

## Required Reading for All Casino Executives

By Martin R. Baird

Native American Casino is an amazing magazine. The editors go to great lengths to make sure they publish the best of what is new so you, the reader, can be prepared for what is coming.

In my column this month, I join their ranks. I'm not hypothesizing about what is happening in the world. I'm TELLING you there are some scary facts available to those who pay attention. These facts can no longer be ignored or discounted if you want your casino to have long-term success.

Fact: The United States is in a recession. This is not a downturn or bursting of a bubble. We're flat out in a recession and that is serious business! This is not my simple opinion. This statement comes from Larry Kudlow. Kudlow was educated at the University of Rochester and Princeton University. He started his career as an economist for the Federal Reserve Bank of New York and has consulted with presidents on the economy from Ronald Reagan to George W. Bush.

In April, Kudlow wrote an article for National Review magazine titled "The Therapeutic Power of Recessions." A subhead under the title stated, "Economic excesses occur in free-market economies, and from time to time they must be cleansed." When I read that thing about cleansing, it gave me a not-so-good feeling in my stomach. Kudlow is not a politician or stock market jockey trying to get your money. He is a highly regarded economist telling all who will listen that they need to get ready to be cleaned out.

You may be thinking that I'm extreme and fixating on only bad news. Perhaps, but I'm hearing too much information from too many people to not take this recession

seriously. You may also be thinking that gaming is countercyclical. Basically, this means that when the economy goes down, the casino business goes up. I believed that for a long time, too, until I couldn't find research to support it.

The casino world today is unlike anything it has ever been. Competition is at a level that could never have been imagined. And now a recession is competing for the dollars that guests have so willingly spent at casinos in years past. This is not a good combination.

Think of the Sacramento and bay area markets. In the past, people in those areas only had Reno or Tahoe for gaming choices. Then some innovative people opened Cache Creek Bingo nearby. Fast forward to today and Cache Creek has an amazing casino, resort, spa, golf course and restaurants that rival the best of the best. In the interim, a casino opened on the other side of Sacramento, and this year an additional property will be available.

In the old days, Americans went primarily to Atlantic City, Las Vegas and Reno to gamble. Now gaming is considered entertainment, and casino patrons have hundreds of brick-and-mortar properties to choose from. And don't forget online gaming. This model didn't exist in the past. The gaming world has changed, competition is in the stratosphere and our economy is hurting. Each of you reading this column needs to take action NOW to be prepared for the cleansing!

I did a quick Internet search for "California and recession" and discovered that a group from UCLA still believes the state is not and will not be in a recession this year. They do say a recession is possible there if people stop spending freely. Hmmm. Home values across California have taken a beating. The construction and finance sectors have

been rocked, and much of technology has been pummeled in the financial markets. That could mean people will stop spending freely, if they haven't already. Perhaps UCLA should listen to one of their locals. Christopher Thornberg, a principal at Beacon Economics in California, says, "Jobs are falling. Taxable sales are falling. This is a recession."

Now is the time to make decisions and take action. Some people will hide and hope. This is often referred to as the ostrich principal. Some will worry about what is happening. And there's the group of people I'm addressing in this article – you see the real issue and take action to make life better for your tribe, guests and employees. Will you be proactive and make the cleansing a positive situation for your people?

This is not the time to cut and run. It's hard to invest when cash flow is down, but that is exactly what you need to do. Investing in your product today will make your drop in business less serious and your return to growth faster. Investing today could mean your casino's business is flat over the next 12 to 18 months and that could be an important success to celebrate. This is not easy to read when many of you are used to amazing growth rates and skyrocketing profits that crush the previous year's results.

I've mentioned California, but this is a national concern. I have family in Michigan and that state is beyond a recession in my opinion. Housing in Florida has been hit very hard, and people are watching the equity in their homes vanish.

Please read this column again and call the team together to plan your attack. Your plan must start with your guests and creating as many guest advocates as possible so they come as often as they can and look forward to their visits. Only advocates will do that. Your plan also needs to touch your valued employees because many of them are also

affected by the economy. They may have family members who have lost jobs. Their gasoline and food bills are climbing. All of this makes it difficult to be motivated at work because just having a job isn't always a real motivator. So invest in your employees to keep them focused and driven. They are the key to creating guest advocates. In fact, turn your employees into advocates for your property, too.

I know you will make it through the recession. Economic tumbles come and go. I am challenging you to do what must be done now to make your casino's dip as small as possible. That will not only help you today, it will set the stage for the future when your property makes a rebound that is faster than the rest of the market.

*Martin R. Baird is author of "Advocate Index™: An Operational Tool" and chief executive officer of Robinson & Associates, Inc., a customer service consulting firm for the gaming industry. Robinson & Associates helps casinos 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 help casinos create more guest advocates. The Advocate Development System uses the proven methodology of Advocate Index in combination with best business practices to chart a course for growth and profitability. More information about the Advocate Development System and Robinson and Associates is available at the company's Web sites at [www.advocatedevelopmentsystem.com](http://www.advocatedevelopmentsystem.com) and [www.casinocustomerservice.com](http://www.casinocustomerservice.com). Robinson & Associates may be reached by phone at 480-991-6420 or by e-mail at [mbaird@casinocustomerservice.com](mailto:mbaird@casinocustomerservice.com). Based in Boise, Idaho, Robinson & Associates is a member of the Casino Management Association and an associate member of the National Indian Gaming Association.*