

An Open Letter to Atlantic City Casinos and Beyond

By Martin R. Baird

This is an open letter to the leadership of Atlantic City casinos. I encourage other casino leaders worldwide to read this because you could be next.

It's January as I write this column and the New Jersey Casino Control Commission just announced that, for the first time, Atlantic City casinos failed to increase their annual revenue. The commission reported that revenue from Atlantic City properties was down 5.7 percent in 2007. For nearly 30 years, these casinos consistently increased year-over-year revenue, even though the local market endured economic slowdowns, inflation, expansion of gaming nationwide and a world-altering terrorist attack only a two-hour drive away.

So what happened in 2007 to stop this market's growth?

Some people blame it on increased competition from Pennsylvania slot machines. Others suggest it's high-priced gasoline. Some think the slowing U.S. economy is the culprit. A few point to the demolition of one existing casino to make way for development of a new megaresort. Then there's that casino smoking ban that drove some guests away.

I believe each of these factors played a role in Atlantic City's 2007 struggles. But I have an additional thought. As far as I am aware, no one has connected Atlantic City's woes to failure to deliver a superior guest gaming experience. Instead of a positive experience, gaming executives have talked for years about future "product" – new hotel rooms, casino expansion, more retail options, etc. Don't get me wrong. Product offering is critical to the long-term success of a casino. You can't offer a second-rate product for decades and expect to compete. The U.S. auto industry is an example of that.

Still, I'm pulled back to the argument for a wonderful guest experience. Atlantic City gaming leadership knew for years that Pennsylvania would become a competitor. They knew it would be a draw from a proximity point of view. So did they work hard to offer a competitive gaming experience? If they did, they sure hoodwinked me.

I'm not an economist, but as I read about the reasons for Atlantic City's slide last year, it haunts me that many of them are happening in other markets around the world. Gas prices are skyrocketing in other countries to levels that make fuel look cheap in America. Every week, I read about new casinos dotting the globe, thus increasing competition. The U.S. isn't the only country slogging through an economic slowdown.

So what must we learn from all this so we don't experience downturns in emerging or mature gaming markets everywhere during the coming years? My answer may sound simple but don't let that fool you.

The lesson to be learned is that future success is not about out-building or out-marketing the competition. Instead, long-term success can be found by doing two very important things: (1) move your guests away from being casual visitors who let a variety of excuses interrupt their desire to visit your casino and (2) turn them into true advocates. I define an advocate as a person who will risk their personal reputation for your casino. A guest advocate is someone who – of his or her own free will – recommends your casino to friends because of your amazing gaming experience. Because the advocate risks his reputation by doing this, friends are more likely to act on his recommendation and give you casino a whirl.

Advocates are not born; they are created. They are created by casinos that match their promise of a good time with the actual experience they provide when guests arrive.

The experience they deliver dictates whether guests will invest their reputations for the casino.

Notice I said guest advocates invest their reputations I really think it is an investment on their part if they go to that much effort on behalf of a casino. The flip side is that casinos need to invest to create advocates. Wishing and wanting is not enough. Leadership must invest in a long-term approach to creating guest advocates. They must invest in each and every interaction a guest has, not just the physical product their property provides.

It's important to note that this advocate-creation process is not easy or fast. You can't microwave guests for 30 seconds and make them advocates. It's a process that requires a long-term commitment. Guest advocacy is the way of the future for all businesses, not just casinos, and Atlantic City just proved that the future needs to be addressed now.

It's also important to point out that many of the reasons offered for Atlantic City's troubles were outside gaming leadership's control. It's often easier to deal with a downturn when we feel we don't have control over it. After all, no one person can have an impact on things like the economy, gas prices and increased competition. You're not accountable for a world you can't control.

But gaming leadership should want to be in the driver's seat when it comes to their future success. When casinos shift to creating guest advocates, they gain a high degree of control – and assume responsibility. They are at the center of critical change and have an amazing amount of control, as well as accountability. This can be challenging for some people because they don't want to be held accountable. They don't

want to risk their reputation on guest advocacy being the answer to generating success down the line.

This is not an indictment of any casino or the executives who run it. I'm simply talking about reality. But risk is what makes creating advocates so powerful. Advocates will accept the risk!

I hope you understand by now that the challenges I'm writing about are not limited to Atlantic City. Gaming has issues to face worldwide. It will take serious commitment for casino executives to assume responsibility for areas they can influence. But they must do that so their casinos remain strong no matter what happens with things beyond their control.

As gaming matures and moves forward, long-term success will not come from building bigger casinos and adding amenities. It will take new thinking and innovative solutions in the area of guest relations to compete going forward.

Martin R. Baird is chief executive officer of Robinson & Associates, Inc., a customer service consulting firm that helps casinos worldwide determine their Advocate Index, a number that indicates the extent to which properties have guests who are willing to be advocates, and then implements its Advocate Development System to create more guest advocates and generate future growth and profitability. Robinson & Associates may be reached at mbaird@casinocustomerservice.com or 480-991-6420. The company Web sites are www.advocatedevelopmentsystem.com and www.casinocustomerservice.com.