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# Integrated marketing communications strategy: An examination of Harrah's Entertainment, Inc.

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Integrated Marketing Communications Strategy:

An examination of Harrah's Entertainment, Inc.

Michael Mehling

## Part One

### *Introduction*

In 2006 Harrah's Entertainment, the largest gaming company in the world, casino revenues accounted for 71.5% of all total revenues (Harrah's Entertainment Inc. 2007). To show such significance on how important gaming is to Harrah's, MGM Mirage, the second largest gaming company, obtains only 40% of total revenues from gaming (MGM Mirage 2007). Much of the success of Harrah's gaming revenue can be attributed to their Total Rewards loyalty program, largely a marketing initiative. Marketing plays a huge role in Harrah's revenue, with nearly 50% of revenue being driven by marketing (SAS 2007).

Boasting over 40 million members, with 9 million active users in 2006 ((Kale & Klugsberger 2007 and Voight 2007), Total Rewards has often been the focus of both academic and trade journal articles. Many such articles have focused on the marketing and information technology successes of Harrah's. Quite often when articles are written discussing Customer Relationship Management, Harrah's name is often mentioned. Harrah's is not only known for their excellence in database mining, but the application of such information to produce customer service excellence, both of which drive Harrah's marketing program.

This professional paper is going to examine marketing communications, specifically the Integrated Marketing Communications (IMC) strategy. The paper will look at how to develop an IMC strategy, discussing the necessary components. The author will then apply Harrah's current strategy of their Total Rewards program to the IMC model discussed in the literature review.

### *Purpose*

The purpose of the paper is to compare Harrah's Total Rewards Integrated Marketing Communications strategy to the model presented in the literature review.

### *Statement of problem*

Previously the focus of academic research and trade journals, less attention has been given recently to Harrah's Total Rewards IMC strategy. Most of the articles written are at least five years old, and since that time much has changed with regards to the use of technology, especially the internet. Additionally, after the dates many of these articles were written, Harrah's Entertainment has grown considerably with the opening of new properties and the acquisition of Caesar's Entertainment. Harrah's is now the largest gaming company in the world, with 49 properties worldwide. Therefore it is necessary to see if Harrah's IMC strategy is still effective, keeping what is working and improving on parts which need improvement.

### *Statement of objective*

The paper is (don't know how to exactly classify which type of study) study to see what component of Harrah's IMC are successful and which may need improvement. By better understanding their strengths and weaknesses, Harrah's may make changes to their existing strategy. Also the findings of this study may help other casino operators determine an appropriate IMC strategy, perhaps even applying components of Harrah's strategy to their own.

### *Justification*

The casino industry is an extremely competitive industry. Each operator is competing for their share of the customer's wallet. Gaming is expanding rapidly. New gaming jurisdictions are opening each year, and in places where gaming is already legal, casino re-development is occurring. On the Las Vegas Strip there are at least seven large scale properties in development, while Atlantic City, NJ has at 3 projects in development. Add to that the re-building of the Gulf Coast casinos, as well as the ever increasing Native American casinos, competition is almost everywhere.

Gaming may not be as large as total percentage of revenue as it has been in the past (especially on the Las Vegas Strip), but gaming is still big business. Harrah's needs to understand if their current IMC strategy is effective and where it is not, making the necessary corrections. This paper looks to possibly highlight the strengths and weaknesses of the IMC strategy.

### *Constraints*

Much of casino information and technology is proprietary, so access to information can be limited. Harrah's is continually doing market research, and the exact specifics of the breadth and depth of such studies are not known. Harrah's may be implementing IMC strategy changes as this paper is written.

In addition the marketing field has many marketing models which exist and academics may argue over which model is more appropriate for which situation. The author of this paper

has chosen to look at the Integrated Marketing Communications strategy to base the analysis on, however other models may exist which others would choose instead.

## Part Two

### *Marketing Communications*

Almost all companies, whether product or service-related, have some form of marketing department. Within each of these marketing departments all types of marketing activities occur on a daily basis. Examples of such marketing activities can include the appearance of the product, the promotional messages, or even the way the company presents itself; employees' uniforms, company letterhead, etc. Regardless of the marketing activities, it is important for each activity to communicate the product or service to customers in a consistent manner (*"Marketer's Toolkit,"* 2006). All contact the customer has with the company is a form of marketing communications and need to be managed (Englis & Solomon 1996).

Govoni (2004) states marketing communications is

The combination of the elements, activities, and techniques an organization employs to connect with and persuade the target market to engage in a particular action or response, such as buying a product, using a service, or accepting an idea; the major tools include advertising, sales promotion, public relations, direct marketing, and personal selling. (p. 123)

Therefore marketing communications can be seen as an interaction between the marketing firm and the customer, with the ultimate goal of having consumers make a decision. To achieve this goal, marketers must progress the consumer through the four stages of decision making.

It is important for marketers to have effective communications with the consumers, because relationships do not naturally last without involvement by both parties and should never be taken for granted (Day 2000). Marketers cannot assume customers will remain loyal based on past experiences with the product or service. Competition is always looking to increase customers at another's expense. So to stay ahead of the curve, marketers need to be innovative and constantly improving to make it hard for competition to duplicate another's success (Day).

### *Integrated Marketing Communications*

Accomplishing marketing communication goals “means not just relying on one form of communication, but bringing together a number of different modes in a consistent, complimentary way.” (Lal, Quelch, & Rangan 2005, p.261) Integrated Marketing Communications (IMC) is a strategic communication process that uses multiple marketing communications tools to promote awareness of a company's product or service, informing consumers about features and benefits, while moving targeted customers to make a purchase decision or to utilize a service (“*Marketer's Toolkit*,” 2006).

IMC aids basic marketing communications because not only does it make a consumer make a decision, but an efficient IMC strategy helps identify the best times and places when marketing communications are most likely to reach the specific target groups.

