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trekking

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perspectives from las vegas

In late March, I was in Las Vegas for a series of meetings and conferences around exit strategy planning for business owners. I had not visited Las Vegas in twenty years, and the changes in the cityscape were visible all up and down the Strip and Flamingo Boulevard. The Bellagio has its fabulous water show at night. The hotel Paris has its reproductions of the Eiffel Tower, a French café restaurant, and the Arc de Triomphe. The Venetian has reproductions of Italian art and architecture everywhere. Plus the shopping and dining experiences have been elevated to a much higher level over the past two decades.

The problem? In this Great Recession, traffic to Las Vegas is down over fifty percent. Room rates in Las Vegas are down fifty-four percent from last year. One cab driver told us the reason that many people are there is because of the aggressive discounting being offered—so the people paying full price do not feel like they're in a ghost town. Companies have cancelled events in Las Vegas because it sends the wrong message of conspicuous consumption during a time of reduced spending and higher unemployment. Many of the events taking place in Las Vegas today were scheduled before the economic meltdown last fall, and even they have reduced attendance.

Las Vegas is also a glaring example of the economic woes that commercial lenders are experiencing. Big real estate development projects are on hold, oftentimes left with an empty construction trailer, some equipment laying idle nearby, and a big hole in the ground—such as the ambitious MGM-financed City Center. Shopping centers have lost anchor tenants, causing the smaller tenants to ask for rent reductions. When the value of the mall drops because of declining cash flows, the lenders have to reduce the asset value on their books.

Nevada (along with Arizona, California and Florida) was one of the states where irresponsible mortgage lending has led to high rates of foreclosures, abandonment of residential housing projects and bank troubles. Housing was a big driver for growth in these states and is now a big drag.

So even though my visit corresponded to the first weekend of the NCAA basketball tournament (March Madness), the excitement generated by the tournament was subdued. March Madness is the second biggest sports gambling event in Las Vegas after the Super Bowl, and these numbers were down as well.

Las Vegas is at the difficult end of the boom and bust cycle, having risen so high with housing and plentiful disposable income. It will take longer to recover the activity level which created so many jobs and opportunities in the past two decades.

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a different approach

At some point, things will turn around in the economy. Americans are by nature optimistic. Leaders, including business owners and corporate executives, will become the drivers of economic recovery. Once we see the bottom, business owners and corporate leaders will need to show a little love to the employees who sacrificed bonuses, 401K matches, and pay raises to help the companies survive.

A trip to Las Vegas may not be the ideal way to express appreciation to the workers who helped get the company through this difficult period in our country's history. However, owners should look at an event or outing as a way to demonstrate gratitude to those who have performed above and beyond in these tough times. Your company's event organizer will certainly have leverage to arrange this at inexpensive prices, given the slowdown of business in this sector.

Holding this kind of event also gives you the opportunity to share your corporate strategy and vision, as well as the opportunity to do a little self-examination about your company—and make sure that you get input from your customers, suppliers and industry experts as part of the process. If done right, this kind of exercise can give thanks to your people and get the team focused on the company's short-term and longer-term goals.

reading list

Birthright: Murder, Greed, and Power in the U-Haul Family Dynasty

By Ronald J. Watkins

With my increased involvement in exit strategy planning for business owners, I have been reading more and more books about closely held companies. I just finished one called Birthright: Murder, Greed, and Power in the U-Haul Family Dynasty.

If you enjoy reading about dysfunctional families, self-delusional owners, irresponsible heirs to corporate dynasties and the frustration of unsolved murders, this book is for you.



announcements

This is Trekking issue #60, marking five years of sharing insights with you. Thank you for reading.

The Exit Planning Exchange (XPX) Summit on March 17 at Babson College was a huge success. Over 100 professionals attended who are associated with exit strategy planning for business owners. We had three excellent keynote speakers and nine breakout sessions all focused on the topic.

The next XPX event is on Tuesday, April 28 at the offices of Gesmer Updegrave, 40 Broad Street in Boston. This will be the second session of the XPX Gesmer Updegrave Forum for Entrepreneur-Advisor Collaboration series. The April 28 forum is entitled “- Adversity’s Opportunity: Thriving as Today’s Indispensable Advisor.” The first event in January sold out at 70 attendees and every seat was filled. THIS EVENT IS SOLD-OUT.

If you’d like to be on the XPX mailing list for future events, please send your e-mail address to Cheryl@exitplanningexchange.com.

about trek consulting

Trek works with owner-managed businesses to develop action plans for growth. Trek also works with the owners to prepare for their successful exit by coordinating the resources necessary to increase and preserve the firm’s value, creating the succession plan and assembling the right transaction team, financing and post-transaction plan.

Our clients report improved market focus, greater revenues, better margins and increased profits. To learn more about Trek Consulting and how we can help you improve your company’s results, visit us on the web at www.trekconsulting.com or call us at 781.729.1008.