EXPLORING THE IMPACT OF GAMBLING VENUES ON LOCAL RETAIL EXPENDITURES

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Overview

Legalized gambling activities have become an increasingly prevalent option within the American consumer's choice set of leisure time activities. For some individuals, gambling activities are viewed as purely recreational pursuits undertaken for entertainment. Others rely on their gaming skills to achieve financial gains, gambling for a wealth motivation. While the prevalence and acceptance of gambling within the United States are growing, research considering the impacts and outcomes of these activities has not kept pace.

The research project described in the following sections was undertaken to explore some of the issues surrounding the impact of legalized gambling operations on retailers located in the communities where the facilities are run. Sponsored by the International Council of Shopping Centers Educational Foundation, the study was conducted over a five-state area where legalized gambling is prevalent. In the study, we examine several of the potential impacts and outcomes of legalized gambling in terms of local retailer businesses and their customers.

■ Introduction

"Gambling is firmly established as an American recreational activity, and its revenue contributions to government entities have been institutionalized" (Rosecrance, 1988).

Gambling in America can be traced to early Indian societies where Indians would wager their possessions in dice sessions. Early American colonists were routinely involved in gambling activities, including lotteries, horse racing, card and dice games (Rosecrance, 1988). However, many early Americans condemned gambling on moral as well as legal grounds. Efforts to reform and repeal the legalization of gambling have continued throughout the last several centuries, yet gambling continues to be institutionalized. In fact, during the last several years, acceptance of gambling appears to be increasing. Patrons of U.S. casinos lost approximately $5.8 billion in 1986 (Seligman, 1987) and $30 billion in 1992 (Fefer, 1993).

As these figures indicate, the gambling industry has been accepted and continues to gain a large share of American consumers' discretionary income. To gain customers in a competitive marketplace, casino operations are spending approximately $68 million in national media and direct mail (Salomon, 1995). Casino operations are expected to have a positive impact on the local economies in which they reside through tax generation, increased tourist opportunities, and increased job opportunities. However, many studies "fail to consider that on both the demand side and the supply side the output and income of a casino complex may be 'standing in the place' of other valuable economic activities. For example, on the demand side casino customers may simultaneously reduce their purchases of other items . . . called a displacement effect" (Persky, 1995).

Economic impact studies regarding the development of a proposed land-based casino in Chicago varied widely regarding the percentage of customers who would support the casino from the local area versus out-of-town visitors. Estimates ranged from 65 to 75% of casino visitors being local customers. Additionally, experts disagreed regarding the amount of revenue generated by local and out-of-town casino visitors.

One study estimated that 51% of the casino's gaming revenue would be generated from within a 35-mile radius of the city, while others expected most of the revenue to be generated from those who would travel further than 75 miles to visit. One conclusion drawn was that any business from existing tourism and local residents would result in a transfer of spending from other businesses to the casino (Madigan and Lang, 1993). Similarly, in a study of the impact of Native American reservation gambling on the local economy, Aasved, Schaefer and Merila

(1995, p. 152) note: "Much of the money lost to casino gambling was also lost to the community. The proportion of casino profits that is eventually returned to the community in the form of employee paychecks and visitor spending for food, lodging, travel expenses, and retail sales is unknown at this time." To date, little is known regarding the economic impact of casino operations on local retail economies.

The purpose of this study is to explore the effects of casino operations on consumers' retail spending patterns. Although proponents of casino development expect positive effects from casino operations in terms of enhanced tourism, tax dollars, and job creation, little empirical research within the academic community has examined this issue. In the following sections, we discuss the implementation and results of an exploratory study which seeks to address this gap in our current knowledge. Specifically, in the following paragraphs we: (1) quantify the percentage of the study population who participate in gambling activities; (2) explore the extent to which personal expenditures on gambling entertainment reduce other entertainment expenditures; and (3) explore the amount of money spent in local retail establishments by out-of-town visitors to casino operations.