The IMC strategy is all about using multiple modes of communications to achieve the desired message to the targeted consumers. “The central tenet of the IMC approach, which distinguishes it from the conventional view, is that each medium enhances the contribution of all other media.” (Niak & Raman 2003, p.385)

### *Creating an Integrated Marketing Communications Strategy*

In order to have an effective IMC strategy planning must occur. “A systematic approach in first selecting the target and then understanding the purchase process in detail can lead to an efficient and effective IMC.” (Lal et al. p. 273) To help in the planning process the use of the 6M’s model can help facilitate decision making.

#### *6 M’s Model*

The 6M’s Model is designed to help foster the decision purchase process (market, mission, message), as well as what type of communication to use, the amount of spending, and to determine results from the IMC strategy

1. Media – What communication vehicles should you use to get the message across?
2. Market – To who is your communication addressed?
3. Mission – What is your objective of communication?
4. Message – What specific points must be communicated?
5. Money – How much will be budgeted for the effort?
6. Measurement – How will you assess the impact of your communication? (“*Marketer’s Toolkit*,” 2006 and Lal et al., 1999)

#### *Media*

In order to determine which communication vehicles to use, marketers need to understand not only the different types of vehicles: their advantages/disadvantages, but the characteristics of each of the communication vehicles. All communication vehicles are



interactive, some more so than others. Often the determinant on how interactive the communication is whether it is a one-way or two-way communication vehicle.

### *Communication Types*

One-way communication creates awareness and gives information about the product and service features and benefits, but allows little interaction. Consumers can choose to pay attention to the message or ignore it. (*“Marketer’s Toolkit,”* 2006). Examples of one-way communications are television, newspapers, radio, and magazines.

Two-way communication is more effective in getting the buyer to advance to the final steps of the purchasing process because of its inherent interactive nature (*“Marketer’s Toolkit,”*). Often two-way communication vehicles facilitate the transaction, achieving the consumer to make a buying decision. Two-way communication also creates certain benefits unavailable in one-way communications. First of all senders are able to monitor the receiver’s understanding. The sender can ask periodically if the receiver understands what he/she is saying. Also the sender can spend more time on questions the receiver needs clarification on and less on questions not needing further explanation (Dewatripoint & Tirole 2005). Examples of two-way communications include direct mail, web, email, and personal selling.

Two-way instantaneous is interactive communications at its essence. According to Alba, interactive communication is characterized by three factors; multi-way (involves two or more actors), instantaneous (response occurs immediately), and contingent (response of one actor

follows directly & logically from the action of another (Stewart & Pavlou 2002). Lievens, Moenart, & Jegers (1999, p.6 para 1) state “interactive marketing . . . is communication between customers and front-line personnel.” In the past interactive marketing only meant personal selling, but with the advent of the internet there is now communications between customers and staff via computer. Instead of having face-to-face dialogue, customers and front-line personnel can chat in real time via an internet connection.

### *Communications Vehicles*

In order to choose the appropriate modes, a marketer needs to understand what comprises the communications mix, as well as the advantages and disadvantages of the different modes. The communications mix is comprised of advertising, personal selling, promotions, event marketing/sponsorships, and public relations (Lal et al., 2005).

### *Advertising*

Advertising mediums can be broken into two types; media and direct marketing. See Table 1 for examples of the different mediums and the benefits and drawbacks of each medium. Advertising mediums can either be one-way or two-way, and based on the type of communication will determine the level of interaction between the marketer and consumer.

Table 1

Advertising Communication Vehicles (Mediums): Advantages and Disadvantages

| Medium | Advantages and Disadvantages |
|--------|------------------------------|
|--------|------------------------------|

|             |   |
|-------------|---|
| Television  | Reach broad segments of national audience. Can be customizable based on selection of television program to be shown with. Competing with multiple advertisers for consumers' attention. Expensive                     |
| Newspaper   | Reach broad segments of local audience. Cheaper than television. Sight only with weak reproduction quality. Life of newspaper typically one day.  |
| Radio       | Audience is already well-segmented. Radio is low-cost. Good candidate if seeking to deliver message frequently to well-defined audience. Mp3 players and satellite radio has decreased listeners to commercial radio. |
| Magazines   | Special interest magazines allow for target audience. Visually strong. Ads have longest life of any medium. Pass-along readership. Frequency can be an issue, old ads stay in circulation longer                      |
| Direct Mail | Customizable. Inexpensive. Consumer must either make a phone call or visit a store to act on offer. Can be seen as junk mail and ignored  |
| Email       | Customizable. Very inexpensive. Customer can respond directly to email. Emails may not reach consumer due to filters or incorrect address   |
| Web         | Website can be customizable. Can update site frequently with new information. Website can facilitate transactions. Requires target market to know how to find website, as well as must have internet access.          |

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Note. From "Marketing Management," by R. Lal, J.A. Quelch, & V.K. Rangan, 2005, New York, N.Y.: McGraw-Hill/Irwin.

## INTERNET MARKETING

One specific medium that has risen in popularity recently is the internet. Because of its recent rise and its importance in an IMC strategy, the paper will look at internet marketing more in-depth than other communication vehicles. “A comprehensive online system would allow customers freedom and flexibility, and would give company the opportunity to record customer preferences to provide better-targeted assistance at a lower cost.” (Scheri, III & Ettinger 2006 p.28)

To simplify the understanding of the benefits of both email and web, the author has chosen to refer to both communication vehicles as part of internet marketing. “E-mail and Web-based merchandising are the two key forms of Internet Marketing” (*Marketer’s Toolkit*, 2006).

E-mail campaigns can be used to make sales, build customer relationships, and drive people to Web sites and stores (*Marketer’s Toolkit*, 2006). Email also allows for the possibility of communicating with customers via email newsletter, which can include customized offers (Lagrosen 2005). Another benefit of email is it allows for cost reduction. The variable cost of customer contact via e-mail is about \$.02, compared to direct mail which costs twenty-five to fifty times as much (*Marketer’s Toolkit*, 2006).

