending on the length of time that a player wagers at a particular machine. The following quotation from a participant in an online discussion group illustrates this:

A particular bank (of machines) may award 1 Bonus Reward Credit per Base Reward Credit for the first 500 Base Reward Credits that day, 2 Bonus Reward Credits per Base Reward Credit after a player has earned 500 Base Reward Credits (\$5,000 coin in on any machine, I think), and 3 Bonus Reward Credits per Base Reward Credit after the player gets to a total of 1,000 Base Reward Credits (\$10,000 coin-in) for the day. This play requirement begins again each day.

These "steps" can be quite long, and they aren't even numbers. On my favorite bank (now gone), the first cutoff was 117 Base Reward Credits, the second 235 Base Reward Credits and the third was 945 Base Reward Credits. So on that bank there were four rates: below 117 Base Reward Credits, 118 to 235 Base Reward Credits, 235 to 945 Reward Credits and above 945 Reward Credits. I never got to a higher award rate than that, so I think that was the highest one.

What's more (I never did enough testing to know if this is universal, but I would guess that it is), when you hit a new level, the computer makes ALL your play for that day at the new rate, so you get a bonus of points. On the bank I described above, when I got to 946 RC, my Bonus Reward Credit total would jump 300 points.

Bonus Reward Credits can also be earned using Harrah's branded VISA card. Players earn one Bonus Reward Credit for every dollar in purchases.

The sum of a player’s Base Reward Credits and Bonus Reward Credits equals a player’s total Comp balance. Reward credits can be redeemed for all on-property goods and services, purchases from Harrah’s online merchandise catalogue, sporting events, airfare (booked through Harrah’s travel agency) and gift cards from partner retailers. The following table illustrates the variety of items that can be obtained with Reward Credits. Note that the number of reward credits necessary to purchase a meal at a property varies widely. A breakfast buffet in Laughlin may only cost 400 reward credits while the same meal may cost 1,400 reward credits in Las Vegas.

<b>Sampling of Reward Credit Redemptions</b>	
<b>Redemption</b>	<b>Reward Credits Needed</b>
Breakfast Buffet	400-1,300 Reward Credits
Lunch Buffet	600-1,700 Reward Credits
Dinner Buffet	900-3,000 Reward Credits
\$40 Steakhouse comp	4,000+ Reward Credits
Cuisinart Griddler Panini & Sandwich Maker	6,900+ Reward Credits
Cuisinart 7-piece Chef's Classic Stainless Cookware Set	12,000+ Reward Credits
Brother Free Arm Sewing Machine	13,800+ Reward Credits
Sony DVD/VCR Combination	17,000+ Reward Credits
Sony 8" Portable DVD Player	27,000+ Reward Credits
Airfare to any property (Coach with 30 day adv purchase)	30,000+ Reward Credits
Movado Ladies or Men's Museum Strap Watch	35,000+ Reward Credits
\$250 Simon Visa Giftcard Shopping Spree	50,000+ Reward Credits
Airfare to Any Property (24-hour Advance Notice Required)	50,000+ Reward Credits
Airfare to any property (First Class)	150,000+ Reward Credits
Macy's Shopping Spree	200,000+ Reward Credits
<i># of reward credits necessary for meals and rooms varies by property</i>	

### Expiration of Reward Credits

All Reward Credits expire after six months of account inactivity. A customer need only visit a Harrah’s property and wager one dollar to keep their account active or make a purchase using their Harrah’s Visa card. Otherwise, Reward Credits are deleted from the customer’s account.

### **Discretionary Comps**

In addition to Reward Credits, hosts at each property have discretionary comping authority. After reviewing commentary from players on online forums it is clearly evident that players know how to use their hosts to pick up the costs of meals and extra room nights. In other words, like all casinos, Harrah’s Total Rewards program is vulnerable to abuse by savvy players. However, Harrah’s hosts go through an extensive training program and, to their credit, know how to handle “comp shoppers.” Even the most astute comp shopper has trouble abusing the system.

### **Cash Back**

Total Rewards does not offer an institutionalized same-day cash back program. Rather, individual properties send Bounce-Back offers in the mail. These kinds of offers vary by property and region. In Atlantic City, the nature of the market requires that all properties aggressively send out Bounce Back Cash offers. In general though, the formula for Cash Bounce Back is \$1 in cash for every 450 Reward Credits earned (Base Reward Credits + Bonus Reward Credits).

Individual properties are allowed the flexibility to permit customers to redeem their Reward Credits for Same Day Cash Back. In this scenario, \$2 in Reward Credits can be redeemed for \$1 in Cash Back. Same Day Cash Back may be made available to Diamond and 7-Star players on a periodic basis. Again, this marketing tactic is left to individual properties.

### **Joint Accounts**

Harrah's does not offer joint accounts. Husband and wife must each enroll separately. However, there is some distinction among Harrah's properties on whether they permit couples to play on the same card. Most of the properties frown on two people playing on one account. In fact, it is strictly prohibited in Missouri because of the state's loss limits. In Missouri, jackpots won by someone whose name is not on the account are voided. Other casinos in the Midwest and Atlantic City simply frown on the practice of couples accruing Tier Credits and Reward Credits in one account. On the other hand, the practice is condoned in Nevada and freely encouraged in markets such as Laughlin.

### **Segmentation of the Total Rewards Database**

Customers in the upper tiers make up a minority of total customers but contribute an oversized share of gaming revenue and profitability. Less than 12% of customers achieve premium status. 7-Star customers make up 1/10<sup>th</sup> of 1% of the total database but contribute 10% of Tracked Play. The following table details the distribution of Total Rewards customers across the four tiers.<sup>3</sup>

<b>Distribution of Members By Tier</b>	
<b>Tier</b>	<b>%</b>
Gold	88.6%
Platinum	6.5%
Diamond	4.7%
7-Star	0.1%
<b>CY 2005</b>	

### **The IT System**

---

<sup>3</sup> It is unclear if this distribution includes premium players from Caesar's Entertainment's database since Caesar's Connection Card program had not been fully converted to Total Rewards in 2005.

Total Rewards operates on an information system developed in-house by Harrah's. Other than relying on Bally's SDS card readers, which provides a two-line LED display that allows the system to communicate Tier Credit Scores, Reward Credits and Countdowns to customers, the system operates on a proprietary platform.

Data moves slowly from slot machine to back-of-house computers. Often a customer may not see their current Tier Score until several hours after concluding their play session. Also, data is batch-loaded onto the Harrah's central computer and updated player information may not be available on the web site for several days.

A customer who plays at another Harrah's property after enrolling somewhere else will not immediately see their Tier Score or Reward Credits when playing in a new casino. While their Tier Score may appear on the reader box after playing for some time, they must visit the Total Rewards Center and request that their Reward Credit information be transferred to the current casino.

