

Michael Pollock's  
GAMING INDUSTRY  
**OBSERVER**  
Intelligence for the Gaming Industry®

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## 2009 Executive Satisfaction Survey ...

EXECUTIVES CONTINUE TO SEEK SECURITY AMID SEA OF BAD NEWS

The Great Recession has brought “touchy feely” back to the gaming industry in a big way. More executives than ever want to touch and feel a paycheck, and they are clinging to their jobs like life rafts.

That indeed is one of the more visible shifts in attitude in the ninth annual Bristol Associates/*Gaming Industry Observer* Executive Satisfaction Survey. Over that nine-year span, the casino industry has experienced a full range of macro changes, from unprecedented expansions to unprecedented profitability to unprecedented turmoil.

Notably, as the tables on p. 3 demonstrate, “job security” now rules as an important factor, reaching an average of 4.37 on a scale of 1-5. That level, almost unprecedented, is counter-balanced by a decline in the

importance of bonuses and stock options. In times of turmoil, the concept of a bonus — or a stock option that is not underwater — seems almost sadly ironic to many executives. In a similar vein, the importance of “career growth” has diminished as well. Staying employed is the new definition of “growth.”

Notably, however, the executives in this year’s survey remain relatively sanguine about their companies’ efforts to keep their key people satisfied (as evidenced in the bottom two bands in the bar chart on *see SURVEY on page 4*

## Atlantic City update ...

AS HILTON, RESORTS BLEED, REGULATORS MAY NEED TO EXAMINE FINANCIAL STABILITY

The New Jersey Casino Control Commission last month released grim second-quarter and year-to-date results for Atlantic City operators. The performance was less than spectacular, as Atlantic City continues to be trampled by the economy, regional competition and smoking restrictions. Credit markets are basically frozen. Investor confidence in Atlantic City’s future has been fundamentally damaged despite offering the second-lowest effective gaming tax rate in the United States.

One of the dreariest metrics in the year-to-date financial results was those of the Atlantic City Hilton and its sister property, Resorts Casino Hotel. Resorts for the first six months of the year reported a negative gross operating profit of \$6.7 million, which was better than the Hilton’s negative GOP of \$9.0 million. Such results surely will not inspire additional confidence from the investment community about Atlantic City’s prospects.

The staff and management of these two properties are working diligently to identify market niches, tweak strategies, cut costs and do whatever else needs to be done to ride out this brutal period. Working against such efforts, however, are drawbacks that are difficult to surmount, ranging from small size, which prohibits economies of scale, to aging physical plants.

*see ATLANTIC CITY on page 8*

## Global online GGR estimates, projections for licensed jurisdictions



SOURCE: H2 GAMBLING CAPITAL

## National update ...

FORCES COALESCE TO WHITTLE AWAY INTERNET GAMBLING BAN

Opponents of the U.S. ban on Internet gambling, rather than simply fading away, appear to be making progress in Congress toward a repeal of that ban — even if the pace is at glacial speed.

With Congress focused on the health-care debate, any significant action on Internet gambling legislation seems unlikely this year. But the House Financial Services Committee, led by chairman **Barney Frank**, a Massachusetts Democrat, who is an implacable opponent of the ban, is still hoping to conduct a hearing this fall on his bill to legalize and regulate online wagering.

And after years of being confined to the

House, efforts against the ban finally spread to the Senate last October, when Senator **Bob Menendez**, a New Jersey Democrat, introduced a bill that would exempt online poker and other games “of skill” from the 2006 prohibition. Menendez re-introduced the bill last month.

