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Rainmaker's Profit Optimization Software Good as Gold to Casinos

Published: January 19, 2010

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If you've ever been turned down for a room in a major Las Vegas casino when the hotel was obviously not full, it probably made you mad. And it probably doesn't help knowing that the software that told the front desk to reject you was written by the Rainmaker Group. But when you realize that Rainmaker's revenue optimization software has made casinos hundreds of millions, if not billions, of dollars, you can begin to understand why it's in such widespread use.

Rainmaker started out in 1998 writing schedule optimization software for a completely different business: the airline industry. But after 9/11, things drastically changed in that field, so the company started looking for a new gig, which led them to room optimization software for the hotel and casino industry.

Before Harrah's started using Rainmaker's revenue management system in late 2001 and early 2002, Vegas casinos for the most part were flying by the seat of their pants when it came to doling out hotel rooms in the most profitable manner possible, according to Rainmaker president Bruce Barfield.

"It's analogous to flying the space shuttle with a compass," Barfield says in a phone interview. "There are too many moving parts, and things are happening too fast. They were leaving tons of revenue on the table."

Nearly every major Vegas casino runs its property on an AS/400-based lodging management system (LMS), which is great at processing transactions coming in from all the different revenue streams at casinos. But the LMS is not so good at identifying which customers would bring the most revenue to the property at any given time.

"There are 140,000 hotel rooms in Vegas, and who do you sell the rooms to? That's the underlying problem that it all boils down to," Barfield says. "Who do you sell it to, and what price do they pay, or do they pay a price? Before the revenue management system, they had no way of knowing what that price should be. Now, if they had a large inventory, they could probably hold a suite for a high-end customer. But on a high-

demand day, if they sell out too early . . . You want to hold that room for a high-volume cash guest."

Rainmaker's software, called the revolution Profit Optimization suite, works by assigning a value to each potential customer based on how much money they are forecasted to spend during their stay. The software takes into consideration all of the different ways a customer can spend money, which not only includes a room, but spending on food and drink, gambling in the casino, attending shows, and spas.

At nearly every installation, revolution Profit Optimization works hand in hand with an AS/400-based LMS (often the one from [Agilysys](#)). At least once per day, Rainmaker's software pulls historical transactions from the LMS to keep its database up-to-date. Most casinos keep anywhere from four to 13 months worth of historical data--including everything from check-ins to room service spending to canceled reservations--in their Rainmaker system.

This forms the basis of the casino's "customer value range" forecast for a given day, which says, for example, don't rent a room to anybody who's not predicted to spend more than $500 or $1,000 during their stay. Every time a customer inquires into a room, whether by phone, over the Web, or walking up to the front desk, the LMS will call the Rainmaker system to see whether the room should be rented, and for how much.

Essentially every transaction associated with that guest loyalty number is loaded from the LMS, Barfield says. "It takes into account what day, and how long they're looking to stay. There are hundreds of variables per transaction that are changing," he says. The forecast also factors in seasonality curves, and can also be tweaked to take into account any advertising or promotional activity that the casino is running--a new feature that was added last April with version 1.6.

The requested length of stay can make a huge difference in getting approved for a room--or being kicked out on the Strip.

"On Friday night, the hotel may be entirely empty, but the cross-line value is not above a certain threshold, so I can't even pay for a room," Barfield says. "Our system may be keeping rooms available [on a Friday night] because there's so much demand for rooms on Saturday night, and the value of the guest is so high. That's where it's counterintuitive. Historically what would happen is the people would stay Friday and displace the people who want to play on Saturday. It's just a massive Tetris game that these off-the-shelf products just don't consider."

Rainmaker has been very successful selling its software to the Vegas casinos, and has an impressive customer list that includes Harrah's Entertainment, Caesar's Entertainment, Wynn Las Vegas, MGM, Boyd Gaming, and the Hard Rock Hotel & Casino--nearly every property but The Venetian, Barfield says. Elsewhere, Rainmaker touts Trump Entertainment Resorts and Foxwoods Casino Resort as customers. Currently, the company is making headway with American Indian casinos and casinos in Southeast Asia; there just aren't any potential customers left in Vegas.

So just how effective is Rainmaker at helping casinos squeeze the maximum revenue out of customers? For most Rainmaker customers, the software drives top-line revenue by four to 10 percent, Barfield says. At Harrah's, the software has increased revenue by $50 million *per month*, according to Barfield. And when you consider that the software drives higher revenues while room occupancy rate actually *declines*, you can see how that would impact profitability even more.

Filthy, you say? Maybe so. But Rainmaker has more than two dozen customers in the casino business (it also sells a version of its software designed to optimize revenue for large apartment and multi-family dwellings), so it's not out of the question that the company has helped customers to the tune of billions of dollars.