



Client and Company News for July 2006



Seas of Change

Growth in the Caribbean Gaming Market

By **Suzanne Perilloux Leckert**
 Director of Gaming and Development Analysis

There once was a time that casino gaming was only available on the most popular Caribbean islands - places like the Bahamas, Aruba, and Puerto Rico. Now, with the rising popularity and prominence of gambling casinos in the United States, we are starting to see a similar trend - the spread of gaming in the Caribbean. Countries that did not offer or only offered limited gaming options are now stepping up - changing their legal environments to allow more casino gaming. Developers and

Operators are in turn building bigger resorts, complete with amenity casinos.

Tourism Growth

Fueling the growth in development is the strong growth in tourism to the islands. According to the World Tourism Organization's most recent Compendium of Tourism Statistics, visitor arrivals in the Caribbean have been growing at average annual rates of between 2% and 5%.

Caribbean Visitor Arrivals						
	2000	2001	2002	2003	2004	A.A.G. 2000- 2004
Aruba	1,211,000	1,178,000	1,225,000	1,184,000	1,304,000	1.9%
Antigua and Barbuda	634,000	602,000	510,000	610,000	768,000	4.9%
Barbados	1,078,000	1,035,000	1,021,000	1,090,000	1,273,000	4.2%
Turks and Caicos	152,000	166,000	155,000	164,000		2.6%

Source: WTO 2006 Compendium of Tourism Statistics

As tourism in the islands has grown, resort demand and visitor spending have grown as well. According to the World Travel & Tourism Council's 2005 report, *Bahamas Travel and Tourism: Sowing the Seeds of Growth*, Caribbean travel and tourism demand (the nominal aggregate of tourism activity in the resident economy) is expected to grow at an average annual rate of 3.4% over the next nine years (2006-2015). This is significantly higher than the 2.7% rate projected for the Bahamas and slightly higher than the 3.1% projected for worldwide tourism. During this nine-year period, travel and tourism demand is projected to grow at annual rates from 5.5% in Grenada to 4.2% in Dominican Republic, to 3.4% in Antigua and Barbuda, to 3.3% in Barbados, and 2.8% in Aruba.

Resort Development

What all of this demand means is that the supply of resorts in the Caribbean will continue to grow. While major development is occurring in the Bahamas with the construction of the Baha Mar Resort, the strongest growth in the Caribbean appears to be happening on the islands of Aruba and the Dominican Republic. Capital investment in the tourism infrastructure and the rapid pace of resort development are just picking up steam and are expected to continue for years to come.

Developers are not only going big, they are going upscale. The Wyndham in Aruba is being converted to a Westin, and the Baha Mar resort in the Bahamas will contain six hotels, a number of which will be of five-star quality. Smaller island nations, such as Turks and Caicos, are being developed with high-end condominium resorts, appealing to the U.S. market for second homes. With easy air access, these developments are quickly becoming an attractive alternative to Florida and other vacation home markets that are nearing their saturation points.

Gaming

As societal acceptance of casino gaming grows on the islands, governments are opening up to increased gaming. Countries such as Jamaica, with plans for four new gaming licenses with up to 900 slots each, have recently allowed for the expansion of gaming. This type of expansion is still being limited to resort developments and the tourist population, with most Caribbean nations prohibiting play by locals at the casinos.

Excepting the new Caesars brand in the Baha Mar Resort, what is taking place is resort development, not stand-alone casino development. In the ever competitive Caribbean resort market where properties are vying for their own niche, these new resorts are including small to medium sized casinos as amenities to their guests. While these casinos are larger and more prominent than what we have seen in the past, they remain boutique operations and are not yet on the scale of Las Vegas casinos.

With these resort developments come the possible introduction of U.S. casino operators to the mix. The opening of Baha Mar will mark the first real introduction of a Las Vegas operator, Harrah's, to the islands. As large and mid-size gaming operators continue to look for areas to expand, the Caribbean is quickly becoming attractive. Gaming operators can, for limited investment enter new markets, and resort operators can leave casino operations to the experts while still benefiting from incremental revenues.

