

12-2009

Loyalty to relationships: Examination of affluent casino guest retention in Las Vegas

Adrian Y. Low

University of Nevada, Las Vegas

Follow this and additional works at: <https://digitalscholarship.unlv.edu/thesesdissertations>



Part of the [Gaming and Casino Operations Management Commons](#)

Repository Citation

Low, Adrian Y., "Loyalty to relationships: Examination of affluent casino guest retention in Las Vegas" (2009). *UNLV Theses, Dissertations, Professional Papers, and Capstones*. 615.

<https://digitalscholarship.unlv.edu/thesesdissertations/615>

This Professional Paper is brought to you for free and open access by Digital Scholarship@UNLV. It has been accepted for inclusion in UNLV Theses, Dissertations, Professional Papers, and Capstones by an authorized administrator of Digital Scholarship@UNLV. For more information, please contact digitalscholarship@unlv.edu.

**LOYALTY TO RELATIONSHIPS:
EXAMINATION OF AFFLUENT CASINO GUEST RETENTION IN LAS VEGAS**

By

Adrian Y. Low

Bachelor of Science in Business Administration
Hawai'i Pacific University
2002

**Master of Science of Hotel Administration
William F. Harrah College of Hotel Administration**

**Graduate College
University of Nevada, Las Vegas
December 2009**

Contents

Abstract	iii
Introduction.....	1
Purpose	1
Justification	1
Constraints.....	2
Limitations	3
Glossary	4
Literature Review.....	6
Affluent Guest Profile	6
Luxury Items and Services	7
Luxury Hotels and Casinos	9
Impact of Affluent Guests on Casino Revenues	11
Casino Hosts.....	12
Customer Relationship Management Systems in Casinos	14
Hospitality Guest Retention	15
Retention Efforts.....	15
Retention Benefits	18
Conclusion of Literature Review	19
Personal Communications	21
Purpose	21
Personal Communications.....	22
Tony Alamo, Former Senior Vice-President, Mandalay Bay Resort Group	22
Lori White, Assistant Vice-President of National Marketing, MGM Mirage ...	24
Bibliography	28

Abstract**Loyalty to Relationships:
Examination of
Affluent Casino Guest Retention in Las Vegas, Nevada**

by

Adrian Low

Jeff Voyles, Committee Chair

Academic Faculty of Hotel Management

William F. Harrah College of Hotel Administration

University of Nevada, Las Vegas

This paper analyzes the challenges faced by Las Vegas, Nevada casinos when catering to their affluent guests. As part of the literature review, the paper will examine the various retention efforts taken by luxury products and service providers, along with luxury hotels and hotel casinos in Las Vegas. Personal communications with casino hotel executives provides a real-world comparison of the effectiveness and limitations of various techniques discussed in the literature review.

Introduction

Purpose

With the current global economic climate, there have been many changes in wealth distribution. The need to limit expenditures while working to retain high-limit guests has resulted in hotels and hotel/casinos needing to use innovative techniques. There has been limited research done with regards to marketing and catering to affluent guests. This paper will analyze the various sources of information through a literature review and insights of industry experts.

The literature will define the target affluence levels, explore the retention techniques utilized by other luxury products and hospitality services, and highlight the Las Vegas loyalty programs, their benefits and the guest service role casino hosts play within Las Vegas hotel casinos.

As part of this paper, a limited number of personal communications will be conducted with casino hotel executives in order to gain from their experience with high-rollers and managing properties that cater to such individuals. The information provided by these executives will be compared to the data gathered in the literature review so as to allow a comparison of theoretical and practical applications. Among the properties/companies identified are Las Vegas Sands, MGM Mirage Group and Wynn Resorts. The varied properties would allow for a comparison between higher-end properties.

Justification

Catering to the most financially lucrative guests is a very expensive endeavor which results in hotels being driven to provide better service and more amenities than the competing

hotel casinos. These perk offerings come at a great cost, both in terms of time and monetary value to the hotel casino. This paper will identify the various techniques used and highlight those that are most valued by the affluent guest, along with the role service standards contribute when providing guests and the hotel casino the opportunity to form an emotional relationship. This study will also identify the effect, both from the hotel and guest perspective, the economic crisis has on both parties.

Constraints

The information gathered via the personal communications will be limited by the need for the companies to retain some of their corporate proprietary strategic direction. Results mentioned in this paper are likely to be applicable exclusively to Las Vegas, Nevada as the personal communication sample is located exclusively within the Las Vegas Strip. Further research will have to be conducted to compare methods in casinos within other geographical regions.

With the current economic crisis affecting the global economy, there will be significant changes in how the casinos and affluent guests conduct business that might not be reflected in this paper. The personal communications with casino executives will assist with identifying trends in previous years, along with the changes that have been observed in the recent months. However, the recent economic change is still in its infancy and the changes will likely continue into the future.

Limitations

This paper will reflect a general snapshot of the current casino retention strategy on the Las Vegas Strip. Time constraints will limit the ability to discuss region specific details regarding various ethnic preferences that casinos cater to.

Glossary

Casino Host: A casino marketing employee that performs a multitude of duties ranging from “guest communication, staff liaison, to managing the business”. However, their primary goal is to increase revenue for the casino (Booker, Attributes of a Successful Casino Host, 2008)

Casino Rate: Discounted room rates available for casino players who do not qualify for a complimentary room.

