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Editor in Chief:

David D. Waddell, Esq.
Phone: 517.507.3859
waddell@rmclegal.com

Senior Gaming Analyst & Editor:

Robert R. Russell, II
Phone: 517.507.3858
russell@rmclegal.com

Reporter

Douglas L. Minke
Phone: 313.221.9380
minke@rmclegal.com

Reporter

Blaine R. DeGracia
Phone: 517.507.3857
degracia@rmclegal.com

Subscription information:
info@michigangaming.com

A publication of
RMC Ventures, LLC

University Place Center
333 Albert Ave, Suite 450
East Lansing, MI 48823
Phone: 517.507.3860
Fax: 517.908.0235
www.rmclegal.com

The MICHIGAN GAMING Newsletter



INTERVIEW WITH MICHIGAN TOURISM EXPERT DR. DONALD HOLECEK



Dr. Donald Holecek is a Michigan tourism industry expert and Professor and Director of the Michigan Travel, Tourism and Recreation Resource Center at Michigan State University. Dr. Holecek met with *Michigan Gaming Newsletter* reporter Blaine DeGracia to discuss the current state of Michigan's tourism industry.

MI Gaming: *What are some of the steps necessary for Michigan to become a top destination?*

Dr. Holecek: We supported the Michigan tourism industry to develop its "Michigan Tourism Strategic Plan – 2007-2011" which was presented at the industry's annual conference in Traverse City in early 2007. That plan includes four "getting organized" and four "product delivery" objectives. Their plan is comprehensive and integrated. It is important to pursue all objectives together since one builds on the other. The plan summary numbers several pages and the full document is considerably more extensive, so I'll focus my remarks here on only a few elements that I deem especially critical. But first I want to make some contextual remarks.

I believe that, for the industry to achieve its full potential as an engine for sustainable economic growth, there is a need, both within and outside the industry, for a revolutionary change in how the industry is perceived in relation to other industries, especially the auto/manufacturing industry. Traditionally, and for many sound but increasingly out-dated reasons,

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Michigan's tourism industry has been perceived internally and externally as of secondary importance to the Michigan economy and as one whose fortune is tied to other industries, especially the auto/manufacturing industry. The latter has been in decline for more than a decade as a generator of "high quality-high paying" jobs, and there is little reason to believe that it will ever return to the "glory years" of the past. Yet, despite this reality, creating jobs in auto/manufacturing continues to dominate in economic development conversations. The tourism industry itself also remains largely wedded to the belief that it will be able to rely on the return of booming big three car sales to fuel its future growth. The world has obviously changed and with it how tourism is viewed must change. Rather than being a secondary, dependent player in economic development, tourism needs to be viewed as an economic growth engine and a key to a more diversified and stable Michigan economy. Jules Vern is often credited with saying "what man can see; man can do." Until we in Michigan "can see" tourism as a leading Michigan industry, making it one will remain elusive.

In addition to seeing tourism differently than in the past, there are four elements in the industry's strategic plan that I deem especially critical. First, there is a pressing need for sound, independent, research-based information about the industry to guide investment and policy decisions. Without timely and reliable information, the industry is essentially "flying blind" into the future. Second, it will be necessary to stimulate investment in new and/or improved product. Budget reductions have led to declines in the conditions of our highways, state parks and other public tourism assets. Outside of the casino industry, private sector tourism investments have not kept pace with the competition. In essence, we have been "mining" existing assets rather than expanding our product offering the last several years. Third, tourism is a service industry dependent upon the quality of service provided by its employees including owners/managers, leaders of destination management organizations, and a wide range of personnel that directly and indirectly service the traveling public. Delivering quality service will require investment in their education and training. Finally, it is especially important in the near term to continue a substantive investment in promoting

the state as a tourism destination while developing a longer term, more reliable means to fund the industry's promotion programs. This is the one objective in the industry's strategic plan that has garnered the most attention, but meeting it is an especially vexing problem in the current economic climate. While solving it is certainly important, focusing exclusively on promotion funding will not ensure that Michigan will achieve top destination status into the future. Marketing theory and practice has long since debunked "selling what one has to offer" as a successful long term marketing strategy.

***MI Gaming:** What are some of the unique possibilities that the state of Michigan can offer in terms of travel and tourism experiences?*

Dr. Holecek: My response to this question can only scratch the surface since there is such a multitude of possibilities that merit mentioning. Yet, one class of experiences would certainly top most experts lists of unique Michigan leisure opportunities. That class of possibilities is Michigan's exceptional endowment of natural resource attractions ranging from the remote and largely undeveloped such as Isle Royale National Park to the more developed area around the Mackinaw Straits area. Michigan's fresh water water resources are among the most outstanding anywhere in the world. Michigan offers tourists over 3000 miles of Great Lakes shoreline, hundreds of inland lakes and many miles of rivers and streams to anglers, boaters and other water based-recreation enthusiasts. And, in comparison to other venues, Michigan's water resources are of higher quality and less crowded. Where else in the world can one drive for miles as they can along US-2 in the UP along miles of beautiful sandy Lake Michigan without a person in sight? But, our endowment of natural resources also includes a vast acreage of public lands, mostly heavily forested, that offer an abundance of world class opportunities to hunters, trail users, wildlife observers, campers, etc., again in high quality and uncrowded settings.