Despite a significant investment of resources, the system is not particularly user friendly nor does it offer any of the features that the newest versions of the most popular casino management systems sold by IGT, Aristocrat and Bally's. The SDS LED display is antiquated and is not nearly as appealing as the four-color displays currently available nor does it permit Harrah's to offer the various promotional modules that the major system providers sell. Thus, modules like IGT's Lucky Coin are not available at Harrah's properties. However, Harrah's has made advances in incorporating kiosks onto their casino floors where customers can redeem coupons received in the mail for cash by inserting their Total Rewards card and entering their PIN.

## **IV. Total Rewards Marketing Strategy**

Total Rewards employs an aspirational strategy that is designed to get players to seek higher tiers. Every element of the customer service delivery process at a Harrah's property is designed to show that Platinum, Diamond and 7-Star customers are an elite group and are deserving of special attention.

Gold customers receive minimal service while at a Harrah's property. Every queue is designed to show that Platinum, Diamond and 7-Star customers are valued more. The queue at the Rewards Center at every property has more windows devoted to Diamond/Platinum/7-Star members than Gold even though the latter represents over 88% of their members. The same situation occurs at the Hotel Registration. On Harrah's riverboats, Platinum/Diamond/7-Star customers can go to the Rewards Center on the boat while Gold customers must leave the vessel and use the Rewards Center in the Boarding Pavilion. In Las Vegas, Diamond/7 Star customers can show their card and jump into the front of the taxi line.

Every restaurant has two queues: one for Platinum/Diamond/7-Star and one for Gold and others. In fact, the Rio Hotel and Casino recently renovated its Carnival World Buffet and built a separate dining room for Diamond/Seven-Star members. Premium status members enter through a separate, more elegant entrance, are seated in a more attractive dining room (discreetly separated from the main dining room), and receive higher levels of service.

The importance of aspiring to Diamond level status among players is clearly evident within the online discussion groups that are dedicated to Harrah's casinos. Customers ask each other about which casinos have the best DIAD program, how long their tier status is good for and what additional benefits Diamond level and 7-Star players get.

### **Market Globally, Service Locally**

While Total Rewards is a centralized program, driven by a national brand and supported by a very sophisticated and content rich, interactive web site, individual properties and regions are given a considerable amount of autonomy in designing marketing offers. While marketing offers are discussed later in this report, it must be noted that day-in and day-out, Total Rewards is a rewards program designed to appeal to the needs of individual properties and their customers. Thus, each property determines the kinds of room offers, tournament offers and bounce-back cash that it gives its customers and is not bound by Harrah's Entertainment in what it must offer its players aside from basic benefits.

Once play is recorded on a customer's Total Rewards card, that customer begins to receive offers. However, the property is under no obligation to market to a customer it does not see as valuable. As an example, play recorded by the consultant at Harrah's St. Louis stimulated a bounce-back offer within seven days including cash and a free room night but Harrah's Joliet

chose not to send out any offers despite near identical gaming activity within the same week. One property saw value in an out-of-state customer while the other did not.

Customers are also marketed to from a regional and national level. A customer gambling in Shreveport will receive an offer to visit Harrah's New Orleans. People who play at Harrah's Atlantic City will receive additional offers to gamble at the Showboat. Las Vegas visitors receive coupons for all six of Harrah's casinos that are part of Total Rewards.

### **Drive Traffic to Weaker Markets**

Many of the benefits accorded to various tiers are designed to benefit some of Harrah's weaker markets. Free room offers for Reno, Tahoe and Laughlin are offered to all tiers in order to keep those properties filled with gamers while at the same time adding value to the Total Rewards program.

Because these are mature markets that are dependent on value gamers, these properties eagerly market to Total Rewards members throughout the United States, even if they have a fairly low Daily Average Theoretical Win or have not visited the Reno or Laughlin markets. Harrah's Entertainment essentially extends free room offers from these properties to broad swaths of their database in order to add value to the Total Rewards program and to fill those casinos with gamers.

### **Direct Mail/Offer Strategy**

Mail is generated at both the local and national level. On a quarterly basis Harrah's Entertainment publishes a four-color, 34-page magazine. Unlike a typical casino newsletter with photos of winners and the ubiquitous letter from the General Manager, this is a highly polished publication with stories on a variety of Harrah's related topics. The most recent edition included a feature on the rebuilding of the Grand Casino in Biloxi, the opening of Guy Savoy's restaurant at Caesars Palace and the Horseshoe Casino in Tunica. In addition, the inset of the front cover contains six personalized coupons, detailed below. This particular series of offers was sent to an inactive Las Vegas player who never achieved Diamond status. The offers were comprised of the following:

- Two free show tickets to Don Arden's Jubilee.
- Four free room nights at Harrah's Reno, Harvey's Lake Tahoe or Harrah's Lake Tahoe.
- Three free room nights at Harrah's Ak Chin Casino in Phoenix.
- Five free room nights at Harrah's New Orleans plus a \$75 dining credit.
- Two free room nights at Grand Casino Resort or Horseshoe Casino in Tunica.
- Three free room nights at Harrah's Rincon and \$100 dining credit.

All of the offers that a player receives from all properties as well as Harrah's national marketing are then compiled and made available for viewing and redemption by logging on to Harrah's web site.

Understanding Harrah's direct marketing strategy is difficult. After examining several player accounts including Diamond and Gold players with recent activity and those with dormant accounts, it appears that people with less frequent activity or accounts that are dormant receive much greater mail volume than active players. Harrah's is shrewd enough not to overspend on people who already are loyal and frequent customers.

### **Total Rewards Web Site**

Harrah's maintains the industry's most sophisticated web site. Players can not only log on and view their account activity, book a room or check on upcoming promotions but they can actually see every offer from every Harrah's property that they currently have available to them. Normally, a player will receive an offer or sheet of offers in the mail from one or more properties. Then, rather than follow tedious instructions for redemption, the player need only log on to their account, view all available offers and then click on the appropriate button to begin the redemption process.

To illustrate the kinds of offers that are available to players of different tiers, two lists of offers follow in the next three pages. The first is for a Gold member approximately \$500 in coin-in; the latter is for a Diamond level player.