Comps: Short for complimentary, comps are products and/or services given to casino players as rewards for their business in order to promote good will and entice loyalty to the specific casino or company. Comps are usually calculated based on a player’s average bet and duration of play. Comps can range from room, food, beverage and transportation, to show tickets, access to exclusive golf courses and an array of other amenities. (About.com). See also **RFB**.

Discount on Loss (DOL): An agreement between casino management and the player to decrease a player’s losses by a fixed percentage and can be negotiated before or after any wagering activity has taken place (Kilby, Fox, & Lucas, 2004).

Harrah’s Entertainment: The world’s largest provider of branded casino entertainment and owner of the World Series of Poker. Harrah’s properties operate primarily under Harrah’s, Caesars and Horseshoe brand names (Harrah's Entertainment Inc.).

Mass Market Luxury: Luxury that caters to a large number of people. They are mass produced and the product’s focus is in the brand name, not in the purchasing/ownership experience (Ibrahim, 2006).

MGM Mirage: A collection of resort-casinos, residential living and retail developments that own 16 properties in Nevada, Mississippi and Michigan, along with investments in properties in Nevada, New Jersey, Illinois and Macau (MGM Mirage).

Player's Club: A casino rewards program that is used to track a guest's time spent playing at the slot or table games. The program provides casino hosts access to a guest's value to the casino and helps with determining the amount of comps they are eligible to receive.

Room, food and beverage (RFB): Types of comps that casinos generally issue to guests, consisting of free or discounted (casino rate) rooms, food and beverage. The monetary amount allowed is based on the player's actual loss or casino's theoretical win (Lucas, Kilby, & Santos, 2002).

Switching Costs: Costs (in time, effort or money) or barriers businesses place upon customers to prevent them from changing from the current business to a competitor (Bowen & Shoemaker, A Strategic Commitment, 1998).

Literature Review

Affluent Guest Profile

The advertising publication Advertising Age comments on the difficulty in defining “wealth”, as there are the selectively affluent that may not have access to exclusive country clubs, but do indulge in luxuries such as expensive cars, jewelry or vacations, but not at the same time. This group also spends more than the average consumer on daily items (Cuneo, 1997).

The World Wealth Report classifies affluence into three-tiers. Lowest-tier individuals have a net worth between US\$1-5 million, mid-tier individuals range between US\$5-30 million and the ultra-affluent have a net worth in excess of US\$30 million (Merrill Lynch and Capgemini, 2005). A 1998 Discovery Channel documentary on affluent Las Vegas casino guests rated a premium player on a three-tier system, based on the credit limit provided to them by the casinos. Tier-1 players had a minimum credit line of \$20,000, tier-2 players’-credit lines ranged from \$100,000 to \$500,000 and tier-3 players had credit lines ranging from \$1 million to \$5 million, with no additional classification for players that had credit lines beyond \$5 million (High Roller's Vegas, 1998).

A survey conducted by the hospitality industry publication Hotel & Motel Management shows that quality is still a factor when the affluent traveler makes lodging decisions, with 82-percent buying from brands with a reputation for quality, and 77-percent “buying for value, not price”, 68-percent also claim that they stick with a brand they like. These travelers are very demanding and express brand loyalty to their preferred brands. However, 68-percent also claim to look for the best prices when making a purchase. These travelers focus on quality, value and conservative view of their wealth (Yesawich, 2004).

Hader (2008) identified four traits that most upscale customers share. Firstly, they select brands to explore and express an identity, with many customers combining various brands to create a distinctive identity. Secondly, luxury customers are more willing to spend on experiences than items, especially in a down economy, as sharing of indulgences can help with reducing the guilt one might have when splurging on luxuries. This requires luxury service providers to surprise and delight the experience initiator while making the initiator look good in the eyes of the recipient. Thirdly, luxury consumers are still conscious about the value of the purchases and in many instances, are willing to purchase a low-cost item if the luxury option fails to meet their expectations. The example mentioned in the article is the change Apple experienced from becoming a computer brand, to one which now delivers a “superior luxurious computing experience” that people are willing to pay a premium for their products. Finally, luxury brands are now expected to deliver an emotionally and rewarding affirmative experience with each and every interaction, from the beginning to the end. In exchange for their attention and money, luxury consumers expect their brands to evolve, surprise and delight them (Hader, 2008).

Luxury Items and Services

Part of defining the affluent guest involves the discussion of luxury items and services. Suzanne Hader (2008) defines luxury as “something inessential but conducive to pleasure and comfort; something expensive or hard to obtain”. But to a luxury customer, luxury is a promise (Hader, 2008). In the article, Ms. Hader notes the inherent bond luxury items and services share as they are both interdependent and intertwined. Her statement “Truly luxurious brands allow customers to give up control and to trust that they will not be disappointed in the item’s quality – or the service and ownership experience around it” provides an insight as to the overall

expectation from those that shop in the luxury segment. The brand's promise to take care of the customer exactly the way they expect, is part of the commitment that this market segment customer has come to expect (Hader, 2008). The increase in modern day comfort has given rise to the change in luxury from pure material goods, to a shift to personal fulfillment and aspiration through experience. This change illustrates the shift from a purely monetary focus, to one which includes the service and experience aspects of luxury (Yeoman, McMahon-Beattie, & Brown, 2005). With consumers having more disposable income, luxury has become more available to a larger number of individuals. This mass market luxury is focused on the material item, with little emphasis placed on the buying experience. Premium luxury brands differentiate themselves as they consider the experience of buying into the exclusive club to be of a significant importance of the luxury brand as a whole. Consumers of premium luxury expect their experiences to be personalized for their individual tastes. This is becoming easier to cater to with the increased use of technology to identify and cater to different tastes (Ibrahim, 2006). Hader (2008) believed that establishing a connection with luxury consumers goes beyond proper messaging. It is essential for brands to create a positive, memorable and emotional experience as the experience created is the decisive way of differentiating themselves of the competition, along with being able to consistently exceed consumers' expectations. The combination of product quality and flawless service is an important combination in the luxury segment as the luxury clientele is becoming more demanding.