Michigan's tourism resources extend far beyond those that would appeal to the outdoor enthusiast. Just to mention a few, there are cultural/historical

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attractions such as the Henry Ford Museum and Greenfield Village and the Detroit Institute of Arts in southeast Michigan, the Bavarian themed attractions in Frankenmuth, major festivals that often feature the state's diverse agricultural products, and concentrations of wineries in southwest and northwest Michigan. And, of course, almost anywhere one travels in Michigan there is ready access to quality gaming venues when one tires of enjoying outdoor and indoor activities.

To sum up Michigan as a tourist destination, I would say that this state's diversity of things to do and see year around, in relatively uncrowded and safe surroundings, at a range of prices that most households can afford, makes this state a unique tourist destination.

MI Gaming: *How has the recent establishment of three, state-regulated casinos in Detroit affected that state's tourism industry?*

Dr. Holecek: The short answer to this question is that the three casinos have enhanced the Detroit area's tourism product offering, making the area more appealing to both leisure and business/conference travelers. They address a weakness that our research over several years in Michigan's prime market area has identified in how travelers perceive a range of attributes critical to the image of any travel destination. That area of weakness is the state's "night life" opportunities. Although the results of that regional market survey as well as a survey we conducted of Detroit's MGM and Motor City casinos shortly after they opened indicate that they and other Michigan casinos account for only 10-20% of respondents "primary reason" for visiting the area, far higher percentages of respondents listing "visiting friends and relatives," "to attend a meeting/conference" and other purposes as their primary reason for their visit, reported that they visited a casino on their trip. My overall reading of these research results is that there is a significant direct impact (i.e., primary reason to visit) of the Detroit casinos in generating traffic to the Detroit area, but their greater impact is indirect. Their indirect impact comes through their positive influence on peoples' decisions to visit relatives in Detroit rather than, for example, Chicago or in

influencing meeting/conference planners' choice of Detroit over other venues being considered. Now that lodging and other amenities are available at the Detroit casinos, they are surely directly generating more travel to Detroit than we measured in our research. I'll close here by observing that there is a need for more investment in sound, longitudinal research to track casinos impacts on the communities they serve. I believe that such an investment in research is necessary and useful both to the gaming industry as well as to framing sound public policy related to this industry.

MI Gaming: *Do you have any suggestions for industry members who are looking to stay competitive despite lean economic circumstances?*

Dr. Holecek: While there are signs that that slide in the economy is over, unemployment tends to continue to decline for six or more months after most other economic indicators have returned to a growth mode. A jobs recovery will take longer here in Michigan and much of the rest of the manufacturing dependent "rust belt" region which, unfortunately, have been the primary sources of Michigan's tourists. While Federal economic stimulus monies and the state's Pure Michigan promotion program will mitigate faltering demand for travel, they won't be enough to offset the major forces behind consumers' reluctance to spend and penchant to reduce debt and increase savings. Thus, simply waiting for consumer demand for travel to return to healthy growth is likely to be a long wait and a failed business strategy.

Tourism businesses, however, can take actions that will help to cope with the soft market they will likely be facing for the next couple years. First, and most importantly, they should intensify their efforts to attract their past customers. They are always a business's best future prospects, but they may need some form of incentive to remain a loyal customer given their current reluctance to spend and the intense competition for their travel dollars. Second, economic conditions are bad all over but not as bad in many areas as they are in Michigan and in much of our tourism industry's

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traditional prime market region. Recovery will be quicker and stronger outside of this region as well. Michigan tourism businesses need to target more of their marketing efforts to regions with healthier economies with better growth prospects. Third, collaboration among individual business and destination marketing organizations is more important now than ever before to assemble the marketing dollars necessary to penetrate more distant markets. Collaboration can also be used in other ways such as creating travel product packages that are increasingly popular in today's soft market, and in addressing mutual needs that otherwise can not be met by a stand alone organization. Fourth, as Wal-Mart's success in this economic recession demonstrates, customers are spending but at discount stores rather than upscale businesses. Clearly, it is critical for Michigan tourism businesses to meet customers' demand for discounted products and communicate the exceptional value associated with a Michigan vacation. Fifth, it is amply evident that travelers' trip planning horizons are shorter and that they are relying more and more on new electronic media such as the internet, Facebook, etc. in planning their trips. The good news in these trends is that even small businesses can gain the attention of customer prospects anywhere in the world at a modest cost. The bad news is that the industry confronts a widening array of options to master to exploit these new marketing tools. Finally, the industry needs to communicate the message that it is ok to take a pleasure trip in these trying economic times. Phrases come to mind like: "life is short," "the kids are only young for awhile," and "you need a break today." The latter has been a theme in Las Vegas in recent months.