HARRAHS.COM | RESERVATIONS | TOP DESTINATIONS | CASINO LOCATOR | CUSTOMER SERVICE | HOT DEALS | TOTAL REWARDS



**MY OFFERS**

Hello, [Redacted]  
 Rewards Credit Balance: 49  
[Check Account](#) | [Sign Out](#)



- MY ACCOUNT
- MY OFFERS
- PLAY FOR FUN
- PROGRAM OVERVIEW
- VIEW BENEFITS
- GET REWARDS
- FAQS
- SIGN OUT

You have earned the following offers. To sort the list, use the Offer Type and Casino menus. Click on the offer name to get the details. You may only redeem HOTEL OFFERS online. **Please read our terms and conditions before you decide to redeem an offer.**

SORT BY OFFER TYPE	CODE	SORT BY CASINO	START DATE	EXP DATE	
<b>Hotel</b>					
<a href="#">Free Hotel Night</a>	16XKJH010H51	Harrah's St. Louis	12/11/06	12/14/06	<a href="#">Book It</a>
<a href="#">Up to 3 free nights in Reno!</a>	16VPBH770H43	Harrah's Reno	01/01/07	01/31/07	<a href="#">Book It</a>
<a href="#">Up to 3 free nights in Reno!</a>	16VPBH880H43	Harrah's Reno	02/01/07	02/28/07	<a href="#">Book It</a>
<a href="#">Harrah's OR Harveys Lake Tahoe</a>	16VPBHNN0H42	Harveys Lake Tahoe	01/02/07	01/31/07	<a href="#">Book It</a>
<a href="#">Harrah's OR Harveys Lake Tahoe</a>	16VPBHNN0H42	Harrah's Lake Tahoe	01/02/07	01/31/07	<a href="#">Book It</a>
<a href="#">Harrah's OR Harveys Lake Tahoe</a>	16VPBHOO0H42	Harveys Lake Tahoe	02/01/07	02/28/07	<a href="#">Book It</a>
<a href="#">Harrah's OR Harveys Lake Tahoe</a>	16VPBHOO0H42	Harrah's Lake Tahoe	02/01/07	02/28/07	<a href="#">Book It</a>
<a href="#">Up to 3 free nights in Reno!</a>	16RRWH880H43	Harrah's Reno	12/01/06	12/29/06	<a href="#">Book It</a>
<a href="#">Harrah's OR Harveys Lake Tahoe</a>	16RRWHOO0H42	Harveys Lake Tahoe	12/01/06	12/22/06	<a href="#">Book It</a>
<a href="#">Harrah's OR Harveys Lake Tahoe</a>	16RRWHOO0H42	Harrah's Lake Tahoe	12/01/06	12/22/06	<a href="#">Book It</a>
<b>Cash</b>					
<a href="#">\$5 Cash</a>	16VB11050AZ1	Harrah's St. Louis	11/13/06	01/18/07	<a href="#">View Details</a>
<b>Entertainment</b>					
<a href="#">Two Free Show Tickets in Reno!</a>	16VPBS330ST2	Harrah's Reno	01/01/07	02/28/07	<a href="#">View Details</a>
<a href="#">Harveys show tickets for two.</a>	16VPBS550ST2	Harveys Lake Tahoe	01/01/07	02/28/07	<a href="#">View Details</a>
<a href="#">Harveys show tickets for two.</a>	16VPBS550ST2	Harrah's Lake Tahoe	01/01/07	02/28/07	<a href="#">View Details</a>
<a href="#">Two Free Show Tickets in Reno!</a>	16RRWS330ST2	Harrah's Reno	11/01/06	12/31/06	<a href="#">View Details</a>
<a href="#">Harveys show tickets for two.</a>	16RRWS550ST2	Harveys Lake Tahoe	11/01/06	12/22/06	<a href="#">View Details</a>

HARRAHS.COM | RESERVATIONS | TOP DESTINATIONS | CASINO LOCATOR | CUSTOMER SERVICE | HOT DEALS | TOTAL REWARDS



Where will you play?

Hello, [Redacted Name]  
 Rewards Credit Balance: 3,949  
[Check Account](#) | [Sign Out](#)



**MY OFFERS**

- MY ACCOUNT
- MY OFFERS
- PLAY FOR FUN
- PROGRAM OVERVIEW
- VIEW BENEFITS
- GET REWARDS
- FAQS
- SIGN OUT

You have earned the following offers. To sort the list, use the Offer Type and Casino menus. Click on the offer name to get the details. You may only redeem HOTEL OFFERS online. **Please read our terms and conditions before you decide to redeem an offer.**

SORT BY OFFER TYPE	CODE	SORT BY CASINO	START DATE	EXP DATE	
<b>Hotel</b>					
<a href="#">North Nevada Air/Hotel Offer!</a>	16W840RR0T53	Harrah's Reno	01/13/07	01/16/07	<a href="#">View Details</a>
<a href="#">Harrah's Ak-Chin Hotel Package</a>	16R4R0040H26	Harrah's Phoenix Ak-Chin	12/01/06	02/28/07	<a href="#">Book It</a> 
<a href="#">Harrah's New Orleans Getaway!</a>	16R4R00F0H46	Harrah's New Orleans	12/01/06	02/28/07	<a href="#">Book It</a> 
<a href="#">4 Nights in Reno OR Lake Tahoe</a>	16R4R00H0H45	Harrah's Reno	12/01/06	02/28/07	<a href="#">Book It</a> 
<a href="#">4 Nights in Reno OR Lake Tahoe</a>	16R4R00H0H45	Harveys Lake Tahoe	12/01/06	02/28/07	<a href="#">Book It</a> 
<a href="#">4 Nights in Reno OR Lake Tahoe</a>	16R4R00H0H45	Harrah's Lake Tahoe	12/01/06	02/28/07	<a href="#">Book It</a> 
<a href="#">2 FREE Nights in Tunica!</a>	16R4R00I0H42	Grand Casino Resort Tunica	12/01/06	02/28/07	<a href="#">Book It</a> 
<a href="#">2 FREE Nights in Tunica!</a>	16R4R00I0H42	Horseshoe Tunica	12/01/06	02/28/07	<a href="#">Book It</a> 
<a href="#">3 FREE Nights in San Diego</a>	16R4R00J0H26	Harrah's Rincon-San Diego	12/01/06	02/28/07	<a href="#">Book It</a> 
<a href="#">Three Free Nights in Laughlin!</a>	16SWN00C0H43	Harrah's Laughlin	01/01/07	03/31/07	<a href="#">Book It</a> 
<a href="#">2 Free Nights at Lake Tahoe!</a>	16M6P00A0H42	Harveys Lake Tahoe	12/03/06	12/07/06	<a href="#">Book It</a> 
<a href="#">2 Free Nights at Lake Tahoe!</a>	16M6P00A0H42	Harrah's Lake Tahoe	12/03/06	12/07/06	<a href="#">Book It</a> 
<a href="#">North Nevada Air/Hotel Offer!</a>	16V5800C0T43	Harrah's Reno	12/09/06	12/12/06	<a href="#">View Details</a>
<a href="#">North Nevada Air/Hotel Offer!</a>	16V5800C0T43	Harveys Lake Tahoe	12/09/06	12/12/06	<a href="#">View Details</a>
<a href="#">Laughlin Getaway Package</a>	16V9200E0H42	Harrah's Laughlin	10/19/06	12/26/06	<a href="#">Book It</a> 
<a href="#">Three Free Nights in Laughlin!</a>	16NPN00C0H43	Harrah's Laughlin	10/01/06	12/28/06	<a href="#">Book It</a> 
<b>Cash</b>					
<a href="#">\$30 Cash Bonus</a>	16WLBC310A30	Harveys Lake Tahoe	12/03/06	12/12/06	<a href="#">View Details</a>