Summary

In short, the future of casino developments in the Caribbean will be largely dependent on growth in the tourism market. As tourism to the islands continues to grow, and tourists seek out the newest and greatest Caribbean destinations, those resorts with casino components are making a niche for themselves.

- Suzanne Perilloux Leckert, *The Innovation Group*



Denver Office - EFFECTIVE 8-1-06:

7852 South Elati Street
Suite 100
Littleton, CO 80120

The phone numbers will remain the same:
303.798.7711 voice
303.798.7171 fax.

Aspen Office - EFFECTIVE 7-17-06:

231 Midland Avenue, Suite 204
Basalt Colorado 80120

New Phone:
970.927.1400 voice
970.927.3955 fax

THE GUEST COLUMN



Guest Advocacy Is the Key to Your Casino's Future Success

- PART 1

By Martin R. Baird

In this column, I'm going to make a case for what I think is the most pressing issue facing the gaming industry today worldwide - the need to create casino guest advocates. I believe advocates are the key to any casino's future growth and

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CLIENTS MAKING NEWS

Due diligence in the Caribbean



The Innovation Group recently did a due diligence and market potential analysis for the Wyndham resort in Aruba prior to its \$230 million acquisition by Belfonti Capital Partners. The Aruba Resort, Spa & Casino is the largest hotel in Aruba and boasts the island's largest convention and banquet spaces. The hotel also boasts the world-famous 12,000 square-foot Casablanca Casino, one of the Caribbean's premier gaming destinations.

The analysis took into consideration changes in the positioning of the hotel under a different brand and the impact of recommended improvements to the casino layout, operations and management. For the casino operations, The Innovation Group reviewed the market assessment completed for the hotel, as well as historical operating statistics in order to build a base model for casino demand, and project forward the demand for the casino based on no changes to the quality or layout of casino operations.

Recommendations were also made for improvements to provide for an increase in gamer demand and revenues for an enhanced property. Read the whole story in "Belfonti Capital Partners

success.

Before I get into the particulars, I want to pass along a perfect example of how to create advocates and the payoff in doing so.

Last winter, I spent considerable time in California on casino business. Basically, I lived there for awhile and took my family with me, including my two young sons. Before our plane departed, a steward zeroed in on my older son, Nat, exclaiming that Nat simply had to meet the pilot. The pilot graciously took time to chat with Nat and even let him say hi to his mom over the public address system. When we landed in California, Nat and my other son, Spencer, were pulled aside by the airline staff so they could have their pictures taken wearing the pilot's cap. If you think these simple gestures are no big deal, think again. My wife and I are beyond impressed. We are way beyond being happy or satisfied customers. We are so wowed, that we are now advocates for that airline. Of our own free will, we tell people about how we were treated. Not only will we patronize that airline again (i.e., repeat business), in the meantime we gladly spread positive word-of-mouth advertising about the airline and, in the process, possibly create new customers for it (i.e., new business). We don't expect anything in return from the airline and it certainly hasn't asked us to do this. We are risking our reputations with no incentive from the airline to do so.

How many of your guests feel that way about your casino? How many of them are advocates?

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Innovation Capital *Investment Bankers*

Innovation Capital Hires Vice President



Milton J. Sumption recently joined Innovation Capital as a Vice President. Mr. Sumption has twelve years of finance experience that includes institutional equity research covering the Gaming and Lodging industries, fixed income private placements, and risk management.

Most recently, Mr. Sumption was a Vice President at Bear Measurisk, a New York-based subsidiary of Bear Stearns Asset Management which provides sophisticated risk analytics to institutional investors. Previously, Mr. Sumption was an Associate on Prudential Securities' equity research team covering the Gaming and Lodging industries, a team which was recognized by Institutional Investor in its annual survey of sell-side equity research. As an Analyst at Access Capital Strategies Corp., he worked on organizing two institutional funds and executed various fixed income private placement transactions for the portfolios.