American Express Financial Services' strategy when approaching affluent individuals is based on building a relationship of trust and comfort between the advisor and potential client. These clients consider relationship to be very important and are willing to pay for outstanding service. 64-percent of American Express Platinum Luxury Survey respondents indicated they are

willing to pay more for preferential services and the service they receive plays a bigger role in luxury than the price tag. 80-percent of the respondents agreed with the statement “An important part of my enjoyment of a luxury experience is how well the service personnel treat me and the extra service they provide.” (Krebsbach, 2005)

Within the airline industry, service has become the most distinguishing feature among various airlines, especially within the Business and First Class segments. When describing the service provided to their passengers in Singapore Airlines, Emirates and British Airlines, service is the main reason first-class travelers chose those airlines and the experience is what makes it first-class (Shannon, 2002).

Luxury Hotels and Casinos

Hotels in the luxury-tier utilize various techniques to differentiate themselves. The Four Seasons empowers their employees to respond intelligently and independently to maintain customer satisfaction, ensuring that they only promise their guests what they are able to deliver, and requests are attended to in a timely manner (Hader, 2008). The Four Seasons Hotels and Resorts’ service culture is the company’s “Golden Rule” and encompasses employee, as well as guest relationships. One of their core values recognizes the commoditization of architecture and décor, and that service will be Four Seasons’ distinguishing feature and competitive advantage. The focus on providing exceptional service is further evidenced by their desire to keep their hotels medium-sized and focusing on the quality of guest experience (Jackson & Naipaul, 2008). While exceptional service is the focal point of Four Seasons Hotel, the company also understands the need to provide amenities comparable to other properties in a similar luxury-tier. The Four Seasons Hotel, New York provides their guests with access to two courtesy cars, a Maybach 62 or a Rolls Royce Phantom as the property is in the business of creating experiences,

and at that market level, a courtesy car is considered to be a necessity (Lodging Hospitality, 2005).

Rocco Forte Hotels owns and operates a number of luxury hotels that continues the old-fashioned tradition of service and history. Their individual properties are unique and are considered to be brands within themselves, steeped in history, nationality and location. Each hotel represents an experience of character, quality accommodation, fine food and exceptional levels of service, which is customized to the individual preference of each guest. Great effort is made to ensure furnishings are of five-star elegance, with ornaments and personal touches creating a welcoming and indulgent atmosphere. Such luxury comes at a significant price premium that restricts access to the affluent (Shemenner, 1995).

As items that were once considered to be luxury amenities, i.e., flat screen TVs, iPod access, custom beds, become more commonplace, many luxury hotels consider the overall experience and service to be their greatest asset and differentiating factor (Beirne, 2006). Within the luxury hotel segment, high quality service and improving customer satisfaction are significant factors in the success of a hotel (Sim, Mak, & Jones, 2006). The importance of good service is illustrated in Whiteley's (1991) paper, where 70-percent of the customers of a survey conducted noted dissatisfying service as the primary reason they switched to a competitor (Whiteley, 1991).

Within casinos, Grover (2007) notes that with the influx of "glamorous neon and upscale restaurants", many casino guests consider customer service to be more important than property's visual appeal, food quality or game selection. Service is so important that guests use it as a benchmark to differentiate one property from another.

In their article, Sui and Baloglu (2003) article notes the change in trends from discrete transactions to ongoing relationships in the business-to-consumer and business-to-business exchange process and such relationships are the de facto standard of providing a communicative connection between their business and customers.

Impact of Affluent Guests on Casino Revenues

The upper-tier players have a significant impact on a casino's revenue. Robert Shook suggests that approximately 11-percent of the gaming industry's players are responsible for more than 50-percent of the industry's total revenue (Shook, 2003). In 2002, high-rollers represented five-percent of all gamblers in Las Vegas, but produced 40-percent of gross gaming wins (Lucas, Kilby, & Santos, 2002).

Lawrence Hill's article discusses the importance a premium player has on high-end casino revenues. Mr. Hill argues that for the more extravagant casinos, their financial position hinges on the retention of their affluent players and the more extravagant the casino; the more that casinos will be dedicated to pursuing the business of the affluent player (Hill, 2008). In Mr. Hill's article, he goes on to quote Wynn Resorts' emphasis on the impact of affluent casino guests on the company's profitability,

A significant portion of our table games revenue at Wynn Las Vegas is attributable to the play of a limited number of international customers. The loss or a reduction in the play of the most significant of these customers could have a substantial negative effect on our future operating results (Wynn Resorts Ltd., 2007).