Websites allow consumers to do research on products and services. Information can be gathered on the marketer’s website, as well as third-party sites which may offer unbiased reviews. In regards to cost reduction, web-based merchandising can facilitate transactions, eliminating middlemen as well as the number of retail outlets (*Marketer’s Toolkit*, 2006). In addition websites provide 24 hour availability which can increase profits and more fully develop relationships with their current customers and potential patrons (Scheri, III & Ettinger 2006)

Regardless whether a marketer uses email or web-based merchandising, or in most case, both; internet marketing is a quick, way to reach a large number of consumers. Since 2000 the world's usage of the internet has grown 244.7% (Internet World Stats 2007), so more people are adopting this technology. Internet marketing can create value for the firm because internet marketing can be less expensive form of marketing, reducing expenses and the cost of serving the consumer (Stewart & Pavlou 2002).

*“Not so fast”*

It may appear that internet marketing can replace all other forms of marketing communications because of its cost, interactivity, and speed, but internet activities need to be coordinated and supported by other components of the marketing communications mix (Lagrosen 2005). Internet marketing must be integrated with other marketing vehicles. An example would be using direct mail to direct customers to Web portal (Scheri, III & Ettinger).

Additionally, as mentioned earlier consumers will use the internet for research, with the intention of making a purchase in a retail outlet. It is believed that 30 percent of all purchases made in B&M (bricks and mortar) retail stores are influenced by prepurchase research conducted on the Internet (*“Marketer's Toolkit”* 2006).

Marketers must consider the effectiveness of internet marketing from the perspective of both marketer and consumer. Marketers cannot lose focus on the customer (Scheri, III & Ettinger 2006). Since Internet marketing is a two-way communication vehicle; the consumer has a significant amount of control in the effectiveness of this medium (Stewart & Pavlou 2002).

*Personal Selling*

Personal Selling is a key communication mode. The oldest form of instantaneous two-way communication is still a very popular way for people to gain knowledge about products and services. It is with personal selling that the most complicated of systems or explanations can be given. In-person demonstrations sometimes give a better understanding. Face-to-face interaction allows people to experience the human element. In addition, personal selling allows the fostering of relationships through customer orientation.

### CUSTOMER ORIENTATION

Higher levels of customer orientation result in higher levels of relationship development. Because of this, not only what the message says or how it is presented which matters, but the presenter of the message plays an important part also. The way the customer interacts with the employees affects the level of service. A study of individual factors and their effect on customer orientation produce results marketers may want to consider in regards to age, experience, and education. Results show young marketers are more likely to be customer oriented because they are more likely to acquire and apply new knowledge more easily. Additional findings include inexperienced marketers to be more customer-oriented, as well as better educated marketers are more customer oriented (Kilic & Dursun 2007).

Regardless of which employee is interacting with the customer, the employee must get the consumer to take action. Products will often speak for themselves, since they are tangible goods and can be evaluated a lot easier than services. Services are often harder to evaluate before using them, which makes it harder to get consumers to take the desired action, so the goal of the employee is to reduce uncertainty (Long & Schiffman 2000). Characteristics of service are intangibility, simultaneity, heterogeneity, and perishability. Marketers can reduce

intangibility by provide tangible clues. The more intangible the more difficult the communication about such objects become (Lievens et al., 1999). Marketers can reduce heterogeneity by standardizing rules. Higher offerings impose more complexity and diversity in terms of needed skills on behalf of the service providers. Standardization can enhance service delivery capacity, decreasing perishability (Lievens et al.).

### *Promotions*

There are two types of promotions marketers can use; consumer and trade promotions. Consumer promotions use a “pull” strategy. By offering certain types of promotions, marketers try to bring the customer to them using their own means. When trade promotions are used by marketers they are using a “push” strategy as marketers are using trade partners as a means of getting the product out to end users. Regardless of what type of promotion strategy is used, the same end goal is to generate purchase behavior by offering some incentive (Lal et al., 2005). A breakdown of the different promotion types can be found in Table 2.

Table 2

#### Examples of Promotions Marketers Use

| Promotion type | Description   |
|----------------|---|
| Free sample    | Generates trial of the product. It can be distributed in the mail, passed out at points of purchase, or other high traffic areas. |

|                         |  |
|-------------------------|--|
| Price oriented programs | Seeks to reduce the consumer's real cost per unit in some way. Examples include mail-in refunds and coupons. |
| Premiums                | Reduced price or multiple items given if certain numbers are purchased.                                      |
| Tie-ins                 | Similar to premiums, but involves joint promotion of two items.  |
| Continuity programs     | Reward is given in recognition of continuing relationships, often found in loyalty programs.                 |
| Contests/Sweepstakes    | Generates excitement about product.  |

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Note. From "Marketing Management," by R. Lal, J.A. Quelch, & V.K. Rangan, 2005, New York, N.Y: McGraw-Hill/Irwin.

### *Event Marketing/Sponsorships & Public Relations*

Both of these modes of the communications mix are less controllable than advertising, personal selling, and promotions however they still have elements of control.

With event marketing/sponsorships marketers can achieve desirable brand associations (Lal et al., 2005). Such sponsorships can include local athletic teams, whether being designated as the official product/service of the team or having a stadium named after the marketer. In addition sporting events are also quite popular, such as tournaments or an invitational. Control of sponsorships can occur by choosing positive associations, but there is always a possibility the sponsored activity can cause negative associations if something bad were to occur.



Public relations, as well as publicity can cause positive associations. Advertising can be seen as biased but when the trade press presents information it is seen as more unbiased. Once again less controllable, but marketer can influence coverage of product by making information or product available for easier review by the trade press.