Acquires Former Wyndham Resort, Spa & Casino on Island of Aruba in \$230 Million Transaction; Plans to Renovate and Rebrand to Westin," as reported on Hotel-Online.com. http://www.hotel-online.com/News/PR2006_2nd/May06_Belfonti.html

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Bid no Trump in Rhode Island

An Innovation Group report came to be the center of a decision being weighed by the Rhode Island House of Representatives on whether to proceed toward allowing the Narragansett Indian Tribe to build a casino in partnership with Harrah's. The Innovation Group report determined that a casino in Johnston would be more lucrative to the state than the one proposed can be considered for West Warwick. In "Trump offers new challenge to Harrah's" in the



Providence Journal State House Bureau, Katherine Gregg outlined the Innovation Group report which found that by 2010, a proposed Trump casino in Johnston would be likely to produce at least \$188 million more annually for the state in gambling taxes than Harrah's competing proposal for West Warwick. The house has gone on, however, to pass legislation calling for a statewide referendum on Nov. 7 on changing the state Constitution to specifically allow the proposed Harrah's-Narragansett Indian casino in West Warwick.

The Innovation Group's analysis looked at several scenarios including the potential impact that the ultimate success of this year's failed proposal to put 2,000 slots at each of Massachusetts' four horse and dog tracks could have on business at Rhode Island's two slot parlors: Lincoln Park and Newport Grand. The Innovation Group analysis was cited in several stories on this issue. Read the story at:

http://www.projo.com/news/content/projo_20060522_casino22.d1ec781.html

and

http://www.projo.com/news/content/projo_20060523_casino23.124450a2.html

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Adding amenities to Clearwater



The Suquamish Tribe got an economic recently with the opening of their Clearwater Casino Resort.

In "Suquamish Unveil Resort This Week," Derek Sheppard of the Kitsap Sun reports on the unveiling of the amenities and features of the new luxury hotel. The 85-room luxury hotel and spa is developed under the auspices of Port Madison Enterprises, the business arm of the Suquamish Tribe. In 2002, The Innovation Group provided an analysis of the Western Washington and Puget Sound area hotel and gaming markets in order to determine the feasibility of moving the casino from its temporary structure into a larger, permanent one, and also assessed the feasibility of a hotel to be constructed at the site. Part of our work for the Tribe also included financial projections for the hotel and the casino, which assisted in the determination of the optimal sizing of the hotel. The Innovation Group analysts also worked with the casino's management to point out where it appeared that cost overruns were

Mr. Sumption earned an MBA degree with a concentration in Finance from Columbia Business School and a BA degree in Economics and Mathematics from DePauw University.

Mississippi Bluffs Development, LLC

Acquisition of

Distressed 540-Acre Casino Resort Development Site Vicksburg, Mississippi

from

Vicksburg Chemical Company

*Innovation Capital acted as
financial advisor on this transaction*

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An electronic weekly publication compiling gaming-related news, provided by Innovation Capital, an investment banking firm with a practice dedicated to the gaming, hospitality, and entertainment industries. *To start receiving your copy, email:*

ajdye@innovation-capital.com

For more information about Innovation Capital, LLC, please visit our website at www.innovation-capital.com

Please feel free to contact:

Matt Sodl, Managing Director, at 310-335-2085 or msodl@innovation-capital.com

Rob Stephens, Director, at 303-798-7711 or rstephens@innovation-capital.com

Milton Sumption, Vice President, at 303-798-7711 or msumption@innovation-capital.com

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occurring, where it was evident that inefficiencies existed, and how these problems could be abated. Read more about the resort at: http://reg.kitsapsun.com/bsun/web/loginForm?from=www.kitsapsun.com/bsun/local/article/0,2403,BSUN_19088_4717445,00.html