<a href="#">\$30 Cash Bonus</a>	16WLBC310A30	Harrah's Lake Tahoe	12/03/06	12/12/06	<a href="#">View Details</a>
<a href="#">\$30 Cash Bonus</a>	16WLBC320A30	Harveys Lake Tahoe	12/14/06	12/22/06	<a href="#">View Details</a>
<a href="#">\$30 Cash Bonus</a>	16WLBC320A30	Harrah's Lake Tahoe	12/14/06	12/22/06	<a href="#">View Details</a>
<a href="#">\$100 Cash in Laughlin!</a>	16SWNCCA0AA1	Harrah's Laughlin	01/01/07	03/31/07	<a href="#">View Details</a>
<a href="#">\$20 Cash!</a>	16W1CCDB0A20	Bally's Las Vegas	12/03/06	12/06/06	<a href="#">View Details</a>
<a href="#">\$20 Cash!</a>	16W1CCDB0A20	Caesars Palace	12/03/06	12/06/06	<a href="#">View Details</a>
<a href="#">\$20 Cash!</a>	16W1CCDB0A20	Flamingo Las Vegas	12/03/06	12/06/06	<a href="#">View Details</a>
<a href="#">\$20 Cash!</a>	16W1CCDB0A20	Harrah's Las Vegas	12/03/06	12/06/06	<a href="#">View Details</a>
<a href="#">\$20 Cash!</a>	16W1CCDB0A20	Rio All-Suite Hotel & Casino	12/03/06	12/06/06	<a href="#">View Details</a>
<a href="#">\$20 Cash!</a>	16W1CCDC0A20	Bally's Las Vegas	12/18/06	12/21/06	<a href="#">View Details</a>
<a href="#">\$20 Cash!</a>	16W1CCDC0A20	Caesars Palace	12/18/06	12/21/06	<a href="#">View Details</a>
<a href="#">\$20 Cash!</a>	16W1CCDC0A20	Flamingo Las Vegas	12/18/06	12/21/06	<a href="#">View Details</a>
<a href="#">\$20 Cash!</a>	16W1CCDC0A20	Harrah's Las Vegas	12/18/06	12/21/06	<a href="#">View Details</a>
<a href="#">\$20 Cash!</a>	16W1CCDC0A20	Rio All-Suite Hotel & Casino	12/18/06	12/21/06	<a href="#">View Details</a>
<a href="#">\$100 Cash in Laughlin</a>	16NPNCCA0AA1	Harrah's Laughlin	10/01/06	12/28/06	<a href="#">View Details</a>
<b>Entertainment</b>					
<a href="#">Concert Tickets from Caesars!</a>	16XCFAAA0SS2	Caesars Palace	12/08/06	12/08/06	<a href="#">View Details</a>
<a href="#">Concert Tickets from Caesars!</a>	16XCFAAA0ST2	Caesars Palace	12/09/06	12/09/06	<a href="#">View Details</a>
<a href="#">2 FREE tickets at Bally's LV!</a>	16R4R00G0ST2	Flamingo Las Vegas	12/01/06	02/28/07	<a href="#">View Details</a>
<a href="#">2 For 1 Society of Seven TX!</a>	16W1CSCA0SU1	Flamingo Las Vegas	11/23/06	12/24/06	<a href="#">View Details</a>
<a href="#">Free Show Tickets in Laughlin</a>	16NPNSAA0SS2	Harrah's Laughlin	10/01/06	12/28/06	<a href="#">View Details</a>
<b>Food &amp; Beverage</b>					
<a href="#">2 Entrees at our Beach Cafe!</a>	16SWNFAB0FF2	Harrah's Laughlin	01/01/07	03/31/07	<a href="#">View Details</a>
<a href="#">\$75 Food Credit to the Range</a>	16V92FAF0FH3	Harrah's Laughlin	10/19/06	12/26/06	<a href="#">View Details</a>
<a href="#">2 Entrees at our Beach Cafe!</a>	16NPNFAB0FF2	Harrah's Laughlin	10/01/06	12/28/06	<a href="#">View Details</a>
<b>Other</b>					
<a href="#">25 Drawing Tickets at Laughlin</a>	16SWNSAA0XG7	Harrah's Laughlin	01/01/07	03/31/07	<a href="#">View Details</a>
<a href="#">FREE ITALIAN CANISTER SET</a>	16M6P00B0MD6	Harveys Lake Tahoe	12/04/06	12/07/06	<a href="#">View Details</a>

<a href="#">FREE ITALIAN CANISTER SET</a>	16M6P00B0MD6	Harrah's Lake Tahoe	12/04/06	12/07/06	<a href="#">View Details</a>
<a href="#">\$40 Off Spa Treatment</a>	16V92SAC0XSP	Harrah's Laughlin	10/19/06	12/26/06	<a href="#">View Details</a>



You have already made a reservation using this offer.



Enables you to make offer reservations.

**HOW TO REDEEM**

To redeem an offer, you must present the physical coupon received through direct mail or e-mail.

**Please do not print this page and bring it to the casino. This page is not a physical coupon and cannot be used to redeem this offer.**

**TERMS & CONDITIONS**

Total Rewards offers are non-transferable and non-negotiable. **Offer is only valid at specified casinos.** Total Rewards Card and valid photo ID must be presented upon redemption. Not responsible for lost or stolen vouchers or coupons. Additional restrictions may apply. Please see your nearest Total Rewards Center for more details.

[COMPANY INFORMATION](#) | [CAREERS](#) | [INVESTOR RELATIONS](#) | [GROUPS & MEETINGS](#) | [SITE MAP](#) | [E-MAIL SIGN UP](#) | [RESPONSIBLE GAMING](#)



Harrah's welcomes those 21 years of age and older to our website.

Know When to Stop Before You Start® Gambling Problem? Call 1-800-522-4700

© 2004 Harrah's License Company, LLC. All Right Reserved.

The use of this website is governed by NV law.

[Privacy](#) | [Security](#) | [Legal](#)

## V. Total Rewards Tier Benefits

Tier benefits are driven both by Harrah’s corporate standards and by the amenities available at individual properties. Essentially, Harrah’s Corporate defines basic benefits for each tier and each property adds additional benefits based on what the property is capable of offering. The following table details tier benefits common to all Harrah’s properties.

National Tier Benefits			
	Gold	Platinum	Diamond
Comps, Cash based on play	X	X	X
10% discount at participating gift shops*	X	X	X
Ability to earn bonus comps with Harrah's Visa	X	X	X
Special Birthday gift		X	X
Monthly Reward Credit Multiplier Days**		2x or more	2x or more
500 Bonus Reward Credits each month		X	X
Tickets to shows in LV, Tahoe, Laughlin & New Orleans		2 for 1	2 free
Monthly Reward Catalog discount (30% on certain merchandise)		X	X
Exclusive gift during yearly tier status renewal period		X	X
Free tournament and hotel stay in LV for summer and winter slot tourneys***		2 nights	3 nights
Member-only access to Diamond Lounge			X
Guaranteed priority service at all restaurants, clubs, front desk			X
Guaranteed priority service at Rewards Center, Cage and Slot Svce			X
*Cash purchases only			
**Not available at Cherokee NC casino			
***Based on availability			

### Changes in Tier Status

Players are normally informed by mail within ten days of achieving a new tier status. Concurrently, the customer’s online account is updated. Conversely, a player is given ample notice (30-45 days) if their Tier Status is in jeopardy of expiring.