Costs of attracting and retaining affluent casino guests have increased in the recent years, and as a result, these players have been able to negotiate significantly improved incentives from

the casinos that go beyond the traditional RFB comps (Kilby, Fox, & Lucas, 2004). Affluent casino guests are traditionally given room, food and beverage (RFB) comps as incentives during their stay at a casino. Eadington & Kent-Lemon (1992) note the advantage of using RFB comps is the cost of these incentives is relatively low in comparison to the revenue potential of these guests. Discount-on-losses (DOL) is another cost associated with maintaining guest incentives, whereby a casino host, on behalf of the casino, agrees to forgive a percentage of the amount owed to the casino when a player loses. Due to the widespread use of DOL on the Las Vegas Strip, premium-play profits have been adversely affected to the point where gaming researchers have questioned the true profitability of affluent casino guests (Kilby, Fox, & Lucas, 2004). Besides the use of DOL, RFB and other miscellaneous comps have increased overall costs associated with attracting and retaining high limit and have resulted in casinos having to reduce marketing efforts within this segment as these costs have a significant impact on the segment's profitability (Eadington & Kent-Lemon, 1992).

Casino Hosts

A casino host performs a multitude of duties ranging from “guest communication, staff liaison, to managing the business”. However, their primary goal is the increase of revenue for the casino (Booker, Attributes of a Successful Casino Host, 2008). Las Vegas Sands' employment webpage describes a casino host's responsibilities as: “...to maximize customer development (new and existing) including prospecting, promotions, events, and additional customer relationship management activity” (Las Vegas Sands: Online Career Center, 2009). Hill states “The casino host's primary responsibility is to cater to the high-stakes gambler, or premium players. (Hill, 2008)” Casinos rely on their hosts to cater to, and build personal relationships with

premium players to increase player loyalty to the property (Hill, 2008). In his paper, Hill concludes that casino hosts play an indispensable role in the competition for affluent guests.

Booker (2008) considers communications to be a casino host's most important skill as their day comprises of communicating with guests, colleagues or the executive team. In addition, he ties a host's success in their role to their ability to communicate effectively as an effective host utilizes every means of communications available to them (Booker, Attributes of a Successful Casino Host, 2008). A casino host should also possess a high degree of emotional intelligence (EI) in order to facilitate their duties. People with high EI are able to communicate vision and enthusiasm effectively, minimize unnecessary conflict while empathizing with guests. They are also able to effectively assess others' emotions and choose the best strategy to maximize results and satisfy the guest's needs (Scott-Halsell, Blum, & Huffman, 2008).

When a connection is made between a host and a player, the player experiences a sense of importance and personalized service that can be the difference between meeting and exceeding guest expectations. In order to make such a connection with players, casino hosts are part of a carefully selected group hired for their attitude and trained to be comfortable catering to their guests. A comprehensive casino host structure will give casinos the ability to service guests' needs in order to establish a satisfied player base (Grover, 2007).

In Booker's (2008) article, he notes that casino hosts are also critical in providing guests with an in-depth and consistent relationship which further cements the player with the casino. Besides being skilled at listening and empathizing, a key element in this commercial relationship is communicating the established comp guidelines. This ability to communicate a tangible standard along with direct communications provided by a casino host also provides for future

relationship-building opportunities and communications. If the comp standards are not effectively communicated, the player may misunderstand them and can result in the casino being viewed in a negative aspect. When a guest's play does not meet established comp guidelines, a good host should be able to accommodate the guest with an alternative that is of high emotional value to the guest, but falls within the casino's policy (Booker, *Casino Host: Your Best Form of Customer Service*, 2008).

Besides having exceptional people skills, a host must also be able to identify and possess an extensive knowledge of various personality types in order to adapt and understand each guest. This skill, combined with a host's personal knowledge of the guest, is most critical when dealing with guest complaints as it allows a host to effectively identify and understand their guests and how to best resolve the issue (Booker, *Casino Host: Your Best Form of Customer Service*, 2008).

Customer Relationship Management Systems in Casinos

Customer Relationship Management systems (CRM) have given casinos the ability to collect and use data that is linked to each unique customer. Such data can be used to automatically flag a guest's special preferences, and can be used in targeted marketing campaigns (Rigby, Reichheld, & Schefter, 2002). Kale's article notes that the objective of implementing a CRM program is to "transform strategy, operational processes and business functions in order to retain valued customers and increase customer loyalty and profitability". CRM eventual goal should be to provide guests with a smooth and consistent experience (Kale, 2005). Harrah's Entertainment, a major casino operator, is recognized as the best casino CRM operator and their use of CRM has allowed them to "measure everything" that their customers do (Becker, 2003).

Hospitality Guest Retention

Retention Efforts

Beginning in the early 1990's, the increased growth in the Las Vegas gaming industry has spawned fierce and intense competition among the various casinos. The increased competition in the gaming environment has forced casinos to increase retention efforts by building barriers and switching costs so as to not lose their customers to other casinos (Bowen, *Casinos Practice Relationship Marketing*, 1994). Casino executives have expressed concerns with maintaining high occupancy rates, along with the impact new properties will have on their competitiveness (Pettilose & Brewer, 2000). Current casino retention programs designed to elicit loyalty generally include room, food, beverage (RFB) comps, incentives, giveaways and discounts on rooms. However, some casinos are beginning to shift their focus from purely material offerings, to include emphasis on providing guests with a memorable experience to increase brand loyalty (McKim, 1999).

Bowen and Shoemaker define customer loyalty as the likelihood of a customer's return to a hotel (Bowen & Shoemaker, *A Strategic Commitment*, 1998). The retention of customers has always been an important objective for the lodging industry, especially with the commoditization of hotel rooms and amenities. Generally, long-term relationships with guests tend to be more profitable for the hotel (Sim, Mak, & Jones, 2006).