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French Lick gets a lift

The once thriving resort communities of French Lick and West Baden, Indiana are about to get a renewed prosperity as a casino is expected to create an economic boost for the area. In "Area down on its luck hopes casino will bankroll revival," by Erika D. Smith of IndyStar.com, the reports gives an overview of the changes and improvements taking place in anticipation of the flood of tourists that the casino will draw. The Innovation Group completed the market assessments that projected the revenue as well as tax income that could be expected for the state if the casino were to be approved. Now, those projections are spurring investment in public improvements and a variety of tourist and hospitality businesses. Read the article at:

<http://www.indystar.com/apps/pbcs.dll/article?AID=/20060610/BUSINESS/606100483>



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STAFF IN THE NEWS

Steve Rittvo sees coastal connection


Steve Rittvo was quoted heavily in Brian Wallheimer's article on the Mashantucket Pequot Tribe's move to expand its growing casino and resort business. The Tribe will announce a partnership with a California tribe to build a \$300 million casino near San Diego. The Mashantuckets, who currently own Foxwoods Resort Casino, would help the Pauma Band of Mission Indians secure financing to build a hotel, casino, entertainment venue, retail stores and restaurants in Pauma Valley, Calif. The Mashantuckets would operate the Pauma casino for seven years, keeping a share of the resort's profits. Innovation Group president, Steve Rittvo, said the arrangement of more affluent tribes helping other tribes develop casinos started about eight or nine years ago. He added that is especially true of the Connecticut tribes working with others around the country to explore investment and management opportunities. "The Paumas benefit from the Mashantuckets' solid management experience in running a large-scale resort and the Mashantuckets stand to profit on their take from the Pauma casino profits. The Mashantuckets also are working on casino and resort projects in Kansas, Mississippi and Pennsylvania totaling \$1.493 billion and have plans for a resort in the Virgin Islands. Foxwoods is also undergoing a \$700 million expansion for which The Innovation Group did the feasibility analyses that helped to determine the right size and mix of dining, entertainment and retail. Read the whole story at:

<http://www.norwichbulletin.com/apps/pbcs.dll/article?AID=/20060628/NEWS01/606280310/1002>




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Scott Fisher on Singapore bids

 In "Three Marina IR bidders post gains in Q1 profit" in Business Times Malaysia, Arthur Sim lists the first quarter revenues and net income of the three of four bidders who reported them. While Sim makes a point of these figures, which were largely affected by acquisitions, being a measure of the financial health of the companies, The Innovation Group managing director, Scott Fisher, Ph. D. was quoted in the article saying that the bidders relative profitabilities aren't as important as other factors, such as whether their proposed projects make financial sense and the amount of debt each company carries due to other projects. Las Vegas Sands, which had the lowest reported figures of the three bidders, was awarded the contract last month. Read the whole article at: <http://business-times.asia1.com.sg/sub/news/story/0,4574,194634,00.html>

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Scott Fisher was also quoted in a story reported on Bloomberg.com when the Las Vegas Sands' winning bid was announced. In "Las Vegas Sands Wins \$3.2 Billion Singapore Casino Bid" by Linus Chua, the article states  that the Sands bid was chosen because it gave the government "the most confidence in achieving their visitor arrivals and expenditure target." The government said the project's ability to attract tourists was the key criteria to winning. Scott was quoted that "Tourism growth is a major concern, and they are keen on knowing where new visitors will be coming from, how much more they will spend, and how the project will generate significant economic benefits to Singapore." Scott added that "the non-gaming amenity mix will likely be an important factor." Singapore will offer an offshore site for a second casino- resort later this year, and there will be only these two gaming operators for 10 years. Read the whole article at: <http://www.bloomberg.com/apps/news?>

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Steve Rittvo on the growth of gaming

"Twenty-five years ago, gambling was legal in only three states. Now every state except Utah and Hawaii rely on gambling to generate revenues to help avoid raising taxes." That's basis of "48 states raking in gambling proceeds" by Kavan Peterson, a Stateline.org staff writer. The article, which outlines the proliferation and impacts of the legalization of gambling around the country, also quotes Innovation Group president Steve Rittvo on why states turn to it. "There has to be a real fiscal need, not necessarily a budget deficit, but new (gaming) proposals have to be tied directly to a need to raise money for services like education or elderly health care," said Steve. "Many proposals to expand gaming are languishing this legislative season because the nation's rosier economy has put less pressure on states to seek new revenue sources."