## Gold Level

Like all player casino reward programs all meaningful club benefits are predicated on gaming activity. Individual properties are free to design their own suite of guaranteed benefits as illustrated in the next table.

Gold Level Benefits						
Benefit	St. Louis	Showboat	Laughlin	Rio	Caesars LV	Harrah's LV
Comps, Cash based on play	X	X	X	X	X	X
Mailbox Offers	X	X	X	X	X	X
10% discount in Harrah's gift shop	X			X	X	X
10% in select stores in Forum Shoppes				X	X	X
Priority access to rooms, shows	X					
50% show ticket discount			X			

## Platinum Level

Once a player achieves Platinum status, higher levels of recognition and service become available. However, while benefits are identical across all Las Vegas properties, they differ in the regional markets.

Platinum Level Benefits						
Benefit	St. Louis	Showboat	Laughlin	Rio	Caesars LV	Harrah's LV
Comps, Cash based on play	X	X	X	X	X	X
Mailbox Offers	X	X	X	X	X	X
15% discount in Harrah's gift shop	X		X	X	X	X
10% in select stores in Forum Shoppes				X	X	X
10% business services discount				X	X	X
10% Wedding chapel discount				X	X	X
10% spa services discount				X	X	X
Exclusive birthday offer				X	X	X
Reward credit multiplier days				X	X	X
Personalized travel service				X	X	X
Invitations to special events	X		X	X	X	X
Priority restaurant seating	X	X	X	X	X	X
Priority cage, slot service			X	X	X	X
Priority Platinum hotel registration		X	X	X	X	X
50% show ticket discount			X			
50% health club entry			X	X	X	X
Personalized host service	X					

## Diamond Level

When a player achieves Diamond level, whether by accruing Tier Credits over the course of a calendar year or through the DIAD program, a number of significant benefits are immediately made available, not the least of which is one free 3-night stay for two to Harrah's Reno or Harrah's Tahoe along with a \$300 airline credit. The trip is booked through Harrah's Passport Travel service. Also, players gain access to the Harrah's Diamond Lounge (available at each property) and are permitted to bring one additional guest. The Diamond Lounge offers complimentary alcoholic beverages, food and an attractive respite from the gaming floor. Judging from comments on online discussion groups, the Diamond Lounge is a highly prized amenity.

Upon achieving Diamond status players are automatically assigned a host at their "home" property. Diamond level players are assured a complimentary room when traveling to another Harrah's destination.

Diamond Level Benefits						
Benefit	St. Louis	Showboat	Laughlin	Rio	Caesars LV	Harrah's LV
Comps, Cash based on play	X	X	X	X	X	X
Mailbox Offers	X	X	X	X	X	X
25% discount in Harrah's gift shop	X		X	X	X	X
10% in select stores in Forum Shoppes				X	X	X
15% business services discount				X	X	X
15% Wedding chapel discount				X	X	X
15% spa services discount				X	X	X
2 free show tickets			X	X	X	X
Exclusive birthday offer				X	X	X
Reward credit multiplier days				X	X	X
Personalized travel service				X	X	X
Invitations to special events	X		X	X	X	X
Priority restaurant seating	X	X	X	X	X	X
Priority cage, slot service	X	X	X	X	X	X
Priority Diamond hotel registration	X	X	X	X	X	X
Free health club entry		X	X	X	X	X
Priority line at Rewards Center	X	X	X	X	X	X
Complimentary priority valet parking	X	X		X	X	X
Personalized host service	X	X	X	X	X	X
Upgrade to Diamond level room	X	X	X	X	X	X
Access to Diamond Lounge	X	X	X	X	X	X
Priority Taxi Line				X	X	X
Free entry to nightclubs				X	X	X

## 7-Star Level

With the acquisition of Caesars Entertainment, Harrah's was faced with a dramatically larger database of players. In addition, it had obtained a database of super-premium players that were used to a variety of amenities that were decidedly better than what Harrah's Diamond level players were used to receiving. To address this new player group Harrah's created a tier called 7-Star.

Upon achieving 7-Star status, players receive one annual trip for two to any Harrah's property in the United States including a \$600 airfare credit. Since the trip must be booked through a Harrah's host it is assumed that any excess charges associated with the airfare would be waived. Alternatively, customers may exchange their free vacation offer for a \$500 cruise credit on Royal Caribbean Cruise Line.

7-Star members also have priority access to Diamond Clubs, meaning that they can go into the club even if it is full. Some properties allow 7-Star members to reserve a table in the lounge.

Harrah's does not offer any information on the 7-Star program on its web site. Gaming Market Advisors was able to obtain information on the program through outside sources. What follows is a detailed description of the services that each of the Harrah's properties offers 7-Star members, segmented by region. These appear on the following pages.

The 7-Star program employs the same strategies as other tiers. Each property is given the autonomy to design its own premium player program that best meets the needs of the individual property. Properties are mandated to offer 7-Star members the following benefits. From there properties create their own unique 7-Star programs.

7 Star Brand Wide Features					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
Guaranteed priority service	Complimentary room guarantee  Comp annual trip or RCCL credit			Guaranteed gourmet and buffet seating  Complimentary birthday dinner	7 Star Private Selection Catalog and logo merchandise

What follows are each property's customized 7-Star list of benefits. Note that Harrah's Atlantic City, Showboat AC and Horseshoe Tunica do not offer any more 7-Star benefits than those offered above. Properties acquired from Caesars Entertainment also do not yet have special 7-Star programs.

7 Star Features: Las Vegas (Harrah's and Rio)					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
Guaranteed airport limo (avail only) paid with Reward Credits	Guaranteed suite (type based on avail and play)		Advanced entry into special events	Additional Diamond Lounge guest passes	
Personal shopper at high end stores	Complimentary welcome basket				
1 free spa service (up to \$100)	Curbside check in with keys in hand  Curbside check out  On property concierge number				

7 Star Features: Laughlin					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
One free 1/2 hour massage per year	Complimentary welcome basket and cookies in suite  Curbside check in and check out  Turndown service	Dedicated host	Front row or preferred seating at all events	Additional 2 guests in Diamond Lounge  Special menus at restaurants	

7 Star Features: Lake Tahoe (Harvey's and Harrah's)					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
Personal shoppers at local stores	Priority room service		Free private cruise on Tahoe Star once a season for 15 guests		
1 free spa treatment per year	Host schedule in key packet				
	Welcome call within 10 min of arrival				
	Robe & slippers at turndown				
	Comp welcome basket				
	Curbside check in with keys in hand				