Media plays an important role in the IMC strategy so it is important each communication vehicle chosen should be based on the nature and the content of the message (Englis & Solomon 1996). Additionally in choosing communication vehicles, marketers need to consider where potential customers are in the decision purchasing process. Marketers need to assess the consumer purchase process relevant to the given situation and realize different segments of the market may follow different purchase processes (Lal et al., 1999).

Once marketers have made such conclusions then it is time to use the most highly targeted vehicles one can (*“Marketer’s Toolkit,”* 2006). In some cases the medium of choice is obvious, in other parts the decision is much more difficult (Lal et al., 1999). This is where it is helpful to understand the advantages and disadvantages of each communication vehicle.

#### *Market, Mission, Message and the Purchase Decision Process*

The ultimate goal of marketing communications is to influence someone to make a purchase. The IMC strategy seeks to help consumers through the purchase process. By understanding who your market is; what your specific objective is; and which points you want to communicate; you can aid consumers along in the purchase process. For the purpose of this study, the paper will apply E.K. Strong’s AIDA model, a four step model discussing the consumer’s purchase decision process. According to Strong, for advertising to work it must be

effective through four distinctive stages of the AIDA Model: Attention; Interest; Desire; and Action (Kitchen 1994).

### *The AIDA Model*

During the Attention stage the consumer must notice the communication. In the Interest stage the consumer must be drawn to take in the message which is being communicated. Next, during the Desire stage the consumer must want to acquire the product or service which is the subject of the communication. And finally the consumer must make the purchase during the Action stage.

#### *Attention Stage*

In order to gain attention of the customer the marketer must first understand who their customer even is. Marketers must first define who their targeted customer is. According to “Companies who don’t know have a firm grasp on their customer’s identity handicap themselves: Fearing they may lose customers, they try to offer something for everyone...they end up unable to differentiate themselves from their competition... When this happens their market share drops substantially” (Shook 2003 p.137). A popular method used to determine who the targeted consumers are, is Customer Relationship Management (CRM). Definition would be good here.

Once the customer is defined, it is now time for the marketer to create awareness of the product. People will not buy a product or service that they are not aware of (“*Marketer’s Toolkit*,” 2006). The Attention stage is all about getting the consumers to notice the marketing communications in the first place. Marketers must create awareness. Creating awareness of

products and services is essential to successful introduction (Storey & Easingwood 1996, Lievens et al., 1999). The various forms of marketing communications are often quite visible to the consumer; the key is to make the consumers take notice. Internet marketing communication can use links from other websites or traditional advertising (displaying website's address) to get people to visit the website (Lagrosen 2005).

### *Interest Stage*

During the interest phase of the AIDA model the consumer must be drawn to take in the message which is being communicated. To draw in the consumer the marketer must provide information about product or service features, as well as must create a favorable impression (*"Marketer's Toolkit,"* 2006). During the interest stage both the delivery of the information and design of the message are extremely important.

### *Delivering the Information*

## CLARITY

Clarity of the information is important to gain interest. If firms are willing to provide information about their products, firms can overcome the noisiness of the communication. Bhardwaj et al. 2005 state firms should "allow buyers to ask 'everything about everything' rather than only to provide information that benefits the seller (Anand & Shachar 2007 p. 214).

## INFORMATION OVERLOAD

Clarity of information is aided with the quality of content as opposed to quantity. When there is too much information, or "information overload". When people are overloaded, they feel less satisfied, less confident, and more confused (Lee & Lee 2004). The majority of the

information is screened out by sensory overload. People have learned to tune out all except a small percentage of commercial messages. A study found individual Americans are exposed to fifteen to sixteen hundred commercial messages during the typical day, but only as much as 5% of the messages are even noticed (*“Marketer’s Toolkit,”*).

Research has shown communication can be effective even when the amount of information is quite limited (Anand & Shachar 2007). Quality of information is more important than quantity of information. Decision effectiveness and consumer confidence is increased when quality of information is increased, holding quantity constant (Lee & Lee 2004). The opposite was found to be true when increasing quantity, but keeping quality constant. Incompleteness of information may cause customers to distance themselves from the company and its products (Romani 2006).

Problems marketers would want to be careful about in regards to information include: to avoid misleading advertising; to not use excessive multi-dimensional pricing; to offer incomplete information; and to not use hidden pricing (Romani 2006). Hidden pricing is when people fail to calculate the real price and upon discovery react negatively (Ayres & Nalebuff 2003). Hidden pricing is an example of having sufficient information, but the information lacks quality, so customers are unclear about the selling price. The price information is presented in a format that hinders a real assessment of the offer’s value (Keller & Staelin 1987), often done with small print at the bottom discussing terms and services, restrictions, and other contractual information.

### *Design*

The design of the communication must draw the consumer's attention. Each form of communication has suggested design issues. The way the information is presented often determines whether or not the consumer shows any interest in the message. Specifically in order to create interest marketers must look at how the media relates the brand name; the graphic design; the clarity of the communication; and even sometimes the quality of the paper the brochure is printed on (Gilbert & Houghton 1991).

Graphic design can induce trustworthiness. Images can depict what is the type of market; using illustrations as opposed to photographs are often perceived as fake and not possible (Gilbert & Houghton). In addition the colors used can elicit desired moods. Finally when paper is used, it can be extremely important. Cheap quality of paper associates with a lower quality program. Customers will not associate a quality program offering high-level service if the company does not want to spend the money promoting the product.

To create interest for websites much of what is discussed previously is important, however in order to convey the messages, interface design is required. Websites need to have the four dimensions of interface design: content, structure, navigation, and graphic design (Kim 1997). Content design requires the marketer to decide which type of knowledge is relevant to description and services offered on the website. With the internet marketers can update and change content frequently (Lagrosen 2005). Structure design requires the categorization of products and services so customers can understand the structure of the website. A clear navigation design allows consumers to navigate the site without much effort. Graphic design can significantly influence how people perceive website, just as how graphic design plays a role in brochures.