The Innovation Group has done studies for state, local and foreign governments on the impacts and revenues that will follow from the legalization of various forms of gambling. Recently, The Innovation Group managing director Paul Girvan did the studies that helped Pennsylvania decide to become the 11th state to offer slot machines at racetracks and other venues. Paul worked with Senator Fumo's office and the Senate Democratic Appropriations Committee in developing the parameters of gaming legislation in Pennsylvania, which included a statewide market assessment, operator capital cost estimates, and developing indicators of license viability for scenarios differentiated by an increasing number of licenses. Subsequent to the statewide study, Paul was the lead consultant and project manager of a multi-disciplined team advising the City of Philadelphia's Gaming Advisory Task Force in a comprehensive study of the impact of slot venues on that City.



Read the whole story at: <http://www.stateline.org/live/ViewPage.action?siteNodeId=136&languageId=1&contentId=114503>

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Scott Fisher on new president at Foxwoods



The Mashantucket Pequots have announced John A. O'Brien, Foxwoods Development Co. board member will succeed William Sherlock as president of Foxwoods Resort Casino. Scott Fisher, Ph. D., Innovation Group managing director was quoted in commenting that Sherlock's shoes would be

hard to fill, but would the position would probably we widely sought after. "They won't pull someone with a weak resume," said Scott. "Whoever they get should be strong. You're operating the biggest casino resort in the country, so that's a big challenge." In "Foxwoods president will retire"

Brian Wallheimer of the Norwich Bulletin profiled Sherlock's career and leadership ability. Foxwoods is in the midst of a \$700 million expansion project for which the Innovation Group did the feasibility analyses and market research that helped refine the amenity mix of dining, retail and entertainment components for the expansion.

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Rittvo questions Philly figures

As Pennsylvania's Gaming Control Board continues to review the proposals for Pittsburgh's gaming license, hearings were held as to the viability of revenue figures reported by the applicants. Innovation Group president Steve Rittvo was quoted in "Gambling board hearing focuses on the Money" by Andrew Conte of the Pittsburgh Tribune-Review on his testimony to the board as to his opinion on the \$617 million figure projected by the Harrah's group. "It's not clear to me how one company will generate significantly greater revenue than any others," said Steve. The Innovation Group did the feasibility studies for the Isle of Capri Casinos, which the article says was endorsed by "the overwhelming majority" of those speaking. Steve is often called in for such expert witness testimony, having been engaged by the U.S. Department of the Interior as an expert witness to testify before a NAFTA tribunal, an adjunct of the World Court. At issue was a casino owned by U. S. interests that was shut down by the Mexican government. Steve's testimony provided a basis for the valuation of this skill-game amusement center. Read the Pittsburgh story at: http://www.pittsburghlive.com/x/pittsburghtrib/news/specialreports/gambling/s_445466.html



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Steve was also quoted in "Slots bidders take off the gloves, fire shots at Penguins, each other" by Mark Belko of the Pittsburgh Post-Gazette. Commenting on the disparity in revenue projections, Steve said, "said he has "never seen a variation as great" as those in Pittsburgh. Read more with details of the proposals at:

<http://www.post-gazette.com/pg/06110/683614-53.stm>

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New theme park gets Rittvo's opinion

Steve Rittvo was quoted extensively in an article on the proposed \$1.6



billion movie studio and theme park development that would sit between Foxwoods and Mohegan Sun casinos in Connecticut. In "Utopia impact gets scrutiny," in the Norwich Bulletin, reporter Brian Wallheimer interviewed Steve saying that the casinos stand to gain more from crossover patrons than Utopia would. Steve said both casinos would benefit from additional people coming to southeastern Connecticut. "Anything that brings more hotels to the marketplace is beneficial to both casinos. You'll have some people potentially (staying at Utopia hotels instead of casino hotels), but there are some people going to Utopia who want to game at night and will stay at a casino." Steve added that the one thing that could be damaging to casinos is the loss of daytime restaurant patrons. He said that some casino patrons might want to try something new and head over to Utopia.