Hotels have sought to establish and maintain a connection with their guests. Most loyalty programs are point or benefit-based and are used to tether guests to a particular property/chain by means of high switching costs. However, these systems are not sufficient in creating loyalty as they fail to form an emotional bond between the guest and the brand (Mattila, 2006). A 2001

study conducted by J. D. Power and Associates showed the difficulty in building brand loyalty as only 33-percent of the respondents had a strong loyalty to a hotel brand. Besides location, previous experiences at the hotel, recommendations from friends and family and brand reputation play a significant role in their decision when choosing a hotel for their stay, with room quality, departure process and pre-arrival/arrival experiences contributing to over 70-percent of guest satisfaction, followed by hotel services and food and beverage. Among the top luxury hotel chains identified are Four Seasons and Ritz-Carlton, with both chains scoring well in areas of food and beverage service and departure experience (Greywitt, 2001).

Trust is a very important factor with regards to guest loyalty. Trust is defined to contain elements of honesty (fulfilling promises), competency benevolence, dependability and customer orientation, along with the exchange partner's reliability and integrity (Anderson & Narus, 1990), (Swan & Nolan, Gaining Customer Trust: A Conceptual Guide, 1985), (Swan, Trawick, Rink, & Roberts, 1988). Based on the statements of the authors, this trust would foster and promote cognitive and affective commitment.

While most rewards programs are only redeemable for pre-determined products or services within the hotel or chain, a few hotels have taken a novel approach with their rewards programs. Marriott allows its guests to create their own rewards and their top-level guests have access to Clear, a registered traveler service that provides for quicker passage through airport security and Starwoods members are able to use their points for airline travel, so long as seats are available (Barsky, 2008). Barsky also suggests that loyalty programs can be used to combat a competitor's lower prices, not by offering deeper discount, but by providing sufficient benefits to motivate guests and influence their hotel selection.

Petrillose and Brewer's (2000) research indicated that while many Las Vegas visitors were not loyal to a particular property as they were in search of a "new" experience, the visitors were likely to return to a property that provided a good and consistent overall experience. Their focus groups identified outstanding attentive/personal service as the main factor of excellence that factored into guest decisions. They also noted that problems with cleanliness, security and quality of hotel employees were reasons to change properties during subsequent visits (Petrillose & Brewer, 2000). Providing a delightful experience (as opposed to a merely satisfying one) develops an emotional bond between the guest and hotel and substantially improves loyalty and customer advocacy (Patton, 2006). Many affluent guests are no longer looking for a simple hotel room; they want an experience that requires hotels to reposition their brand so that it reflects the progress of modern trends. Such a reposition can be fraught with risk as they could alienate their established long-term customer base. Ultimately, the need for quality service is a constant that is the key to success for hotels that focus their service to cater to their guests (Merkel, 2007).

Service failures and guest complaints provide hotels with the opportunity to identify and address outstanding guest service issues. Additionally, effective recovery procedures give casinos the ability to resolve the issue and convert the negative experience into a positive one. In the event of a service failure, actions such as acknowledging and promptly acting upon a problem, a sincere apology from the employees and management or a gesture that goes above and beyond the minimum guest expectation can effect a successful service recovery (Petrillose & Brewer, 2000). Tantawy and Losekoot (2001) also emphasize the need to view guest issues as an opportunity for improvement and the frontline employees' proficiency in handling such events will result in greater satisfaction and loyalty.

While switching costs is an efficient marketing tool for casino management and can be a factor in building loyalty and preventing guests from deflecting to another property, Sui and Baloglu's research shows that building trust and emotional ties provide a more effective and strategic tool to establish long-term relationships with guests (Sui & Baloglu, 2003).

Retention Benefits

Increasing customer loyalty gives a business more latitude as these customers are usually more prepared to adjust the time of their visit to be able to stay at the property of their choice, are less price sensitive and are willing to pay more for a room in their preferred property (Tideswell & Fredline, 2004). This suggests that satisfied guests translate into higher revenues and more frequent visits from said guest and hotel executives recognize the need to increase customer loyalty to ensure long-term success (Oh, 2002). Reichheld and Sasser also comment on long-term customer retention benefiting a business with reduced marketing costs, more purchases over time, positive word of mouth, and business referrals (Reichheld & Sasser, 1998). In addition to direct monetary benefits, loyal guests are also an effective means of marketing, as they are more likely to spread positive word-of-mouth, thereby attracting new customers (Kotler, Bowen, & Makens, 1998).

While focusing on customer satisfaction, trust in receiving expected service and satisfaction is also another influence that plays a significant role in guest emotional attachment to the hotel, word of mouth and guest cooperation. Such loyalty affects long-term attitudinal and behavioral inclinations that cannot be matched by competitors' actions. In their article, Sim, Mak and Jones (2006) summarize the benefits of customer satisfaction,

The effect of added value on customer satisfaction is positive and significant, indicating that better added value would enhance both customer satisfaction as well as customer retention. The “Added Value” items in this study refer to added values that meet customers’ specific needs, such as hotel location to take advantage of low-cost attractions, dining, shopping, free or reduced parking, phone calls, in-room facilities, and amenities, to name a few.

Conclusion of Literature Review

With most luxury products and services, the biggest differentiating factor is the service and experience the consumer receives. While RFB comps hold a monetary value to the affluent guests, these comps are generally very similar throughout the high-end properties and could be considered to be another commoditized aspect of the gaming hospitality sector. The cost of RFB comps has increased in the recent years and they have a noticeable effect on player profitability. The economic crisis has required casinos to explore new techniques to market to, and retain their affluent guests. Marriott’s approach of allowing their guests access to a more efficient means of clearing airport security is a creative means of providing added-value for their higher-tiered guests.