### *Desire Stage*

After gaining the attention and interest of the consumer the marketer needs to make the consumer want the product or service offered, creating a desire. The goal of the marketer is to attain a preferred position in the customer's mind and create a purchase intention during this phase (*"Marketer's Toolkit,"* 2006). The marketer must create realistic expectations. Design and information once again play a role in this stage.

Design during the Desire stage is more applicable to the internet. By displaying elaborative material and various interactive options on the website, the marketer can create a need (Lagrosen 2005). Besides providing information, interactivity may offer features such as allowing consumers to customize the product or service to suit the individual's needs. By using such tools, individuals can realize they can create an ideal product or service to match their needs. In addition, the elaborative material showcased or displayed can show what the product or service can do for them. Traditional marketing can do such things too, showing images of how the product or service featured in the advertising. Images are used by marketers to create a need by the consumer.

### *Action Stage*

Finally, after progressing through the other stages of AIDA model, it is time for the consumer to make a choice. The goal of the marketer is to make the sale (*"Marketer's Toolkit,"* 2006). The consumer must decide whether they are going to take action to either buy the product or use the service. The consumer has been introduced the information; shown what the product or service can do for them; now they must decide.

### *Money.*

Budgets are usually tight and all departments are fighting for their share. Within IMC strategy managers must understand how to best utilize marketing resources amongst all marketing communication vehicles and to ensure that they are working in a consistent manner (*“Marketer’s Toolkit,”* 2006). When determining where to spend the marketing communications budget areas to consider are size & heterogeneity of the target audience to be reached; nature of message; receptivity of audience; and amount of clutter (See Table 3). By understanding the market, mission, message, and appropriate media of the IMC, money can be allocated more efficiently

Table 3

#### Marketing Communications Budget

| Factors to consider                     | Description  |
|---|--|
| Size & heterogeneity of target audience | Larger the audience the greater the cost typically   |
| Nature of message                       | Is it a complex message where you have to explain details of how a system works or is it easy to get across? May need personal selling         |
| Receptivity of audience                 | If audience is seeking out information on product category marketing will be less expensive. There will be no need to break through consumer’s |

mechanism for screening out unwanted messages to attract attention.

Amount of Clutter

The spending levels of the competition can be a factor in the intensity of the effect needed to get a message through.

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Note. From "Marketing Management," by R. Lal, J.A. Quelch, & V.K. Rangan, 2005, New York, N.Y: McGraw-Hill/Irwin.

### *Measurement*

One must build a mechanism for learning about the effects which the efforts had. Critical analysis of input will lead to decisions on future spending levels, allocation of the budget across media & specific communication. Clearly stating the objectives is an important first step. If objectives are defined, then results can be measured to see if the goals are met.

### *"Putting it all together"*

To execute an IMC strategy, marketers must consider all components of the IMC. IMC is an integrated approach to effectively communicating the message of the marketer to the intended target market. Failing to recognize the synergy amongst the different communication vehicles use in the IMC strategy can cause miscommunication. If the consumer cannot understand the message, then the strategy is a failure.



### Part Three

#### *Harrah's Integrated Marketing Communications Strategy*

In order to execute an effective Integrated Marketing Communications (IMC) strategy, marketers must take into account the 6 M's model; market, mission, message, media, money and measurement. Marketers need to plan before acting, addressing each component of the 6M model. Harrah's has chosen to use their Total Rewards loyalty club as the face of their marketing strategy. The paper will look primarily at the IMC strategy in regards to *Total Rewards*; the focus of the majority of Harrah's marketing. However, since marketing is used in

other areas: rooms, restaurants, entertainment, and overall image; it is necessary to mention how Harrah's applies the IMC strategy to these areas as well.

According to Rich Mirman, Harrah's Senior VP of Marketing, (Shook 2003), the four elements of a successful loyalty program are

- (1) Customer has to want the program.
- (2) Company must clearly communicate what it takes to earn valuable rewards the program offers.
- (3) Create aspiration.
- (4) Create greater market share.

But in order to make the customer want the Total Rewards Program, it was necessary for Harrah's to determine who their customer was in the first place; something Harrah's has excelled in.

### *Market*

#### *Beginning of Total Rewards*

“Know thy customer makes for better customer service and satisfaction because eliciting personal data from customers helps companies anticipate customer needs.” (Harney 2003 p.32)

Harrah's wanted to understand their customers better. They felt by having a better understanding of their customer they could create demand. “We realized our core competency was in the relationships we can create with our customers and wanted to expand that competency

using automated tools.” (Harrah’s big payoff) And the automated tools Harrah chose helped them extract information from their already existing databases.

Before Total Rewards started Harrah’s already had a wealth of knowledge about their customer, they just did not know how to mine the data properly to execute Customer Relationship Management (CRM). Once the technology was in place, Harrah’s began using CRM to experiment with mathematical models to accurately predict the future value of customers (Kale & Klugsberger 2007). Harrah’s chose to judge customers not on single visit, but over time (Loveman 2003). These models broke down Harrah’s customer into almost ninety customer segments (Kale & Klugsberger), and gave Harrah’s exact details of their target customer, the Avid Experienced Player (AEP).

The AEP’s annual budget is \$1000-\$5000, with them typically gambling \$100-500 a trip/several times a year. They come to Harrah’s primarily to gamble (Shook 2003). AEP are only 26% of players, but they provide 82% of revenues for Harrah’s (Lal et al. 2005). According to Gary Loveman an AEP “is the customer that our marketing has targeted, and our rewards program is built around encouraging this individual to respond to our promotions.” (Shook p.138)

Additionally, Harrah’s learned their customers were already gamblers. Maybe they had not gambled at a Harrah’s property yet, but they had gambled elsewhere before. Non-gamblers were not their customer and they had no intention of trying to get these people to gamble. According to David Norton vice president of direct marketing, “It’s a more efficient use of our marketing dollars when we use them to attract people who are gamers... We’re not trying to

create new gamers... we work hard to identify people who are gamers and make them aware of Harrah's."(Shook 2003 p.147)

### *A Continuing Process*

Harrah's continually gathers data from its customers by tracking their usage of Total Rewards card both at properties and online; marketing experiments; and other company research to better understand their customer. By knowing their customer, they know the customer's decision-making process. Allowing Harrah's to adopt an "I Know" strategy instead of an "I Think" strategy (Stanley 2006).

