



## How To Hire A Consultant

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**W**atching the economic breakdown occurring in our country, I can't help but observe that a big part of the cause is the drop in our ethical standards as a society.

From Wall Street to Washington, what used to pass as a little spinning and viewpoints that we could take with a grain of salt have become outright lying and fabrication in pursuit of greed. We often don't know whom to believe or trust.

Sadly, unethical business practices are not limited to Washington and Wall Street. They have trickled down to Main Street, and the world of family entertainment is not immune. In the course of my consulting work, I hear many horror stories from business owners who have been poorly served by ineffective or downright corrupt consultants. We also hear from the supplier community with reports of consultants threatening or otherwise pressuring suppliers for leads to outright demands for kickbacks.

As a former operator and chain executive (who has retained many consultants over the years) and present consultant, I like to think I'm in a unique position to advise on how to hire a consultant. The main objective is to ensure your consultant is doing the best job for you — not

for themselves. Here are a few things to consider in screening and selecting potential consultants:

**Fair Compensation:** The consultant is entitled to be paid a fair price for his or her time and the value that he or she delivers to your business. This should be determined up front. You then have a right to expect that the consultant will do everything in his power to get you the best deals. Beware of selection based solely on the lowest bidder; you may wind up paying for it in the long run.

**Ethics:** There are horror stories, heard more frequently than you might expect, of consultants who receive kickbacks from vendors (they call them commissions, but in this context they are kickbacks). If there is room for kickbacks/commissions in a transaction, then there is room for a better deal for the client.

Ask your consultant for a copy of his ethics policy in writing. You might also ask the key suppliers recommended by your consultant if there are any side deals, direct or indirect. An example of indirect deals might be sponsorship payments for the consultant's website or side business, or perhaps payments into a consultant's marketing fund.

Whether straight cash

from supplier to consultant or the payment of other expenses, the result is the same. The consultant has profited as a result of the relationship between his client and the vendor; to add insult to injury, the client paid the consultant a fee to create that relationship.

Is this always an ethical lapse? Maybe not always, but the key would be disclosure. We do operate within a relatively small industry world; consultants and other suppliers certainly have their relationships based on shared values, experience, comfort level and results working together. If the collaboration and referral is based on what is good for the client and doesn't involve value between supplier and consultant, with full disclosure by consultant of client options, then there is no ethics issue. It's possible that there could be a client who prefers a lower fee, knowing that the consultant may receive commissions or indirect payments on the back end. In these cases, client and consultant can agree to any structure they want as long as both parties understand the details.

**Feasibility:** A few years back, the small city I lived in commissioned a feasibility study for a new police headquarters. They selected an

architectural firm to do the feasibility and the initial design on which the feasibility would be based. They also allowed the same architectural firm to bid for design and construction management depending on the results of the feasibility. Huh? You don't have to be a rocket scientist to see the conflict of interest there. You can probably guess what happened: the feasibility came back with the strong opinion that yes, indeed, the town very much needed a new police headquarters, and it should be much larger than the present space with even more space to allow for future growth, not to mention better furniture and fixtures. The architectural firm also got the job to build this building. Predictably the whole thing came in much higher than budgeted, and the taxpayers' chances of breaking even were greatly reduced. Oh, yes, the architectural firm had a much better year that year, thanks to me and my fellow citizens.

Again, we only have to look at Wall Street and Washington to see that conflicts of interest do matter. Don't use the same consulting firm for feasibility and the design and operational consulting; it eliminates conflicts.

**Experience:** The world of family entertainment centers is becoming more diverse. The FEC is an assemblage of different entertainment forms on one property. This concept has evolved to the point where FECs are very diverse

today. A few elements like games and redemption are universal. Anchor attractions, however, differ widely and include major restaurants, bowling centers, skating centers, retail, rides, miniature golf and laser tag. Today's centers often offer several anchor attractions in one, not to mention large components of birthday parties and group sales. There are very few consultants who are experts in all of these areas based on any direct operating experience.

Facility developers should look very carefully at the backgrounds of their consultants and understand what their track record and level of exposure are to the various elements that may go into your concept. Manufacturers, distributors and other vendors can bring their unique perspective and advice. They know their business very well. They don't, however, know their customers' business all that well. Even within sectors there are key differences. Take game operators as an example. The industry has always had two camps: the street operator and the arcade operator. For decades now, the street operator's inventory has been video, pool and music dominant. The arcade operator has been redemption dominant. In today's FEC game rooms, redemption is an art and a science, and experience counts. Some street operators realized this years ago, but many others are coming late to the table and just don't have

the deep roots in redemption. With adequate homework and the right advice, a new FEC developer can select the right team for the job.

**Fact Check:** Any FEC today will be a major investment. Any major investment should be subject to rigorous due diligence. Selecting a consultant certainly qualifies here. Ask your consultant for references. Then drill beyond those offered. Ask for all clients served in the last year or two. Call them. Check and double check references, and ask others in the industry like suppliers and industry leaders about your consultant candidate. Ask specific questions related to business methods and results. "Would you hire the consultant again?" is a great question to ask.

**Contract Language:** A former U.S. president used to say: "Trust but verify." One way to ensure compliance with the terms and practices that a client and consultant agree upon is to put it in writing. In our consulting contracts, we offer a warranty stating that we are qualified for the job at hand and that we will not derive any financial benefits from third parties without disclosure and client approval:

*Consultant represents and warrants to Client that it has the experience and skill to perform the services required to be performed by Consultant hereunder, and that Consultant shall do so in compliance with all applicable laws, and in the most expeditious and economical manner consistent with the best interests of Client. Consultant warrants that it shall not receive any financial benefit from any third party in connection with Consultant's work on behalf of Client, without first disclosing such benefit, if any, to Client and receiving Client's written approval.*

Like any other slice of the business, amusement and family entertainment center consultants come in all sizes, shapes and quality. There are the good and the bad, the effective and the ineffective, and the ethical and the unethical. The purpose of this article is certainly not to bad mouth amusement consultants. Heck, I am one! However, it is important to identify some of the issues clients and developers should consider when choosing and retaining consultants for their team.

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