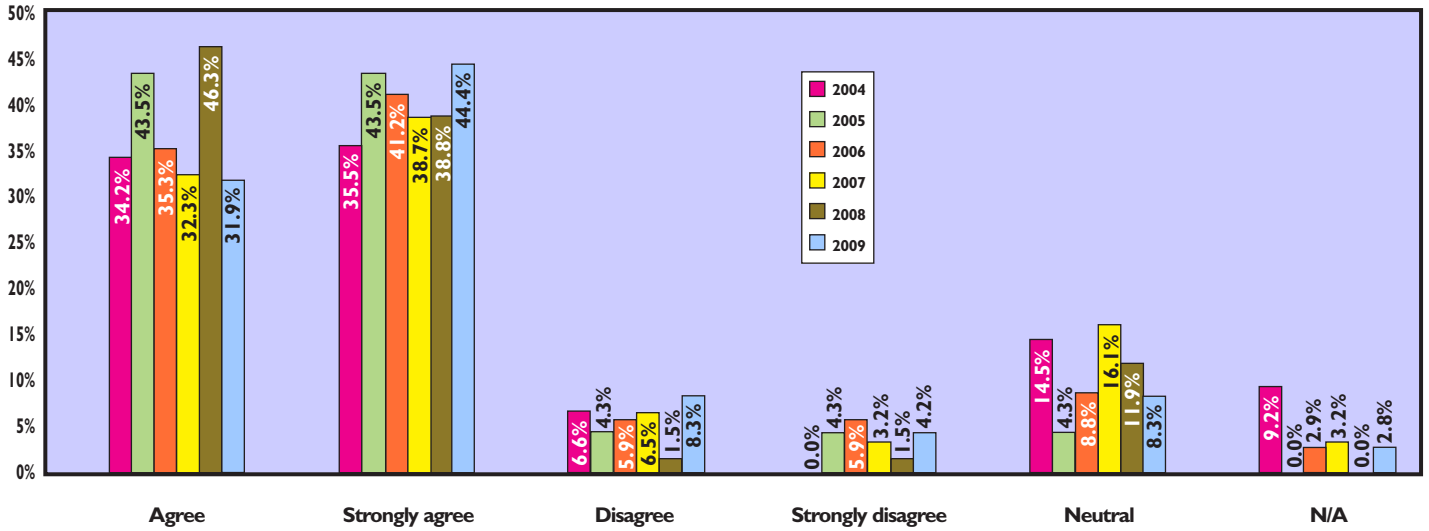
Menendez supports the taxation of Internet gambling, saying it could raise \$3 billion annually for the federal treasury during these difficult economic times.

The three-year-old ban has had little effect in halting the exponential growth of Internet gambling. There are 2,272 online wagering sites, according to online gaming portal Casino City. “While there may have been a drop-off among U.S. gamblers, the increase in European gamblers has more than offset that,” said **Vin Narayan**, managing editor of Casino City. “And the U.S. is still playing.”

*see NATIONAL on page 7*

# Results of the 9th annual Bristol Associates/Gaming Industry Observer Executive Satisfaction Survey

*View from general managers: My company is working hard to keep its quality employees satisfied*