Casino hosts play an integral role in the casino-player relationship. The hosts allow for casinos to provide personalized and consistent service. When coupled with a host that has the ability to read the non-verbal cues of guests, the casino host is able to respond swiftly to affluent guests’ needs.

In many ways, the desired response from guests such as positive word of mouth, loyalty, increased purchasing over time and reduced marketing costs are gained by making a guest feel

an emotional attachment to the hotel casino. Perhaps the most critical aspect is providing attentive and exceptional service, thereby establishing an emotional bond between the hotel casino and the guest.

Personal Communications

Purpose

Part Three of this paper focuses on the results of personal communications with Las Vegas casino executives. The information provided by these executives will provide a “real-world” aspect of the retention strategies utilized by Las Vegas casinos and allow for a comparison of the literature review material.

This descriptive research study will rely on personal communications to identify practices within the Las Vegas hospitality industry and its effectiveness, along with a comparison between the various properties, companies and market segments. The data collected will be primarily qualitative in nature. These surveys will encompass strategic planning, previous trends and current trends. With the change in the economic climate, it is important to capture the changes hotels casinos have implemented to reduce costs and to note the changes in the demands of their upper-tier guests. The data will also be compared against marketing techniques of other brands in the luxury segment.

The first communication is with Mr. Tony Alamo, former senior Vice-President of Mandalay Bay Resort Group, followed by Ms. Lori White, Assistant Vice President of National Marketing for MGM Grand, Las Vegas.

Personal Communications

Tony Alamo, Former Senior Vice-President, Mandalay Bay Resort Group

Mr. Alamo considers casino hosts to be the most important link between a casino and the affluent guest. In his opinion, they are the front-line employees that convey the property's service culture and amenities to the affluent guest. The casino host must know both their product and the guest, so as to better communicate the types of comps the player qualifies for; keeping in mind both casino and guest requirements and the casino host must be able to adapt to fit the delicate relationship. Their job is complicated by the need for the casino hosts to balance and navigate the customers' demands and the casino's requirements when issuing comps. In his experience, the issuing of comps is not based on a rigid structure as casino hosts are usually willing to provide extremely profitable players with more comps to retain their business. He believes an exceptional casino host is willing to put in the time, and provide good quality of service whatever is necessary to ensure they are available to their guests at all times.

When marketing to guests, affluent or otherwise, Mr. Alamo considers any relevant information to be beneficial towards marketing efforts. Loyalty programs provide casinos with up-to-date information on their guests' information, game preference and loyalty points' usage, allowing for a more focused marketing campaign.

With more casinos increasing their luxury offerings in Las Vegas to attract affluent guests, a competitive casino hotel must be able to offer a comparable level of luxury and amenities if they are to compete. He explains that the affluent player market is part of the reason hotels have been forced to increase their luxury offerings as "Generally they want a hotel room that is nicer than the room they have at home, no one wants to stay in a hotel room that's not as

nice as their rooms at home.” Mr. Alamo believes that when catering to the affluent player, hotel casinos must ask themselves “How do you provide that to an affluent guest that has a very nice home, with amenities that are very difficult to match coupled with the service they receive from their household staff which can include a chauffeur, nannies, multiple maids, all of which is coordinated by their majordomo?” In order to attract these affluent guests, the hotel casinos must be able to provide, at a minimum, comparably luxurious accommodations and amenities, while exceeding the service standards the affluent guest would experience at home. Properties that are unable to meet these requirements will be unable to compete in the affluent guest segment. Alamo stresses the importance of providing exceptional service coupled with a personal touch from the moment they establish contact with the casino hotel, to when they leave. When highlighting the challenges faced when catering to affluent guests, Alamo points out that generally, the affluent domestic guest is more demanding than international ones, particularly those from the Asian regions.

Alamo stresses that a high-limit player is not created overnight. In his opinion, the forming of a high-limit player is a long-term relationship, not a single event. The process of cultivating a high-limit player involves the interaction of varied number of casino employees, possibly through various casinos, and such a player is developed over a long period of time as the affluent guest would gradually increase their wager amounts as they become more comfortable with the gaming process and the amounts they would wager.

Lori White, Assistant Vice-President of National Marketing, MGM Grand, Las Vegas

MGM Grand, Las Vegas (hereinafter referred to as MGM Grand), is one of the premier casino hotels on the Las Vegas Strip. They place great emphasis on marketing to, and retaining their affluent guests and the resources they have allocated to attracting this demographic has remained constant, even in the current economic climate. Ms. White notes that these affluent guests are catered to at a very personal level. Their preferences regarding comps and promotional programs are specifically tailored towards the particular individual, keeping in mind the need to balance high-levels of affluent guest satisfaction while minimizing the cost and maximizing the profitability for MGM Grand.

She notes that the expectations of her affluent guests have always encompassed their entire experience at MGM Grand, ranging from impeccable décor and amenities, to personalized service which requires great attention to detail and seamless execution. These various elements come together synergistically to offer the guest an unparalleled experiential visit.

Ms. White believes that, all things being equal, the strength of a relationship a casino host has with their affluent guests directly influences the likelihood the guest would return to the property. MGM Grand's casino marketing department takes service to the next level by providing the guest instant 24-hour telephone access to their casino host.

While MGM Grand is not the newest property on the Las Vegas Strip, Ms. White credits its continuing allure to their outstanding food and beverage offerings, luxurious residences at Skylofts and the Mansion and most importantly, the service quality provided by the operation and casino pit staff. The familiar faces of the staff and their instant recognition of repeat guests

offers a tangible sense of comfort which she considers to be a factor that is impossible to duplicate anywhere else.