7 Star Features: Phoenix					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
	Curbside registration	6 hour capping service for 1 machine		Tailored menu for 7 Star birthday celebrations	
		2 hour capping service on NYE		Priority prep of food orders in Range	

7 Star Features: San Diego					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
Waive all CC advance fees	Robe and slippers at bedside	Guaranteed machine capping (2 hrs / 1 machine)	Guaranteed event reservation with 48 hrs notice	Additional 2 guests into Diamond Lounge	
	Welcome call within 30 min from exec host	Waiving of all CC advance fees	Priority VIP seating at all events	Discounted premium drinks	
	Enhanced welcome basket				
	Special turndown with LeBeige chocolates				
	Priority room service				

7 Star Features: Horseshoe Bossier City					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
			Renewal party in April		Fleece jackets
			Guaranteed seating at all events		

7 Star Features: Lake Charles					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
Free bottled water upon arrival	Robes at bedside	Capping of slot machines (6 hrs)		2 free buffets anytime (once per day)	
	Upgraded amenities and turndown service				

7 Star Features: Louisiana Downs					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
Guaranteed suite access at racetrack		Cap slot machine with special code	Renewal party in April		
Limo service between area hotels and track			Guaranteed seating at all events		Fleece jackets
Guaranteed finish line view in Harrah's Sky Room of Club					

7 Star Features: New Orleans					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
		Slot capping for up to 8 hours	Ritz Carlton Spa weekend on Memorial weekend	Complimentary Chef's tasting in Steak House	

7 Star Features: Iowa					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
No exclusion dates on any cash coupons	Upgraded amenities in hotel rooms	Dedicated slot service specialist	Guaranteed show tickets	Complimentary hot towels, cookies, sandwiches and beverages	
		Dedicated host	Monthly events and promotions		

7 Star Features: Joliet					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
Free bottled water upon departure at Valet	Room upgrades based on availability	Free admission for 2  Free check cashing privileges		Personalized menu in Van Burens  Free desert in Van Burens and Winning Streaks	

7 Star Features: Cherokee					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
Designated parking area in garage	Pre registration and room key programmed for late check out	Priority machine service	7 * event quarterly	Call in drink orders from Pit	Promotional items avail within 30 days of promotion
	Welcome call within 10 min of check in	Hosts notified upon arrival at Valet, TG Slots	Expedited event & promo registration	Specialized beverage service	
	Upgraded amenities			Servers to settle check at conclusion of meal in buffet and café	
	Turndown service				
	Host schedule in room				

7 Star Features: Metropolis					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
Bottle water and comp car wash with every Valet retrieval	Comp gift basket	Comp chocolates and cigars in high limit slots on certain wknds  Valet notification to host	Dinner and gift every other month as an event	Four free buffets each month  Free appetizer or dessert in Range  Reserved Diamond Lounge seating	

7 Star Features: North Kansas City					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
No blackout days on coupons  Free car wash with Valet parking	Curbside check in	Capping of slot machines (2 hrs, 2 times a day)	Guaranteed tix to on-property events (when available)	2 free buffets (once per day)  Free appetizer and drinks in the Range	

7 Star Features: St. Louis					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
No blackout days on coupons	Complimentary dry cleaning with hotel stay	Dedicated host	Guaranteed tix to on-property events (when available)	2 free buffets (once per day)	
Top-car parking		Priority table games seating on Carnival games	Off-property events based on availability (concerts, etc)	Guaranteed seating in Diamond Lounge with reserved tables	
		Capping of slot machines		Complimentary drinks in Diamond Lounge	

7 Star Features: Prairie Band					
Service	Hotel	Casino Floor	Events	Restaurant/Bar	Merchandise
Reward credits may be redeemed for cash	Turndown service and gift in hotel	Slot machines can be topped for up to one hr	Exclusive event invitations	Immediate seating in steak house	Special birthday gift to be chosen by guest
	Curbside check in at Valet and escort to room by bell person		Priority concert seating	24 hr access to Diamond Lounge	
			Guaranteed show tickets for member and up to 3 guests		

## VI. Station Casinos Boarding Pass Program

In an effort to better understand how Harrah's Total Rewards compares to other gaming companies with multiple casino assets, GMA examined the practices at two other gaming companies with multiple assets.

Station Casinos employs a more traditional rewards program designed for its local-oriented casino properties. Like Harrah's, it offers a tiered program. Points are earned on a coin-in basis where one dollar wagered earns one point on reel machines and some video poker games. Full pay video poker games require two dollars for a point. The following table details the number of points needed to qualify for each tier.

Station Casino Boarding Pass Program Tier Requirements				
Preferred	Gold	Platinum	President	Chairman
499 points or less in 90 days	500 points or more in 90 days	60,000 points or more in 90 days	225,000 points or more in 90 days	Top 1/2% of active database

The Boarding Pass program is designed to reward people who visit frequently. To qualify for tiered status, points must be earned within ninety days. The following table details amount of coin-in required to achieve tiered status.

Station's Tier Status Earned over 90 Days			
Tier	Points	Coin-In Reels	Coin-In Video Poker
Preferred	0 to 499	\$0	\$0
Gold	500	\$500	\$1,000
Platinum	60,000	\$60,000	\$120,000
President	225,000	\$225,000	\$450,000
Chairman	N/A	N/A	N/A

*Points must be earned within 90 days*

While tiered status can be earned in 90 days, it can just as easily be lost. Essentially, 30-60 days of inactivity can cause someone to lose their tiered status. While the customer may still be in possession of their Premium Boarding Pass card, the various benefits (discounts, etc.) may not be available to them if they let their account lapse.

### Chairman's Level

Recently Station Casinos introduced the Chairman's level to recognize and reward their highest level of customers. The Chairman's level is not based on coin handle but is accorded to those people who reside within the top 1/2 % of the active database. This approach is intriguing since

the bar that defines Chairman’s status can move. A player who qualifies for Chairman’s status in 2006 may not qualify in 2007 even if their play remains the same since qualification depends on where they rank within the active database.

**Station Bucks**

The primary “public” benefit of the Boarding Pass program is the ability to redeem bonus points for comps. 600 points earn one Stations Buck. Station Bucks can be spent like cash at any Station Casino for meals, merchandise, entertainment or other services.

**Tiered Benefits**

The published benefits of the Boarding Pass Program are listed in the table below. However, like most reward programs, many of the benefits that are bestowed upon gamers are not published and are based on gaming activity.

Station Casino Boarding Pass Program					
Tier Benefits					
	Preferred	Gold	Platinum	President	Chairman
Gift Shop cash discount	10%	15%	20%	25%	
Private gated parking	*	*	Based on play	Based on play	Included
Buffet point discounts					
Breakfast	*	25% off	50% off	75% off	Free with guest
Lunch	*	25% off	50% off	75% off	Free with guest
Dinner	*	25% off	50% off	75% off	Free with guest
Priority room reservations	*	*	Available	Available	Available
Shows/concerts		Special discount	Free invitation	Free invitation	Free invitation
Free slot play	Based on play	Based on play	Based on play	Based on play	Based on play
Comps	*	Based on play	Based on play	Based on play	Based on play
Travel bucks	*	*	Available	Available	Available
Exclusive invitations to events	*	Based on play	Based on play	Based on play	Based on play
Station vacation	60 day leave	60 day leave	30 day leave	30 day leave	30 day leave

The Boarding Pass program utilizes IGT Advantage’s bonusing modules to reward gaming activity, primarily in the form of non-negotiable slot credits. Active players receive frequent direct mail offers which award free play to customers’ accounts. In addition, customers receive the usual selection of free or discounted meals, free merchandise and other incentives to visit the property.