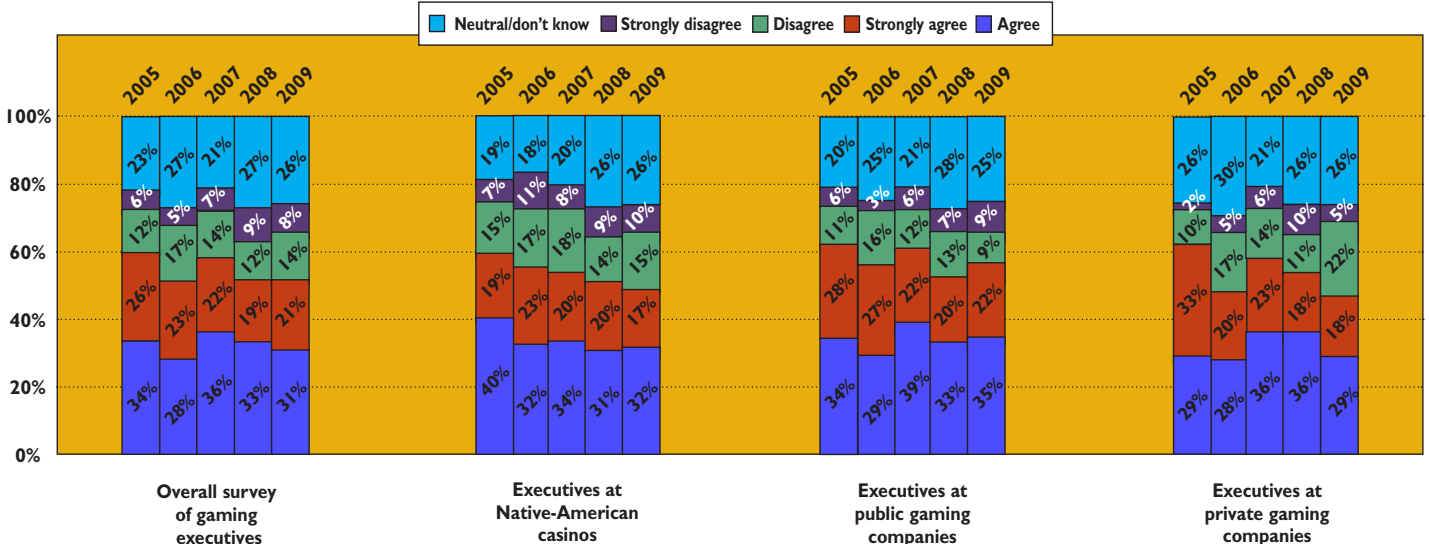


*Please rate the importance of each of these on a scale of 1-5, with 5 as most important\**

	COMPENSATION BASE	COMPENSATION BONUS	COMPENSATION STOCK, GRANTS AND OPTIONS	RECOGNITION FOR A JOB WELL DONE	LOCATION	JOB SECURITY	CAREER GROWTH	RELATIONSHIP WITH IMMEDIATE SUPERVISOR	RELATIONSHIP WITH CO-WORKERS	CORPORATE CULTURE
2005	4.18	3.83	3.45	4.11	3.82	4.15	4.15	4.38	4.12	4.00
2006	4.23	3.92	3.49	4.05	3.84	4.26	4.15	4.39	4.06	3.95
2007	4.21	3.91	3.61	4.00	3.75	4.16	4.07	4.22	4.06	4.00
2008	4.17	3.72	3.30	3.97	3.87	4.25	4.10	4.23	4.02	3.95
2009	4.24	3.68	3.13	4.09	3.87	4.37	4.02	4.22	4.09	3.98
Avg.	4.21	3.81	3.40	4.04	3.83	4.24	4.10	4.29	4.07	3.98

\*Results from previous years have been adapted to conform to 2009 methodology.

*"My company is working hard to keep me satisfied"*



## Kansas update ...

TAX RATE, CREDIT CRUNCH  
TAKING MAJOR BITES  
OUT OF STATE'S CASINO PLAN

**H**as the fledgling casino industry in Kansas finally quit shrinking?

Shaped by lawmakers in 2007 as a four-casino/three-racino marketplace, would-be Kansas venues have been falling by the wayside for almost two years, most notably due to the state's 60 percent racino tax bite. The tribal Quapaw casino that popped out of the ground and opened in 10 months on the Oklahoma border of the state's southeast casino zone has since chased off all Kansas bidders there.

Gambling in the Sunflower State is now poised to become just three casinos — two of them too small and/or distant to strike fiscal fear in the hearts of regional operators in Kansas City, metro Omaha or Oklahoma. The third casino, slated for the Kansas suburbs of Kansas City, MO, won't even be that market's largest gambling joint. And it can start bracing for a costly comps fight to compete with the likes of Harrah's and Ameristar.

Almost all of the industry's usual development suspects have eschewed Kansas. Before the credit meltdown of '08, the process attracted blue-ribbon bidders like MGM Mirage, Las Vegas Sands and Harrah's Entertainment. This year there are a mere handful of applicants in the ongoing selection process, including cash-heavy Penn National Gaming in the Kansas City market (which may be acting partly in self-defense of its Argosy casino on the Missouri side) and expansionist Foxwoods Development, near Wichita.