■ Literature Review

Consumer Acceptance of Gambling

During most of the twentieth century legalized gambling was limited to Nevada, which legalized casino gambling in 1931. New Hampshire was the first state to permit a lottery in 1964 and Atlantic City casinos opened in 1978. However, state lotteries began to proliferate in 1985, Native American gaming began in 1988 and riverboat casinos were authorized in 1990 (Brock, Newman and Thompson, 1992). Today, the casino industry is becoming increasingly competitive, with different forms of casinos vying for the industry's $16.5 billion in revenue (Underwood, 1995). Riverboat casinos, Native American reservation casino gambling and new land-based casinos in Louisiana account for a substantial portion of the increased competition, which is the result of new support for gambling activities in 26 states, with an additional 13 states contemplating pro-casino legislation (Underwood, 1995).

In 1992, Americans lost $30 billion on legal betting, which includes $11 billion in state lotteries (Fefer, 1993). Further proof of consumer acceptance comes from industry polls which indicate that 53.7% of Americans favor casino gaming, while 51% would support a casino being built in their home town. Additionally, 82% of Americans surveyed agreed that "casino gaming can be a fun night out" (Underwood, 1995). In terms of attendance, casino entertainment is close behind

theme parks with 125 million visits and 146 million visits, respectively. Monetary expenditures on other entertainment options place gambling in the middle of the pack with $34.7 billion in gross revenues, while video, audio, and computer equipment takes first place with $63.5 billion (Vogel, 1994). Despite this apparent popularity, one industry expert suggests that casino gambling has not reached its saturation point and ". . . by the turn of the century you'll see casino gaming within an hour's drive of everyone" (Underwood, 1995).

Involvement in Gambling and Retail Expenditures

Gambling can be defined as "any betting or wagering, for self or others, whether for money or not, no matter how slight or insignificant, where the outcome is uncertain or depends upon chance or skill" (Gamblers Anonymous, 1984, p. 1). Although various theories persist regarding motivations to gamble, economic models assert individuals gamble either for wealth or for entertainment (Eadington, 1987; Walker, 1992a). Gamblers who perceive themselves as professionals and devote greater time to pursue gambling opportunities (as well as depend upon winnings as a source of income) are more likely to experience the wealth motive for gambling (Hayano, 1974). In addition, individuals who are more involved in gambling are likely to be attracted to games which involve an appropriate mix of chance and skill such as horse racing, blackjack, poker and bridge (Walker, 1992b). Further, regular gamblers are committed to winning and consider money lost to be a temporary setback (Walker, 1992a).

Alternatively, many individuals pursue gambling as a form of leisure or entertainment and seek to fulfill needs such as recreation, socialization, exercise of intellectual prowess, or escapism (Rosecrance, 1986). Gambling consumers who seek entertainment tend to enjoy games of pure chance (e.g., lottery tickets, bingo, slot machines) where the gambler has no opportunity to apply skill or to influence the outcome (Walker, 1992b). For example, Hospitality Franchise Systems (HFS) provides marketing expertise to many emerging market casino operations such as Native American reservation and riverboat gambling venues. HFS markets primarily to customers who are within a 200-mile radius of the property and who cannot afford to fly to Las Vegas or Atlantic City. Moreover, they estimate 75% of gaming customers arrive by car, are typically empty-nesters aged 40 to 64 years and earn $35,000 annually. These customers prefer slot machines and video poker, and typically wager a nickel or a quarter a bet (Underwood, 1995).

We predict individuals who are involved in gambling and are motivated to seek wealth will concentrate their expenditures at the gambling operation. If these individuals are drawn from the local retail market area of the casino, they will be more likely to spend less of their entertainment budget in other categories and to concentrate their purchases in gambling. While traveling with the purpose to gamble, these individuals will also spend the majority of their dollars at the casino operation and will not patronize local retail establishments. However, individuals who gamble as a form of entertainment will be more likely to spread their discretionary expenditures across a variety of retailing and entertainment options, spending less of their total entertainment expenditure at the gambling operation. Therefore we hypothesize:

H_{1a}: Individuals who score high in gambling to fulfill wealth motivations are expected to spend more money at gambling operations and less in other retailing operations compared to individuals who score low in wealth motivations.