**Jumbo Jackpots**

The most significant incentive for customers to use their Boarding Pass card is Station Casino’s Jumbo Jackpots promotional module. Jumbo Jackpots is Station Casino’s branded version of IGT’s Lucky Coin promotional module. A small portion of each coin wagered is used to fund a promotional jackpot. Every machine at every Station casino helps fund the jackpot. The jackpot is guaranteed to hit between certain parameters (i.e. \$100,000-\$150,000). When the *n*th coin is

wagered by a person wagering with their Boarding Pass card in the machine, that person wins the promotional jackpot. Winning the jackpot is not predicated on the outcome of a particular game but rather is based on the *n*th coin wagered. So, one does not have to hit a machine jackpot to win the promotional jackpot. With over 12,000 electronic gaming devices from seven properties feeding the prize pool, the Jumbo Jackpot hits every few days.

More significant than the Jumbo Jackpot is the “celebration” prize awarded to other gamers. When someone wins the Jumbo Jackpot in a particular Stations casino, every person who is playing a machine in that casino with their Boarding Pass inserted wins a celebration prize of \$50 in non-negotiable slot play. This is a compelling reason to always play with a Boarding Pass card and helps explain the program’s high rate of tracked play (estimated at 85%).

### **Summary of Boarding Pass Program**

The Boarding Pass program is a very effective rewards program that takes full advantage of IGT Advantage’s suite of promotional modules. While the consultant would question how the tiers are segmented (particularly the range between Gold and Platinum), the fact that Station Casinos enjoys such a high club utilization rate clearly indicates that customers have bought into the program. Overall, it is a very good local oriented rewards program designed to foster loyalty and frequency of visitation.

## VII. Resorts International Destination Club

Resorts International Entertainment, (“Resorts”) a subsidiary of Colony Capital, is a mid-sized gaming company with properties in four jurisdictions. Since acquiring the Resorts Atlantic City Casino Hotel in 2001 the company has been buying additional properties. In December 2003 Park Place Entertainment entered into an agreement to sell the Las Vegas Hilton to Colony Capital for approximately \$280 million. In 2005 Colony acquired four properties from Harrah’s Entertainment including Harrah’s East Chicago, the Atlantic City Hilton, Harrah’s Tunica and Bally’s Tunica. Today the company operates a total of six properties under three brands. These include:

- Las Vegas Hilton
- Atlantic City Hilton
- Resorts Casino - Tunica
- Resorts Casino Hotel - Atlantic City
- Resorts Casino Hotel – East Chicago, IN
- Bally’s Tunica

Because it acquired all of its properties rather than grow the company organically, there was no one unifying casino management system which linked all of its casinos. The casinos that were once owned by Caesars operated on a highly customized version of CMS. Properties that were previously operated under the Harrah’s brand utilized Harrah’s proprietary casino management system.

For the Las Vegas property Resorts purchased an off-the-shelf version of CMS for the back-end (casino management system, player data, Cage & Credit) and SDS for the front-end (slot accounting, data collection). CMS is a rudimentary system that offers basic functionality. However, it does allow for customization and it is assumed that Resorts’ IT department was able to improve the system to better meet its needs. However, it is not a data warehouse, just a reliable player rewards program.

As Resorts acquired additional properties it migrated all of its systems to the CMS/SDS model. In addition, the company added Mariposa software, which greatly enhanced player rewards functionality.

Over the past several months Resorts has introduced its new rewards program that acts as a unifying brand. It is designed to allow patrons to earn points, cash and comps at their local property as well as “Destiny Dollars” that can be spent like cash at any other Resorts property. Ostensibly, this allows patrons from Atlantic City, the Southeast and Chicagoland to take periodic vacations to Las Vegas by spending their Destiny Dollars. It also allows customers in Tunica and Atlantic City to spend their Destiny Dollars at other Resorts properties within their home markets.

It is assumed that the Destiny Dollars account resides in a data warehouse, presumably within Mariposa. The costs of such warehouses have dropped from what at one time were prodigious investments.

### Resorts Tiered Program

Resorts employs a tiered rewards program at all of its properties. Achieving premium status is more difficult than at Harrah's since all play must be generated within six months in order to qualify. Unlike Harrah's, Resorts tier credits are earned on a formula based on each machine's theoretical win. An analysis of online user groups indicates that it takes approximately \$33.75 on a slot and \$67.50 on video poker to earn a Tier Credit. 1,500 Tier Credits are required to advance to "Elite" status. Qualifying for "Ultra" status requires similar play than that required for Harrah's 7-Star program.

Las Vegas Hilton Tiered Program			
Tier	Tier Credits Needed	Approximate Coin-In Reels	Approximate Coin-In V Poker
Classic	*	*	*
Elite	1,500	\$50,625	\$101,250
Ultra	8,000	\$270,000	\$540,000

*Tier credits must be earned in a six-month period*  
*A tier credit is based on machine hold- not coin-in.*  
*Approximately \$33.75 earns 1 TC on slots, \$67.50 on VP.*

### Resort Destination Club Benefits

Like Harrah's, Resorts defines basic club benefits for each tier and then allows each property additional flexibility to match the amenities at the property to the needs of the market. The following are the publicly disclosed benefits available at the Las Vegas Hilton.

Resorts Destination Club Tier Benefits			
	Classic	Elite	Ultra
Same day cash back	*	*	*
Self comping at property stores	*	*	*
Destiny Dollars	*	*	*
Invitations to special events	*	*	*
Direct mail offers	*	*	*
10% discount at any retail outlet	*	*	*
Free parking	*	*	*
Free valet	*	*	*
Express lane check-in		*	*
Express lane at rewards center		*	*
Express lane at restaurants		*	*
Express lane at main cage		*	*
Express seating at buffet		*	*
Concierge call center		*	*
Dedicated casino host		*	*
VIP express check-in		*	*
VIP lounge check-in			*
Guaranteed room reservations			*
Suite upgrades			*
Priority baggage service			*
Priority valet service			*
Complimentary show tickets			*
Limo service			*
Preferred spa access			*
Complimentary spa			*
Preferred cabanas			*
Preferred golf tee times			*
Complimentary golf			*

Other properties have yet to publicly post their tier benefits. Harrah's East Chicago has two premium player lounges: one for Elite customers and another lounge for Ultra members. Other Resorts properties do not offer this amenity. It is an example of one property tailoring its amenities to better differentiate itself from the competition and to better service their most valuable customers.

