

Harrah's Cherokee Casino & Hotel: Success in Challenging Times



The hotel at Harrah's Cherokee Casino is a winner that is outperforming all other Harrah's properties, posting overall occupancy of 100 percent with brand leading gaming revenue per room night. Property executives say it is due in large part to the hotel's head's up business strategy and the revenue management system that supports it with solid, no-nonsense analysis and thinking support for today's challenging times.

Even though the Harrah's Cherokee gaming operation mirrors other casinos nationally with a general decline as a result of the economic downturn, the hotel itself continues to perform on a par with previous years. Of all the hotel properties in the Harrah's brand, Cherokee has the highest gaming revenue per room. Much of the credit goes to Rainmaker's RevolutionSM revenue management system, which the hotel has used since opening in 2002.

"The hotel makes up about one-third of the casino property's total gaming revenue, and it is the most profitable revenue stream we have at Cherokee," said Jeremiah Wiggins, director of planning and analysis for the Cherokee property.

That's good news for the Eastern Band of Cherokee Indians, which owns the property and counts on its revenues to fund school systems, hospitals, law enforcement, and other services in the tribal area. Harrah's Entertainment, the world's largest provider of branded casino entertainment, manages the Cherokee property, which counts more than 300 tribal affiliates among its 1,650 employees. Tribal affiliates make up approximately half of the property's 20-strong senior management team.

A Profitable Combination

Though geography and demographics work in Cherokee's favor, RevolutionSM is an essential tool in the property's success. The system recommends the best room rate each night based on the guest's gaming value and also factors in forecasted hotel demand to help ensure that high-value guests have priority

when room assignments are made. Tight integration with the hotel's property management system (LMS from Agilysys) makes the process fast and efficient and includes guest stay history and occupancy forecasts as part of the pricing analysis.

Wiggins cites three key benefits of using automate revenue management:

- **Long-term demand forecasting.** The system makes it possible to efficiently calculate a forecast long-term demand for 13 months ahead and recommendations within 60 days are evaluated daily by revenue management. The system's speed enables it to continuously update forecasts and makes the data actionable in near real time, ensuring the hotel always has room for its highest-worth players. Doing this manually would be a cumbersome, time-consuming task.

- **Better customer service.** "The accuracy of the yield in the system's recommendations is paramount, because anytime we displace a higher-value guest, there is the risk we will lose the loyalty of our best customers," said Wiggins. "In the current economy, maintaining customer loyalty is essential to our continued success."

- **Greater profitability.** "The system makes it possible for us to do a professional job of managing our margins," Wiggins said. "What we earn here goes directly to the tribe to fund needed services. So what we do every day is important to all our stakeholders and ownership."

The hotel has a number of advantages that other casino hotels in Harrah's portfolio do not. Unlike properties in Las Vegas and other destinations, which derive as much as 50 percent of their revenues from gaming and 50 percent from non-gaming guests, more than 90 percent of the guests at the Cherokee hotel are high-value casino customers.

And unlike other Harrah's properties, Cherokee is primarily a regional drive-to destination, which is nestled at the edge of

the Great Smoky Mountains National Park in the North Carolina homeland of the Cherokee Indians. Regional visitors are less likely than transcontinental or international guests to curtail travel these days. Harrah's Cherokee caters to a more mature demographic, too, who are less likely to be affected by economic trends.

Powering Cherokee's Growth

Revolution has leveraged these 'sweet spot' attributes of Cherokee, powering the property's dynamic growth in this decade.

- 2002: First hotel tower opens with 252 hotel rooms.
- 2005: Second hotel tower opens, expanding room count to 576.
- 2011: A \$650 million expansion already under way will more than double the property's room count – to a total of approximately 1,200.

"When we opened our own rooms in 2002 we immediately came out of the gate with revenue management to optimize our room pricing," Wiggins said. "It was part of our hotel's foundation and included by Harrah's Entertainment as an added benefit of our management agreement with them."