When catering to affluent guests, Ms. White believes that committing the information she has gathered with her interactions with her guests to be the best means of ensuring quality service. This allows her to instantly recall details at a moment's notice without the interruption that would come about when referring to a database. In her opinion, a conscientious casino host should have most details of their guest information memorized, similar to how a person remembers the details of their closest friends. Ms. White credits her success on her professionalism, integrity and tremendous high-end service she provides, which has the added benefit of allowing her to greatly expand and market her existing network based upon the word-of-mouth referrals of her existing guests.

Ms. White constantly stresses the importance of how such a high-level of sophisticated service plays, and the ability it has to endear a guest to MGM Grand. The service she provides to her guests is part of the overall experience that is based on an ongoing, dynamic relationship that places great importance on the service culture.

Conclusion

Based on the literature review and personal communications with Las Vegas casino hotel executives, service stands out as the primary differentiating factor. This is especially true as hotel rooms and amenities have become commoditized throughout the Las Vegas hospitality industry. The focus on service further indicates the importance of the experiential aspect of the affluent guests' stay. Anecdotal evidence in the hospitality industry literature review illustrates the ongoing trend that is focusing on the importance of service and providing a comprehensive and superior luxurious experience.

Mr. Alamo notes that in many cases, the affluent guest expects to be located in a residence that is, at a minimum, as luxurious as their homes. The *pièce de résistance* of such a visit would be the sense of immediate familiarity and comfort offered by long-term staff that are recognizable to the visiting guests.

There are many additional aspects that require more in-depth research. Ms. Lori White's comments regarding the familiarity and instant affluent guest recognition provided by long-term service staff indicates the need for a hotel casino to maintain a positive and rewarding work environment in order to provide the basis to nurture and retain frontline staff that are the face of the property and interact directly with affluent guests. The attraction of being familiar to (and of) long-term casino hotel staff could also be due to them being part of the affluent guests' subset of friends. Additional research regarding relationship bonds could provide these hotel casinos with a better way of forming and maintaining these bonds. Research regarding the various geographical regions will also provide additional preferences and behavioral nuances that are unique to those demographics. Ms. White also mentions the power of word-of-mouth referrals and the significant impact it has upon her expanding affluent clientele network.

Based on the information provided by Mr. Alamo and Ms. White, the importance of casino hotel staff familiarity to the visiting affluent guest suggests the need for such companies to ensure employee satisfaction is maximized, so as to retain frontline employees who are familiar with and are known to such individuals.

Finally, a more diverse survey of casino executives with a significantly larger sample size would allow for a more precise analysis of the various affluent guests marketing and retention programs. While challenging, conducting a focus group comprising of affluent casino guests would provide pertinent information from a service-consumer's standpoint.

Bibliography

- About.com. (n.d.). *Comp Basics - Casino Comps*. Retrieved November 09, 2009, from About.com: <http://casinogambling.about.com/cs/comps/a/compbasic.htm>
- Anderson, J. C., & Narus, J. A. (1990). A Model of Distributor Firm and Manufacturer Firm Working Partnerships. *Journal of Marketing* , 42-58.
- Barsky, J. (2008, December 8). Hotel Loyalty Programs Motivate Guests in a Recession. *Hotel & Motel Management* , p. 16.
- Becker, D. O. (2003). Gambling on Customers. *McKinsey Quarterly* (2), pp. 46-59.
- Beirne, M. (2006, August 14). Luxury Hotels Up Ante for Upscale Consumers. *Brandweek* , p. 12.
- Booker, E. (2008, July). Attributes of a Successful Casino Host. *Indian Gaming* , pp. 50-51.
- Booker, E. (2008, October). Casino Host: Your Best Form of Customer Service. *Indian Gaming* , pp. 54-55.
- Bowen, J. (1994, June/July). Casinos Practice Relationship Marketing. *The Bottom Line* , 9 (3), p. 6.
- Bowen, J., & Shoemaker, S. (1998). A Strategic Commitment. *Cornell Hotel and Restaurant Administration Quarterly* , 39 (1), 12-25.
- Cuneo, A. Z. (1997, November 7). Reaching the Rich when Wealth is a State of Mind. *Advertising Age* , p. S16.
- Eadington, W. R., & Kent-Lemon, N. (1992). Delaigo to the Premium Player: Casino Marketing and Management Strategies to Cope with High-risk Situations. *Gambling and Commercial Gaming: Essays in Business Economics, Philosophy and Science* , 15.18.
- Greywitt, M. (2001, August 31). *Nothing Shy of an "Outstanding" Experience is Key to Guest Loyalty* . Retrieved from Hotel Online: http://www.hotel-online.com/News/PR2001_3rd/Sept01_JDPower.html
- Grover, L. (2007, September). Casino Host Programs: The Next Wave in Customer Service. *Indian Gaming* , pp. 28-29.
- Hader, S. (2008, July/August). Wooing Luxury Customers. *Marketing Management* , 17 (4), p. 27.

Harrah's Entertainment Inc. (n.d.). *Company Information*. Retrieved November 09, 2009, from Harrah's Entertainment Inc.: <http://www.harrahs.com/harrahs-corporate/index.html>

High Roller's Vegas (1998). [Motion Picture].

Hill, L. C. (2008). The Host: A Casino's Best Friend or Worst Enemy? *Gaming Law Review and Economics* , 12 (6), 563-575.