### Basic Club Methodology

When a customer inserts their card into a slot machine, they are informed of their tier credit balance and their current cash and comp dollar balances. At the Las Vegas Hilton players then earn bonus points, although the accrual rate for those bonus points varies from game to game. On video poker, approximately \$8 coin-in earns one bonus point and 100 points can be redeemed for \$1 in comp or cash. This is different from their previous program where players earned cash and comps in two separate buckets. The Las Vegas Hilton no longer employs a countdown and,

after receiving account information at the start of play, the reader box simply states “card inserted.”

The system was obviously designed to preclude abuse by professional video poker players, which has historically been a problem at the property. Nevertheless, astute players have been able to figure out the system as indicated in the following posting from an online discussion group:

The LVH’s new program has 3 tiers: bottom tier for anyone; the middle (ELITE) seems to correspond with C3 rating and takes 1,500 tier points; and top (ULTRA) seems to correspond with C2 rating and takes 8,000 tier points.

One big problem is that you have to re-up your standing every 6 months instead of yearly like Harrah’s. I played 2 days on the 10-Plays with coin in of about 108,000. I earned tier points at about 25.5/\$1,000 played. So to keep ELITE status I need about 59,000 within 6 months.

To get ULTRA status I need about 314,000 every 6 months. ULTRA is a problem for me because even though I average about \$50,000 coin-in/day I need to play at that level for 6 days every 6 months which I don't always do.

Just to complicate matters further my host told me that the C2 and C3 ratings are still used within the new system so that even if you are ELITE but play enough on your trip for C2 status (which I assume is still \$750/day Theo as before) you will get the C2 benefits. The Theo for the 10-Plays is 1.35% (about 56,000/day for \$750 Theo) and I earned Cash Back at about .13% rate. When I got there I found that I was ELITE but due to my play I did get gourmet dining and limo comped and my host said that next trip I would be coded C2 even though I didn't quite make the theo.

I have been C2 for several years. It's getting tougher and tougher at LVH but if I can keep all the perks like 2 bedroom suite (sleep 6) golf and limo, it's still worth it to me.

Clearly, the Resorts program preserves the old comp guidelines of the Las Vegas Hilton (C3, C2 and C1) so that hosts have some latitude regarding the kinds of rooms to place people in. However, it limits the amount of abuse from professional players while appealing to avid gamers.

## VIII. Best Practices

After reviewing a number of player reward programs, GMA attempted to identify the industry's best practices. What the Consulting Team discovered was that, while there are a number of gaming companies "that are doing it right," there is no one player rewards program that would qualify as the best practice for every gaming market. Harrah's Total Rewards is an excellent program for a company with 30 regional properties feeding qualified gaming customers to six premiere destination hotel-casinos in Las Vegas. Station Casinos' Boarding Pass program is an excellent program for a local gaming company with eight properties, two of which qualify as destination resort properties. Resorts' Destination Club also employs many sound marketing practices.

What GMA was able to identify were the best practices employed by a number of gaming companies.

### Tiered Programs

- The best rewards programs employ a tiered rewards program where player accrue Tier Credits, on a coin-in basis that accounts for the varying hold percentages of different kinds of games (slots versus video poker).
- Tier scores are displayed on the reader box at the outset of each play session and act as a scorecard for players.
- The best tier programs are designed to be aspirational. The suite of benefits that is accorded to gamers in the higher tiers is so compelling as to make players aspire to get them. Higher tier customers have access to separate queues at the Cashier's Cage, Rewards Center, Hotel Registration, Valet and all restaurants. In other words, all players can see the benefits that higher tier customers get.
- Achieving a tier is not an entitlement. Players must continue to demonstrate their worth by re-qualifying. Harrah's is overly generous in that one could ostensibly be a Diamond Player for almost two years after achieving that status. Resorts' six month policy may be a bit too short and requiring people to play at the same level in the subsequent six-month period in order to re-qualify may be a bit too demanding.
- The best tiered programs have a method to identify premium players even if they visit and gamble on only one occasion. Harrah's DIAD/PIAD program is an excellent method of identifying an avid and enthusiastic gaming customer who walks into the casino and plays at a very robust level. Most tiered programs are designed to bestow premium status only on people who have played at the property for a long time and fail to recognize people who only come in once or play occasionally at very high levels.

- Tier credits are earned the same way at every property. While each individual property may have a different policy regarding same-day cash back and comp dollars, tier credits accrue the same way at each company casino.

### **Individual Properties Have Autonomy**

- Individual properties within a casino company are free to design their own player reward programs in order to best meet the needs of their individual markets. Individual properties should be able to design programs that offer what is necessary to be competitive and profitable. This may or may not include same-day cash back; deferred cash back (bounce-back offers) and comp dollars.
- While adhering to basic tenets of a tiered program, individual properties are free (and encouraged) to enhance the benefits of the company's tiered program. One property may be able to offer a private Ultra lounge while another may not have the space available for such a facility.
- All casino properties in a gaming organization must operate within clearly defined player reinvestment parameters. This means that the gaming organization must define *what player reinvestment* is, must define the numerator and denominator that makes up the *player reinvestment rate* and the upper and lower limits of *the player reinvestment rate* that the parent company will tolerate.

### **Destination Comp Dollars**

- In addition to cash back, comps and direct mail offers, the *best practice* is to allow customers to accrue *Destination Comp Dollars* in a separate bucket. These Comp Dollars are reserved for spending at other company-owned properties.
- Destination Comp Dollars do not need to accrue within the property's casino management system but can be stored and retrieved from some central data warehouse. In other words, Destination Dollars can be batch-loaded at the end of business day.

### **An Interactive Web Site with Access to Individual Player Accounts**

- Perhaps the most compelling feature of Harrah's Total Rewards program is the player account information that can be viewed online (pp. 14-17). It is one thing to receive an envelope with a sheet of coupons. It is another thing to log on and see all the offers that are available and to be able to redeem room offers by just clicking on the REDEEM button. The *best practice* is to provide customers with the ability to view all of their offers online.

### **A Commitment of Capital**

What makes Total Rewards stand out among all other tiered reward programs is the Company's commitment to invest capital dollars in order to clearly differentiate its premium player program from all competitors and to make its players aspire to achieve premium status.

Any gaming company can segment its database, manufacture prestigious looking membership cards and offer additional benefits to those players who achieve premium status. Harrah's Entertainment supports its Total Reward Program with significant capital investment at each property. While capital improvements vary from property to property, they include the construction of Diamond/7-Star hotel check-in areas, private cocktail lounges and premium dining areas in buffets. Together they work to make gamers aspire to achieve premium status. One need only dine once as a guest in the Rio's Carnival World Buffet premium dining room or enjoy a cocktail in Harrah's Joliet Diamond Lounge to appreciate how compelling those amenities are. No other gaming company has made such a capital commitment and it is what gives Total Rewards a sustainable competitive advantage over other gaming companies.