The Innovation Group recently did the feasibility studies and revenue projections for the Hard Rock Theme Park in Myrtle Beach. Read more on this Utopia story at:

<http://www.norwichbulletin.com/apps/pbcs.dll/article?AID=/20060423/NEWS01/604230309>

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THE INNOVATION GROUP NEWS

New locations for our Colorado offices



The Innovation Group's continued growth has spurred the relocation of both of our Colorado offices into new quarters.

Steve Szapor and the Littleton office are still in Littleton, but effective August 1, will be at:

7852 South Elati Street, Suite 100

Littleton, Colorado 80120

The phone number has remained the same: 303.798.7711 voice, 303.798.7171 fax

And Steve Rittvo is moving the Aspen office, effective July 17, to Basalt, at:

231 Midland Avenue, Suite 204

Basalt, Colorado 80120

New phone: 970.927.1400 voice, 970.927.3955 fax

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Steve Rittvo's research trove

When Steve Rittvo recently gave a presentation at the G2E Institute, he presented data on the different F&B preferences of gamers, by age, income, region and type of gaming facility. The research that he drew from was a custom analysis of the data that was collected when we compiled *Portrait of American Gamblers*. In the course of undertaking 2500 in-depth surveys to produce this publication, we gathered an incredible amount of data that has the ability to be cross-tabulated into an almost infinite number of subsets. This can be a

Meals

Dinner

- Differs by type of facility
 - Local
 - Variety
 - » Buffet, Steakhouse, less expensive Ethnic
 - Racino/ Slot Parlor
 - Less impact
 - What patrons are comfortable with
 - Buffet, Food Court, whatever is available
 - Resort
 - Big meal, big expenditure - essential to resort experience
 - Quality driven
 - Name brands, Ethnic

very economical way to obtain a custom primary research study a lot more quickly. *Portrait of American Gamblers'* data shows how gamblers' answers compare to those of the general population and breaks down most of the responses by age, income and region of the country. By re-analyzing this data, we can generate subsets to show how those responses compare to customers who favor a specific casino or a specific game, to a specific demographic, to occupations, to smoking preference and much more. The list of topics at the end of this article is an indication of some of the fields that can be cross-tabulated. The information in a subset analysis can be tailored to the strategic focus you indicate, and the report itself is designed to allow you to quickly and easily make accurate assessments of a large amount of consumer preference information as it applies to your specific situation. The potential also exists to enhance the basic premise of the subset analysis by creating a more defined consumer focus through the cross-tabulation of multiple subsets. An example of the value of this would be an analysis that focuses on gamers with a certain attribute who reside within a specified

geographic region (e.g. preferences of slot players in the Chicagoland market). As long as the initial subset sample is large enough to maintain statistical validity through the additional subset tabulations, the possibilities are virtually limitless.

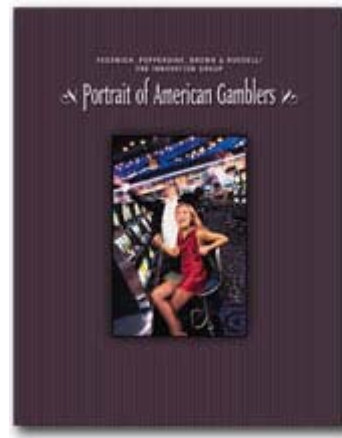
To discuss in-depth market segment analyses please contact Dennis Marzella, Executive Vice President/Partner, Research and Brand Strategy, Yesawich, Pepperdine, Brown & Russell, at 407-875-1111 or dennis_marzella@ypbr.com.