Every time a Total Rewards card is inserted into a card reader on the machines or given to a pit clerk, gambling behavior is recorded. Card readers track gambling history; including games played, amount gambled, length of play, as well as other data. The manual input of a pit clerk is less precise but still gathers important info. In addition, Total Rewards cards can be used at restaurants, retail, showrooms, and the loyalty club desk; actually almost anywhere a transaction can take place. All of these transactions give further data on the behavior of the customer, fine tuning the customer's preferences and purchase behavior. For example, when a player logs onto the Total Rewards website they must enter their card number. Once logged on, Harrah's can trace everything the customer does obtaining even more behavior. All of this information may sound a little like invasion of privacy, but Harrah's lets customers know up front the data is provided voluntarily based on activities using card (Stanley 2006).

Besides transactional data from the Total Rewards card, a popular method to learn about their customers is to conduct promotional marketing activities. Every direct-mail campaign or

promotion is tested in a controlled environment using test & control methodology (Stanley and Lal et al. 2005). This not only helps Harrah's understand their customer but it helps them tailor the message to the customers.

Harrah's conduct even more market research. Each year Harrah's publishes *An Annual Survey of the American Casino Gambler*. This information is compiled and made public, releasing details of specific findings. What Harrah's gets from such a survey is a wealth of data from gamblers, their target customers. The data goes into the massive database, fine-tuning the customer segments even better. This allows Harrah's to understand its customers even better. The information from the annual report allows Harrah's to better to their customer, also addressing the other components of the 6M's model. Examples of information gathered in the 2006 Annual Survey (Harrah's Entertainment Inc. 2006) were:

Gamblers used internet more than non-gamblers

Gamblers use internet for email (51%), news (40%), product information (36%), and travel information (41%)

Gamblers view internet enthusiastically (40%), while 30% believe it is necessary to use

Most gamblers have a home computer (79%)

Gamblers spend more time researching a big ticket product before buying it (38%)

Gamblers are restaurant goers too. They like to try new restaurants (21%). They like to go to trendy restaurants (25%)

Because Harrah's continues to monitor their CRM process "they understand precisely what is going on with customers, how to motivate them and how to sell them more" (McGinn 2005). A direct result from the fine tuning process resulted in the creation of Seven Stars tier to cater to high rollers. Harrah's found out some of Harrah's customers were high rollers, but they were only spending the required amount to reach the highest tier at that time, Diamond, to gain the benefits, and all the extra gaming dollars went elsewhere (Voight 2007).

### *Mission*

Harrah's addresses what the mission of the IMC is to achieve, by setting a clear goal. Harrah's goal is to increase market share (Voight 2007). The Total Rewards program was designed to facilitate & encourage cross-market visitation patterns of Harrah's customers. According to Lal et al. (2005) "Total Rewards was created to capture lost business by making it easier for customers to earn and redeem rewards seamlessly at any of Harrah's properties across country; developed to compliment mail strategy, and designed to encourage customer loyalty or consolidation of play within a particular trip and across multiple trips" (p. )

Since the start of the Total Rewards program, Harrah's has increased their share of the customers' gaming budget from 36% to 50% (Hoffman 2005), tracked revenue has grown from 50% to 80% (Stanley 2006), and the number of customers frequenting multiple Harrah's properties have increased by 72% (Harney 2003). In 2006, gaming revenue increased by 31.9% from 2005 (Harrah's Entertainment Inc 2006). These are just a few examples to show how Harrah's has achieved its goal.

### *Message*

In order for Harrah's to get the customer to reach the final step in the purchase decision process, Action, customers must first advance through the first three steps. By understanding who their market is, Harrah's can progress customers through the first step, Attention. It is within the message component where customers can be progressed through the next two stages, Interest and Desire (Because the choice of Media is important, it plays a role in all four steps of the purchase decision process).

Harrah's message is they want to show the customers they care, by understanding what the customers want. Through research Harrah's learned their customers wanted a seamless experience (Shook 2003). To create the seamless experience Harrah's focused on Total Rewards to convey the message of ease of use; clarity of information; and aspiration. Ease of use and clarity of information was to create an Interest, and progress customers to the Desire stage, where aspiration plays a key role.

### *Interest Stage*

As mentioned previously Harrah's does an excellent job of knowing their customer. This allows for Harrah's to tailor their marketing to the individual customer. Harrah's continually conducts research on understanding what the customer wants. A popular study is to take people from the same market segment and offer them different promotions. Once the results of the study are complete, Harrah's will offer the promotion offers the customer segment wants, often saving Harrah's money. An example of one such study was in rewards to cash back. Many of Harrah's markets used to give back same day cash vouchers. Harrah's decided to see what would happen if instead of same day cash they would send cash vouchers in the mail (with a certain expiration date), creating a return visit interest, giving Harrah's another shot at their share

of the customer's wallet. Even if the guest did not return Harrah's saved money because the voucher was never redeemed; unlike the same day cash this could be redeemed without ever having to visit the property again. It was found in most markets; customers liked the cash mail voucher more than same day cash. Not only did this create repeat visit intentions, it did save the company money.

The cash back study is just one of many studies. According to Gary Loveman, Harrah's is "going to keep offering you things and asking you and talking with you until we get to the point where we know what you want." (McGinn 2005 p. E10) Because of this Harrah's knows what information to give each customer. The information given to customers is based on what the customer wants or needs to know. For example if the customer is new to Harrah's, then promotional and email messages may focus more info about the Total Rewards program. Or if the customer is travelling from a far destination, the message may be more about the hotel, and the various amenities offered at the property (Voight 2007).