Cherokee has a track record of delivering a tremendous return on investment across the Harrah's brand since 1999, the year the system was implemented. Since implementation, Harrah's has seen nearly double digit growth in revenue per available room. Revolution ensures Harrah's total rewards program delivers optimum benefits to its guests and the company, integrating with Harrah's large database to track every player carefully and provide the highest service level to all guests.

Not a Silver Bullet

The revenue management system is the hub of three key departments on the Cherokee property collaborating to make the hotel a success – the revenue management department, the casino marketing staff, and the hotel management team. Revolution helps them all be cognizant of revenue goals, of aligning marketing strategies to those goals, and of understanding who is coming to the hotel so staff can offer the best service promptly and consistently. Wiggins has seen other companies realize less success with a revenue management system, but Harrah's has an ongoing commitment to the system and to optimizing it at every opportunity.

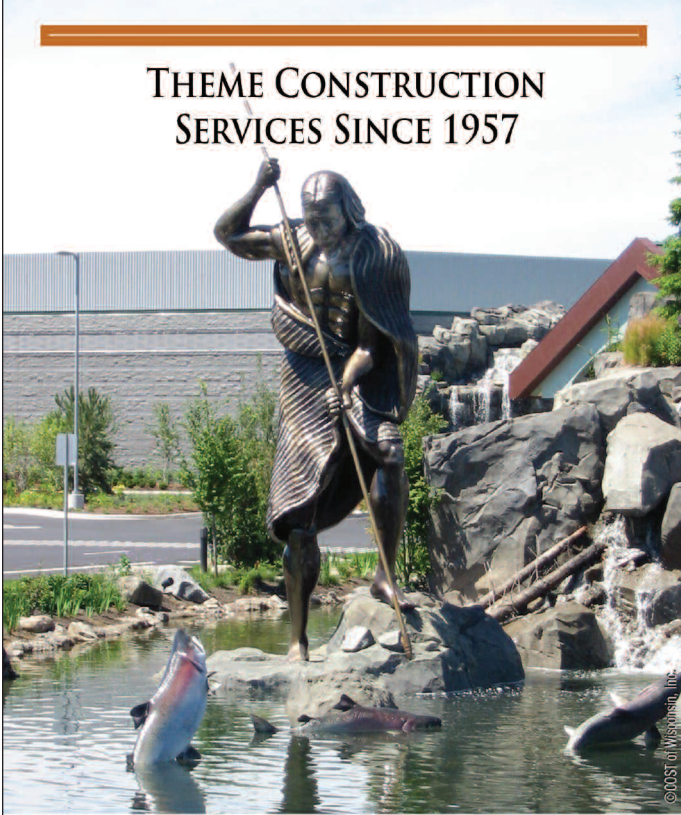
"We are completely committed to the revenue management process," said Wiggins. "The RM staff monitors demand every hour 24x7 to see if any adjustments need to be made to room criteria and pricing. It's a priority to fill every single hotel room we have with the highest level of player we can attract. That dedication day to day and hour to hour is what takes revenue management to the next level and makes it work. The system doesn't do our jobs for us, but is a quantitative tool that requires qualitative input from our people to deliver the best results."

A Partner in Challenging Times

Cherokee used Revolution's feature for tracking rooms sold and rooms denied to determine future projected unconstrained demand and decide how many rooms to add with the 2011 expansion. "The property utilized data from the revenue management system when performing our in-house lodger demand forecasting exercises, which have since been validated by third party consultants," Wiggins explained.

With the expansion, Cherokee will also be doubling its gaming floor from 88,000 sq. ft. to 140,000. "The expansion is counterintuitive given current economic conditions," said Wiggins. "But we think we are in an ideal spot to open the expansion in 18-24 months. Hopefully, the economy will have made a turn by then and we'll be poised for solid gaming revenue growth at that point. We have confidence in knowing we have a revenue management system that will help us get the most from every one of those new rooms." ♣

For more information about Harrah's Cherokee Casino & Hotel visit www.harrah.com. For more information about Rainmaker, visit www.letitrain.com.



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