Portrait of American Gamblers, the currently available bound version, is a joint publication of The Innovation Group and Yesawich, Pepperdine, Brown & Russell, the country's leading marketing services firm specializing in the travel and leisure industries. *Portrait of American Gamblers* reaches beyond the kind of information you can get from Players Club databases, delving into the realm of what truly motivates casino customers to pick a destination, pick a casino brand, pick a game or visit a new casino.

Portrait of American Gamblers provides the kind of information on the habits and attitudes of casino customers that our clients are regularly seeking. What makes it different from other research reports is that it's not merely a count of how many gamers are playing where, but it's an examination of the evolving lifestyles and motivations that influence gaming behavior. We asked our subjects questions such as what drew them to the casino in the first

place and about their future interest in visiting specific gaming destinations, specific casinos and specific hotel/resort brands. To give warranted attention to the rapidly growing segment of Native American casinos, we included several questions about customers' experience with these properties as well. We also included some in-depth questions on the non-gaming life of customers by probing their travel habits, media preferences, lifestyle, demographics and social values.

From the hundreds of gaming studies done by The Innovation Group over the past 12 years, for clients ranging from major casino companies to Native American tribes to governmental bodies, we have come to know the nature of information that's integral to the making of sound strategic decisions. Now, we've made a wealth of this information available to everyone. You can order your copy by going to the [Publications section of www.ypbr.com](http://www.ypbr.com). Reasonably priced at \$995, it's sure to become an essential to any gaming library.



Topics covered in the study include:

- Incidence of day and overnight casino visitation during the previous 12 months
- Previous day and overnight visitation of specific gaming destinations
- Previous day and overnight visitation of specific casinos
- Future interest in visiting specific gaming destinations
- Future interest in visiting specific casinos
- Future day and overnight casino visitation intentions and frequency
- Preferred casino hotel/resort brands
- Visitation and experience with Native American casinos
- Average expenditures on gambling, entertainment, food and beverage, lodging and shopping for both day and overnight casino visits
- Desirability of specific attributes when selecting a casino (e.g., brand name, proximity, food and beverage, entertainment, nightlife, sporting events, architectural/design theme, ambiance, recreational amenities, parking, smoking, promotions, player recognition/reward clubs, etc.)
- Preferred games (e.g., slots, table games, etc.)
- Interest in specific casino slots (e.g., mechanical reel slot machines, video slot machines, video poker, video lottery terminals, Class II machines, etc.)
- Interest in specific table games (e.g., baccarat, bingo, blackjack, craps, live keno, poker, roulette, etc.)
- Players Club program membership and preferences
- Influence of specific promotional offers when selecting a casino
- Vacation habits
- Leisure time habits and preferences
- Social values
- Media habits
- General consumption preferences and behavior
- Political and religious affiliations
- Demography

To order your copy of YPB&R/The Innovation Group's *Portrait of American Gamblers* visit the [Publications section of www.ypbr.com](http://www.ypbr.com).

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Guest Advocacy Is the Key to Your Casino's Future Success - (CONTINUED)

Predict the Future through Growth Strategies

Research among various industries has shown that of typical questions asked of customers, the "likelihood to act as an advocate" question clearly has the strongest link to tangible consumer behavior. Plainly put, if guests are willing to act as advocates for a particular casino with friends or colleagues, these same guests are also likely to actually patronize the casino, as well as generate new business via word-of-mouth advertising. Advocates risk their own personal reputation to endorse your casino. That generates new

business that, in turn, can create new guest advocates. Conversely, if they are not likely to act as advocates, they are also less likely to engage in actual repurchase or advocacy behaviors.

Industries outside gaming realize that to survive they have to fight in the relationship dimension with the customer. Leading companies have refocused their customer relationship strategies on the rising of the credibility curve of the customer. Companies like Dell, Harley Davidson, Intuit, and Symantec have created a huge customer base which is not just loyal; it is, in fact, the unpaid sales force for the company.