Information is also used by employees to help give better seamless customer service. When a customer calls in to the Total Rewards call center to respond to an email or a direct mail offer, call center representatives have access to the database. By entering the player's Total Rewards number, representatives are supplied with a wealth of knowledge (i.e. tier level, number of reward credits, promotional offers) so they know the customer they are dealing with and don't have to ask a lot of questions. By simply given employees access to information customer phone call times were reduced by 12 seconds (Harrah's big payoff).

The previous example of information has led to ease of use for the customer. The Total Rewards program design was created to with ease of use in mind. By allowing customers to



redeem comps obtained in one market in any of Harrah's markets, limitations of comp usage were reduced.

Additionally the program is transparent. This idea supports the idea of allowing customers to have access to information and being able to ask questions and get answers. Players often feel frustrated with the restricted access they have to their points (Scheri, III & Ettinger 2006), a practice found in some casino loyalty programs. Harrah's customers can keep a running count of their credits on a dedicated website, as well as thru the digital display on the machine (Voight), or can simply ask a Total Rewards representative and get a clear answer.

Imagine the scenario; a customer at the Loyalty Club desk of Harrah's competitor

Player: "How much comps do I have?"

Representative: "Well, what would you like comped?"

Player: "I do not want anything at this time. I just want to know what my comp balance is."

Representative: "I'm sorry sir/madam, but I cannot tell you this information, but if you have a certain comp you are looking for I can see if I can help you."

Player: "Never mind, I just wanted to know my comp balance."

Representative: "Is there anything else I can help you with?"

Same scenario at Harrah's

Player: "How much comps do I have?"

Representative: "Sir/Madam you have \$xxx.xx worth of comps?"

Player: "Thank you."

Representative: "Is there anything else I can help you with?"

The Harrah's exchange is seamless for the customer, the requested information is given, and less time is spent on the interaction. Just a simple example of how Harrah's facilitates the purchase decision process.

### *Desire stage*

Through the study of their customers Harrah's has found out what the customer really wants. Harrah's knows their customer and gives the customer the information they need to achieve their desired result. Through research Harrah's has learned their customers' desire to advance to higher levels of achievement and reward (Loveman 2003). Consumers appreciate upward mobility, so Harrah's created a tiered system. The essence of the tiered system is those with larger number of points get to use shorter lines and greater levels of customer service (Voight 2007). VIP lines are created for players who are in a higher tier, and these lines create a visible difference (Loveman 2003). Customers do not want to wait in long lines with average Joes; they want quicker service and access to places others cannot have. Instead of discounts and freebies, Harrah's found out people prefer differentiated service and aspirations (Voight 2007).

### *Media*

Harrah's takes an interesting approach to marketing. Instead of first deciding what type of media to use and then achieve results, they let the data suggest the specific marketing (Loveman 2003). That being said Harrah's does use a number of communications vehicle within its communication mix, including advertising, personal selling, promotions, event marketing/sponsorships, and public relations; but the exact type is specified by the data.

## *Advertising*

### *Direct Mail*

Harrah's uses many forms of advertising, with heavy emphasis on direct mail and internet marketing. Harrah's primarily uses direct mail to send out promotions, however monthly and quarterly publications are sent out to Total Rewards members informing them of new developments at the various Harrah's properties. Harrah's has found success with their direct mail campaigns. Harrah's direct mail response rates are 10%, compared to industry average of 2-3%. Harrah's has found members like direct mail and the more they send out the better the response rate is (Voight 2007).

### *Internet Marketing*

Providing the Total Rewards member has internet access, the same direct mail promotion offer he/she received in the mail can be found on the Total Rewards website. All a member needs to do is log on to the website using their member number and a password, and they have access to their account.

By far the industry leader in adopting internet technology, Harrah's Total Rewards website allows the customer to not only gather information, but actually make reservations. Harrah's understands more people are using the internet. Harrah's 2006 Annual Survey found gamblers use the internet more often and for a variety of reasons, why not give themselves a competitive advantage by taking use of such a popular medium. None of Harrah's major competitors allows for customers to book reservations for promotional offers; regardless of

whether the customer received the offer via direct mail or email they must call a representative to book such offer.

Not at Harrah's Total Rewards website. Members can see their offers (sometimes before the direct mail has reached their home) and book their offers online. In addition, members can book restaurant and show tickets as well. The website is not just to book promotions, members can see their point balance, review upcoming reservations, get a statement of their play, learn about more about individual Harrah's properties, find out which casino has your favorite slot machine, and even participate in play for fun gambling. Once the customer has logged on to the Total Rewards website, Harrah's quickly progresses the members through the purchase decision process. There is plenty of information to be found everywhere, and if the information has not created any desire, what better than to get people to want to visit a casino than allow them to gamble for fun. Once the desire is created, the website facilitates the customer to take action and make a reservation.

#### *Other Forms of Advertising*

In order to get to the Total Rewards website, Harrah's use links from their properties homepage, as well as almost all other forms of media display the website address. Harrah's realizes it is important in planning process for communication vehicle exposures to occur when and where the targeted consumer is most likely to receive them, this requires an understanding of all communication vehicles (Englis & Solomon 1996). Harrah's has targeted audiences so they hardly use television, a media for broad segments. Harrah's markets to both gamblers (casino-related) and non-gamblers (non-gaming related), so Harrah's place their advertisements where they will be seen by customers.

For example in Las Vegas, a tourist destination, advertising appears at airports, on taxicabs, billboards, tourist publications in hotel rooms, even on the sides of the properties. Harrah's does not do much on television or radio because these media do not reach tourists (Shook 2003). On the other hand on the roadways going to Atlantic City, Harrah's does heavy promotion on billboards. Harrah's knows gamblers and non-gamblers are driving in from Philadelphia and New York City and Harrah's want to remind them of their properties, both in regards to gaming and the other amenities they have to offer.