Not surprisingly, the Mashantucket Pequot Nation has quietly shed all of its once-100-percent equity interest in the Foxwoods project, but will stay on in the role of management consultant. In its place, affiliates of private-equity players Och-Ziff Capital Management Group of New York and Toronto-based Clairvest Group have vacuumed up a combined 83 percent of the project's equity. The remaining 17 percent is to be held by **Lyle Berman's** Lakes Entertainment, which folded its own Kansas bid to become a minority partner.

And a modest project it will be. The new owners pledge to meet the state's minimum capital expenditure requirement of \$225 million — by the project's 12<sup>th</sup> year.

Meanwhile, Butler National's \$88 million Boot Hill Casino in Dodge City is quietly on schedule for a December opening. It will be the first state-owned casino to open. ■

S U R V E Y  
c o n t i n u e d f r o m p a g e 1

p. 3. Even public companies — the ones that, in good times, would be positioned to issue those stock options — receive high marks in this important measure of satisfaction.

Still, we also note that general managers — who comprise about 13 percent of our survey — are exhibiting new levels of pessimism about their employers. Every year, we track the views of GMs on how they view their employers' efforts to maintain the satisfaction of "quality employees."

This year, 8.3 percent disagree with the statement that their "company is working hard to keep its quality employees satisfied," a new level of disagreement, while 4.2 percent "strongly disagree" — again a new level of discord among a group that usually warbles praise to its employer.

Skeptics would say that more GMs have simply stopped drinking the corporate Kool-Aid, but there is more to it than that. Note, for example, that the number of GMs who "strongly agree" with that statement has increased as well. We suggest that this demonstrates that general managers are simply growing more discerning and critical of personnel policies. They are no longer as willing to be cheerleaders, unless such cheering is justified.

In difficult times, employee morale can be a palpable factor that affects every aspect of a casino operation, from unionization efforts to customer satisfaction. General managers clearly recognize this relationship, and are evolving into cheerleaders for effective human resources policies, not simply for whatever policy they are asked to implement.

**Jim Bright**, president of Bristol Associates, the Los Angeles-based executive search firm, has 34 years of experience as a recruiter, including almost 20 in the gaming industry. Bright notes that employers are sometimes reaping the benefit of the tough economic environment in at least two ways. First, turnover may actually be decreasing. People who are employed need a substantive reason to make a change. It is the "devil you know versus the devil you don't know" theory.

Second, employers are able to hire candidates who would previously be deemed overqualified and not interested in the position at hand. Those people who are without a job are more flexible than ever in terms of what they will accept.

As an example, multi-property and corporate positions have been the target of cutbacks. Individuals with this experience are now more willing to go to property level positions and, oftentimes, at a substantial cut in pay compared to what they have been earning. This process continues on down the line with vice presidents considering directors positions and directors available for manager positions.

While there are certain positions that are difficult to fill, it is generally a buyer's marketplace; that is, more controlled by the employer at this time.

### METHODOLOGY

The survey was conducted via the Internet. The total number of responses collected was 547, representing a sampling of industry executives from across North America. This is the largest response rate in the nine years we have been conducting this survey, and the respondents are diverse in terms of geography, executive responsibilities, years of experience and other meaningful criteria. The number of responses increased by 26 over the previous year.

The survey was posted on [www.bristolassoc.com](http://www.bristolassoc.com), the website of Bristol Associates, as well as on our website, [www.gamingobserver.com](http://www.gamingobserver.com). The responses were collected over several weeks in the spring and summer. We publicized the survey in a press release and through e-mail, largely to inform and encourage executives to participate. The survey collected data designed to ensure, among other things, that the individuals who participated were indeed employed in the casino industry and that no one responded to the survey more than once. At the same time, however, we did not ask questions that could identify respondents by gender, age or other criteria that could be useful in a pure analysis — but would be perceived as potentially discriminatory in hiring.

(This analysis will continue in coming issues. Subscribers who need more information can contact *Gaming Industry Observer* at 609-926-5100 or Bristol Associates at 310-670-0525.) ■

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