MI Gaming: *Do you foresee the Federal bailout having a substantial beneficial effect on Michigan's tourism industry and, if so, how?*

Dr. Holecek: The basic goal of the Federal bailout program was to prevent the U.S. economy from sliding into a full scale depression, stabilizing it long enough for our competitive private sector economy to begin to grow again. It appears to be working, which is ultimately most critical to the near term future of Michigan's tourism industry. Once a lot of time has passed, we may be able to better assess its effectiveness,

but economists will surely differ in their views of whether it was in the long term interests of the economy. Managing and assessing performance of the macro economy isn't an exact science.

The Federal bailout of two of the big three is certainly the most important to the Michigan economy and the tourism industry. We would surely be worse off without it in the short run. Economic stimulus funds destined for the state will also be of some help however they are ultimately allocated. They will provide income and the means to travel for some residents directly and others as they ripple across the economy. Of most immediate importance to the tourism industry is funding for the state's Pure Michigan advertising campaign. Federal monies can be expected to directly or indirectly enhance the potential for the state to remain materially engaged in what has proven to be a successful effort to stimulate tourism demand. Beyond these near term positive impacts, Federal funds invested in infrastructure projects, such as highways will be of lasting benefit to Michigan's tourism industry.

MI Gaming: *How successful has the industry and the Michigan government been in implementing a strategic plan for increasing Michigan's tourism revenue?*

Dr. Holecek: As noted earlier, the industry and relevant state agencies created a strategic plan released in 2007. The challenge of developing such a comprehensive plan is evident in the fact that none existed earlier and few states have such a plan. So, the crucial first hurdle has been successfully cleared. Implementing the ambitious goals in the plan would have been a challenge in a robust economic environment; implementing them now is even more difficult. Also, as noted earlier, the industry has been successful in maintaining a well funded Pure Michigan advertising campaign, despite the state's budget problems, and it has mounted efforts to find a more stable mechanism to support a viable promotion program. The progress being made toward achieving the other goals in the plan is not as obvious, although committees have been formed to work on them. The remaining goals will

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be more difficult for the industry to accomplish because they will generally entail more direct participation and collaboration than garnering funding for the state's promotion campaign. Members of the industry don't have a strong history of marshalling resources to address cross industry needs nor is there an abundance of recognized leaders available to coordinate such efforts. This is the case in most other states which illustrates the difficulty our industry is confronting as it attempts to implement its strategic plan. However, imagine the advantage Michigan will have if it successfully implements the majority of the goals in its strategic plan? It isn't as challenging to match or even beat what other states spend on their promotion programs; fully implementing the Michigan industry's strategic plan can not be easily duplicated. Success will distance it from its competitors for years into the future.

MI Gaming: *What are the most important factors for the industry to consider in order to create growth in the state's tourism industry?*

Dr. Holecek: I have mentioned many important factors in responses to earlier questions including:

- a. adequate funding for promotion
- b. generating investment in product and infrastructure
- c. becoming more engaged in collaboration
- d. enhancing human resources through education and training
- e. supporting perceptions of the industry as an economic growth engine
- g. and, fully implementing the industry's strategic plan

I haven't discussed how the industry should "organize" itself to accomplish its objectives. How well it accomplishes this will largely determine whether it controls its destiny or outside forces determine it. Let's begin with state government. Currently there is no Michigan Department of Tourism. Several existing

departments are materially engaged in tourism, although some may not fully recognize their influence. To my knowledge, all efforts to coordinate activities across departments has been informal and sporadic. Like most organizations, most state departments are associated with a "silo" mentality. Building bridges between these "silos" is difficult but necessary for state government to effectively meet the tourism industry's needs. Tourism is more dependent on state government for a global vision of its needs and potential and for leadership and program coordination than many industries which are less diverse and inherently easier to organize.

But, the primary responsibility for managing its affairs must reside with the industry itself. Organizing it is even more of a challenge because there are many more "silos" to bridge and no executive (i.e., governor) to stimulate bridge building across them. I am encouraged by the progress the industry has made toward becoming more organized and collaborative in recent years, largely due to a handful of visionary leaders. However, a critical mass of such leaders hasn't been achieved, and the loss of one or two current industry star leaders would be a serious setback. One problem with developing more of them is that they are employees of organizations whose supervisors/boards of directors don't encourage them to venture far from their organizations' narrow "turf." It is asking a lot for individual firms, destination marketing organizations, and other organizations to become more supportive of their employees who have the potential to be effective leaders and visionaries for the broader industry. They must be able to perceive that their "boat" doesn't only rise because of what their employees accomplish in their particular organization's "silo," but also because of what their employees contribute to the overall industry when they build bridges across "silos" which raise everyone's boat.

Should you have any questions for Dr. Holecek please contact him at dholecek@msu.edu.