

Don't bet on it: A successful casino in Augusta would be a long shot

Written by Administrator

Saturday, 26 November 2016 21:26 -

Because the state of Georgia and the Augusta Commission are considering casinos in our area, I think it is important to look at what has happened in other casino markets – not just from a moral perspective, but also from an economic perspective.

I have worked in management for two casino companies – which may seem odd, having spent most of my life in Memphis, Tenn. I had the Sam's Town Casino advertising account when gaming first came to Tunica, Miss. Then Harrah's Entertainment (a Fortune 500 company headquartered in Memphis and now named Caesar's) offered me its marketing director's job when they secured the management contract for Harrah's Cherokee Casino in North Carolina.

That doesn't make me a casino expert, but I probably have more experience from the inside than most Augustans.

Of the two markets I worked in, one is thriving and the other isn't. My experience parallels what research predicts for new casino markets.

Two pieces of academic research have identified two fundamental conditions that must be met for a casino to make a positive impact in the area in which it is located. Both were articles published in a special, and now classic, issue of *The Annals of the American Academy of Political and Social Sciences*. It was published in 1998, a time when Native American and riverboat casinos were proliferating. The authors' results have been replicated often by other researchers since then.

The first condition came from research by William Eadington. He found communities that can attract a high proportion of their customers from outside the region in which the casino operates also can create spin-off economic growth benefits. In effect, they import gaming revenue from residents of other regions, as opposed to having area residents generate the gaming proceeds.

When local residents are the major contributors to the casino, it usually means that dollars spent in the casino are dollars that were already being spent in the area, but spent differently. In that instance, the area's revenue pie is not made larger; it is merely sliced into thinner pieces.

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The second condition for success grew from an impact analysis of casino markets at the state and local levels by Richard Gazel. For his model, Dr. Gazel estimated both the direct and indirect positive and negative economic impacts.

The net impact of a casino on the local economy was derived by subtracting the negative impacts (such as problem gambling and crime) from the positive ones (increased taxes and development). The bottom line of his research: Monopoly and oligopoly market structures fare much better in terms of positive economic impact than do markets with competing casinos. Subsequent researchers found it is not only important for a casino to have a monopoly market, but it also needs large feeder markets nearby.

I witnessed these two scenarios. Sam's Town did not have a monopoly. It was one of a dozen casinos in Tunica, Miss. Although Memphis was only 30 minutes away, it was the only major market within a three-hour drive. Neither Memphis nor Tunica are large tourism markets. Casinos in Tunica are closing.

On the flip side, Harrah's Cherokee Casino is doing so well that its owners, the Eastern Band of Cherokee Indians, recently opened a second casino in nearby Murphy, N.C.

The difference between Tunica and Cherokee: Located at the North Carolina entrance to the Great Smoky Mountains National Park, Cherokee already was a tourist destination. The casino had no competition within 500 miles, and within that distance are large markets such as Charlotte and Atlanta.

It is reported that the Georgia gambling bill currently under consideration divides the state into regions. Augusta, Atlanta and Savannah are slated for possible casinos. Augusta would be a considered a regional casino, with Atlanta and Savannah targeted as destination markets.

While Augusta has a growing tourism market, it may be difficult to attract a high proportion of our casino customers from outside the region, especially if there are two destination casinos within a couple hours' drive.

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I could be wrong, but from my casino marketing experience and from the academic research included here, I think the odds of a positive impact from a casino in Augusta are a long shot.

Am I an expert? No. But I can tell you the only games where you can (rarely) turn \$5 into a fortune are with slots or craps; the best odds are on roulette; and if you are lucky enough to double your money, get up and leave because the house eventually will win.

(The writer is an associate professor in the Hull College of Business at Augusta University, where she teaches courses in marketing and hospitality.)

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