Additionally Harrah's advertises heavily in magazines related to the casino industry, such as *Casino Player* and *Strictly Slots*. These magazines are read by gamblers, Harrah's customers. It makes more sense to advertise in an industry specific magazine, than it does to a broad market. Harrah's takes pride in its responsible gambling program and does not try to get anyone to gamble who does not want to gamble.

### *Personal Selling*

All employees of Harrah's are part of their marketing effort. Harrah's takes customer service seriously. So much so, customer satisfaction ratings, are one of the main measurements looked at by the board of directors every meeting. In order to assist with personal selling most employees with face-to-face interaction with customers have access to the database management system. By giving employees the information on each customer, the minute John Doe from Anytown, USA, puts his card in the machine or hands identification to front desk clerk; employees will know important data about him. Even if it is his first visit to the particular Harrah's property, past information from other visits to other properties, have created a profile.

It is important what the employee does with the information they receive whether or not Mr. Doe has a pleasant experience. Harrah's trains staff members in customer service initiatives, building people skills.

### *Promotions*

Harrah's uses promotions to encourage repeat visitations. Harrah's also uses contests/sweepstakes to draw large crowds during slow weekdays (Shook 2003). By having a grand prize drawing or a slot tournament during a slow week, Harrah's can bring in profitable customer segments.

Often Harrah's promotions have tie-ins with other companies to create recognition of the various brands. Promotions in the past have included tie-ins with Monopoly, Blockbuster, Pepsi, Godiva, and BMW to name a few of these promotions. These promotions allow exposure of the brands to otherwise people who may not be familiar with the product. In addition, by teaming with other premium products, Harrah's creates an association of high quality to those who may have not considered such a connection in the past.

Additional promotions may include price oriented programs, such as cash back vouchers or coupons for gamblers. Gamblers are not the only ones who receive coupons. At the time of check-in, guests (whether gamblers or not) are given a coupon book good for discounts on food, entertainment, and retail.

### *Event Marketing/Sponsorships*

One of Harrah's more successful brand is in fact event marketing, The World Series of Poker (WSOP). Millions of viewers tune in to watch the WSOP on ESPN, which is taped during the annual event, on a daily basis. The WSOP not only adds exposure to Harrah's on national television but also drives visitation to the Rio, a Harrah's property which hosts WSOP, by both gamblers and non-gamblers.

### *Public Relations*

Another form of communications Harrah's actively pursues is public relations. Although less controllable than other forms of media, Harrah's uses public relations and the publicity they bring to highlight certain aspects of their operations.

A simple, but rather effective form of public relations is creating press releases on new developments and then allowing the press access to the new product or development. Quite often casino-related magazines will have articles about Harrah's properties, increasing the public's awareness of such new developments.

Other public relations Harrah's likes to draw attention to are their community-related activities. Sometimes viewed as contributing to crime and poverty, the casino industry likes to capitalize on their goodwill. Harrah's is no different, and although the company was significantly impacted by Hurricane Katrina themselves, Harrah's contributed heavily to the region during the aftermath. Additionally Harrah's recently donated \$30 million dollars to University of Nevada, Las Vegas to construct a state-of-the-art hospitality education and research center.

### *Money*

In 2006, Harrah's spent \$287.5 million in advertising (Harrah's Entertainment Inc 2006). The exact specifics of how much was spent on advertising Total Rewards is unknown, but given the fact more than 50% of revenue was driven by marketing, it appears marketing is getting adequate returns for their expenditures. Casinos don't spend a lot on advertising; they function on the premise gamblers can find a casino (Shook 2003). Since Harrah's does not go after people who do not gamble, but those who already do, they can save money by using their communication vehicles in the correct place. As mentioned previously Harrah's has a strategy of what type of media to use depending on locations. By having a plan on how the IMC is going to use the Media component, Harrah's can save money on useless marketing.

#### *Measurement*

It is no surprise Harrah's, a company which uses mathematical models heavily, actually has systems in place to measure the effectiveness of their marketing strategy. At every board of directors meeting, specific marketing measures are looked; share of customers' gaming dollar, percentage of revenues from customers who frequent more than one of Harrah's properties, percentage of Total Reward members advancing to higher tier, and customer satisfaction scores (Kale & Klugsberger 2007).

Some measurements of Total Rewards since its inception; market share of the customers' wallet has increased (36% to 50%), crossed market visitation has increased (72%), and tracked revenue has grown (50% to 80%). In addition by understanding who their customer is, Harrah's has been able to discontinue marketing to non-lucrative customers, saving more than \$20 million annually (Kale & Klugsberger).



### *Author's Perspective*

From the viewpoint of the author, Harrah's appears to have a well executed Integrated Marketing Communication strategy. Each component compliments the other. By understanding who Harrah's market is, they can tailor their message to the customer's individual need, with a clear mission. Harrah's appears to use the proper media mix, using the proper media for each intended purpose. By having a clear plan on the use of media Harrah's is better able to use the money allotted for the marketing budget. And finally being a numbers driven business, Harrah's has well-defined measurements in place. And the technology Harrah's has invested in, allows Harrah's to analyze the data to providing results of the marketing strategy.

Harrah's has been one the leaders of using internet based technology in the casino industry. But even though Harrah's internet marketing has the capability to progress customers through the four phases of the consumer decision process, Harrah's realizes that an IMC strategy requires for all parts of the strategy to work together. Some customers may still want to talk to a live person to book their trip, which they researched using the internet. As Harrah's research found out, customers still enjoy receiving direct mail. In fact the more the better. Customers are not limited on how they decide they are going to act on the promotion. They have the options of talking to a person or with a few clicks of a button; they can book their trip via computer. In a global world environment, Harrah's appears to have integrated its marketing strategy to be successful.

The author would like to make it known they are not affiliated with Harrah's Entertainment Inc. In fact, the author is pursuing a marketing career at another competitor of Harrah's.



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