Ibrahim, I. (2006, December 18). Premium Luxury Brands: Creating a cut above the rest. *Brand Strategy* , p. 34.

Jackson, L. A., & Naipaul, S. (2008). Isadore Sharp & Four Seasons Hotels and Resorts: Redefining Luxury and Building a Sustained Brand. *Journal of Hospitality & Tourism Education* , 20 (2), 44-50.

Kale, S. H. (2005). Change Management: Antecedents and Consequences in Casino CRM. *UNLV Gaming Research & Review Journal* , 9 (2), 55-67.

Kilby, J., Fox, J., & Lucas, A. F. (2004). *Casino Operations Management*.

Kotler, P., Bowen, J., & Makens, J. (1998). *Marketing for Hospitality and Tourism*. Englewood Cliffs: Prentice Hall.

Krebsbach, K. (2005, July). Wooing HNW Clients Takes Beaucoup Finesse. *USBanker* , p. 20.

Las Vegas Sands: Online Career Center. (2009, May 7). *Online Career Center*. Retrieved May 7, 2009, from Las Vegas Sands: <https://www.hrapply.com/venetian/AppJobView.jsp?link=14499&page=AppJobList.jsp&op=reset>

Lodging Hospitality. (2005, October 1). Driving Guests Wild. *Lodging Hospitality* , 61 (14), p. 20.

Lucas, A. F., Kilby, J., & Santos, J. (2002). Assessing the Profitability of Premium Players. *Cornell Hotel and Restaurant Administration Quarterly* , 65-78.

Mattila, A. S. (2006). How Affective Commitment Boosts Guest Loyalty (and Promotes Frequent-guest Programs). *Cornell Hotel and Restaurant Administration Quarterly* , 47 (2), 174-181.

McKim, R. (1999, March 01). Betting on Loyalty Marketing. *Target Marketing* , 22 (3), pp. 42-43.

Merkel, J. (2007, July 2). Quality Service Tops List for Attracting Guests. *Hotel & Motel Management* , p. 14.

- Merrill Lynch and Capgemini. (2005). *World Wealth Report*.
- MGM Mirage. (n.d.). *Company Overview - MGM Mirage*. Retrieved November 09, 2009, from MGM Mirage: <http://mgmmirage.com/company/company-overview.aspx>
- Oh, H. (2002). Transaction Evaluations and Relationship Intentions. *Journal of Hospitality & Tourism Research* , 26 (3), 278-305.
- Patton, M. (2006, July). Guest Experience Management. *Lodging Magazine* , 31 (11), p. 17.
- Petrillose, M. J., & Brewer, K. P. (2000). An Exploration of Customer Retention Factors in Las Vegas Casino Resort Properties. *Gaming Research & Review Journal* , 5 (2), 1-14.
- Reichheld, F. F., & Sasser, W. E. (1998). On the Relationship Between Service Quality, Service Loyalty and Switching Costs. *International Journal of Service Industry Management* , 9 (5), 436-453.
- Rigby, D. K., Reichheld, F. F., & Schefter, P. (2002). Avoid the four perils of CRM. *Harvard Business Review* , 101-109.
- Scott-Halsell, S. A., Blum, S. C., & Huffman, L. (2008). A Study of Emotional Intelligence Levels in Hospitality Industry Professionals. *Journal of Human Resources in Hospitality and Tourism* , 7 (2), 135-154.
- Shannon, D. (2002, December 9). Service with a Smile. *Travel Agent* , pp. 64-65.
- Shemener, R. (1995). *Service Operations Management*. London: Prentice Hall.
- Shook, R. L. (2003). *Jackpot: Harrah's Winning Secrets for Customer Loyalty*. Hoboken, NJ: John Wiley & Sons, Inc.
- Sim, J., Mak, B., & Jones, D. (2006). A Model of Customer Satisfaction and Retention for Hotels. *Journal of Quality Assurance in Hospitality & Tourism* , 7 (3), 1-24.
- Sui, J. J., & Baloglu, S. (2003). The Role of Emotional Commitment in Relationship Marketing: An Empirical Investigation of a Loyalty Model for Casinos. *Journal of Hospitality & Tourism Research* , 27 (4), 470-491.
- Swan, J. E., & Nolan, J. J. (1985). Gaining Customer Trust: A Conceptual Guide. *Journal of Personal Selling & Sales Management* , 39-48.
- Swan, J. E., Trawick, I. F., Rink, D. R., & Roberts, J. J. (1988). Measuring Dimensions of Purchaser Trust of Industrial Salespeople. *Journal of Personal Selling & Sales Management* , 1-8.

- Tantawy, A., & Losekoot, E. (2001). An Assessment of Key Hotel Guest Contact Personnel in Handling Guest Complaints. *Journal of Quality Assurance in Hospitality & Tourism* , 1(4), 21-46.
- Tideswell, C., & Fredline, E. (2004). Developing and Rewarding Loyalty to Hotels: The Guest's Perspective. *Journal of Hospitality & Tourism Research* , 28 (2), 186-208.
- Whiteley, R. C. (1991). *The Customer Driven Company: Moving from Talk to Action*. Adelaide, Australia: Griffin.
- Wynn Resorts Ltd. (2007, March 01). Form 10-K.
- Yeoman, I., McMahon-Beattie, U., & Brown, M. (2005). The authentic tourist. *Scotmand 2020* .
- Yesawich, P. C. (2004, September 20). Wealthy Travelers' Preferences are Different from the Rest. *Hotel & Motel Management* , p. 11.