As in traditional industries, (cars, computers and motorcycles), casino guests have choices. To grow further, casinos have to relearn some things. Their growth strategy thus far has not kept pace with other industries. While other sectors have started refocusing their customer relationship management toward creating great customer relationships and moving to partner with customers to bring in more customers, casinos still invest time, money and energy in advertising in hopes of growing their business. There is no process in place in casinos to move the guest to become an advocate.

Guest Advocacy as an Operational Tool

Quality guest service drives advocacy and that drives future growth. But how do you manage all this? If you think guest satisfaction surveys are the answer, you are wrong! In fact, there is zero statistical correlation between customer satisfaction and future growth. Is guest satisfaction important? It's critical, but a statistic reflecting satisfaction is not the number that tells the real story. Nor does it provide a tool for predicting future growth.

Very satisfied guests do generate profit but knowing how satisfied they are is not an indicator of the future. Some guests are satisfied only as long as they win. They may be satisfied the day you do a survey and then dissatisfied two days later. People are too fickle and when it comes to "satisfaction," they can change many times in one casino visit. Measuring loyal guests, the ones who play at your property win or lose, can get you closer to an accurate picture of the future, but that's still not nearly accurate enough.

However, loyal guests who *voluntarily recommend your casino to other people* and become advocates for your property not only create profit, they also generate new business and they are a highly accurate indicator of future growth. Express the degree to which you have guest advocates in the form of an index and you have a measuring rod that will help you manage your growth. It's the only number that shows a direct correlation to a casino's future.

Thus, the ultimate goal of the casino should be to make an advocate of every guest. Operational excellence will come only with the resolve that each guest is to become a "marketer" for the casino. Please note that guests do not become advocates because casinos ask them to do so. They become advocates in absence of any such request.

But the index is not a marketing tool. It is an operational tool in which practices and policies are aligned to achieve higher scores. The targets are not only set in terms of number of guests visiting casinos and the revenues, but also in terms of the higher trust of guests and a stronger relationship reflected in a higher index score. This score measures how far the relationship with the guest has been nurtured by the casino and, in turn, affects retention as well as multiplication of guests. I said earlier that great guest service drives advocacy and that is oh so true. Casinos must follow a customer centric growth model like any other service industry. It is the experience, feel and service that stay with guests when they walk out the door.

Here's the beauty of guest advocacy and its statistical index equivalent: it's simple to communicate internally to employees, the very people who make it all happen. Once advocacy and the index are understood, all anyone has to do is track the index over time to know where the casino stands. The higher it goes the better. The failure or success of internal practices and policies adopted to boost the index should manifest themselves in a timely manner. It doesn't get any simpler than that.

This article previously appeared in Gaming & Leisure Magazine

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 and www.casinocustomerservice.com. A copy of "Advocate Index: An Operational Tool" may be obtained by calling 206-774-8856. Robinson & Associates may be reached by phone at 480-991-6420 or by e-mail at mbaird@casinocustomerservice.com. Based in Annapolis, Maryland, Robinson & Associates is a member of the Casino Management Association and an associate member of the National Indian Gaming Association.

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For more information on The Innovation Group, visit <http://www.theinnovationgroup.com> or contact [Steve Rittvo](#) or [Stephen J. Szapor, Jr.](#)



New Orleans Office: 400 North Peters Street, Suite 200
New Orleans, Louisiana 70130
504.523.0888 voice, 504.523.0899 fax

Denver Office: (EFFECTIVE 8/1/2006) 7852 South Elati Street, Suite 100
Littleton, Colorado 80120
303.798.7711 voice, 303.798.7171 fax

Atlantic City Office: 6601 Ventnor Avenue, Suite 11
Ventnor, New Jersey 08406
609.487.9585 voice, 609.487.9590 fax

Aspen Office: (EFFECTIVE 7/17/2006) 231 Midland Avenue, Suite 204
Basalt Colorado 80120
New Phone: 970.927.1400 voice, 970.927.3955 fax

Minneapolis Office: 480 W 78th Street, Suite 110
Chanhassen, Minnesota. 55317
952.906.3831 voice, 952.906.3821 fax

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