H_{1b}: Individuals who score high in gambling to fulfill entertainment motivations are expected to spend more money at gambling operations than individuals who exhibit less of this motivation.

Tourism and Gambling

People travel for a variety of purposes and travel is considered to be a form of leisure activity (Shaw and Williams, 1994). Chadwick (1987) discusses four basic purposes of travel: (1) business; (2) visiting friends or relatives; (3) personal business; and (4) pleasure. According to Chadwick, the basic purpose of travel will determine the primary and secondary activities performed by individuals while traveling. For instance, on business trips, attending a convention or visiting a client may be the primary purpose but the individual may also dine out, shop, visit friends or relatives, and engage in sightseeing. Alternatively, individuals who are traveling for pleasure will seek recreation, sightseeing, shopping and dining out as primary activities.

We believe trip purpose categorizations to be relevant to the study of the impact of gambling operations on local retail businesses. Specifically, we expect the purpose of the trip to be related to the amount of time an individual may spend at the gambling operation, as well as the amount of time and money the individual spends in other businesses within the community. Individuals who travel from out-of-town and do not stay with friends or relatives will probably stay overnight in a local hotel or motel. Additionally, these individuals are more likely to patronize local restaurants for their meals. Furthermore, if these individuals are

traveling with other family members, they are more likely to seek other entertainment options in addition to a casino. For example, Las Vegas casinos are marketing packages to families who are seeking family-friendly places to vacation (Spain, 1994). Casino marketers are seeking strategic partnerships that can add value to their offerings. Caesar's World has aligned with Planet Hollywood by placing restaurants in each of its properties and Hilton has teamed with Viacom's Paramount Parks to create a Star Trek virtual reality attraction in Las Vegas. In addition, Six Flags is building Funtricity, a 10-acre mini theme park near a river-boat casino in Mississippi (Underwood, 1995). Therefore we hypothesize:

H_2: Individuals who are traveling with other family members are more likely to seek other entertainment options such as amusement parks, shopping, museums, sports, etc., compared to individuals traveling alone.

■ Methodology

Population and Sample

The population for this study consists of individuals 21 years old or older who reside within the following states: Illinois, Missouri, Indiana, Iowa, and Wisconsin. These states were selected because they are in close proximity to one another and because each offers some type of legal casino or gaming operation. Currently, Illinois has 10 licensed river-boats operating throughout the state. These casinos reported a 1995 all-time high admission rate, with over 24 million participants, representing adjusted gross receipts (gross receipts less winnings paid to wagerers) of $1,178,311,827. This figure represented a 20% increase over the previous year's adjusted gross receipts (Illinois Gaming Board, 1995). The remaining states border Illinois and also offer some type of casino operation. Both Iowa and Indiana offer river boat casinos while Missouri, Iowa, and Wisconsin have legalized Native American Reservation casino gaming. Thus, survey respondents are likely to have visited a local gambling establishment, as well as to have traveled to other gambling venues in neighboring states.

The sample surveyed here was comprised of a random sample of residents from the five states. Working with a national mailing list firm, a total sample of 4,928 individual names was purchased in the form of prepared mailing labels. Half of the names were generated randomly from the population at large and half were generated from a random

sample of known gamblers in the five-state area, in order to ensure that a portion of respondents were familiar with local gambling offerings and operations. These labels were used for subsequent mail-out of the survey instrument. The right-hand column of Table 1 provides a summary description of demographic characteristics of the population for the study.

Data Collection Method

Initial drafts of the questionnaire were subjected to several iterations of review by an expert panel consisting of scholars in both marketing and gaming/tourism fields. This process was undertaken to ensure a readable and easily understood instrument, as well as to provide an assessment of the face validity of the measures included. Following consideration of the expert comments and suggestions, a final questionnaire draft was produced, and professional layout and printing of the survey documents and enclosures took place. Questionnaire packets were mailed to 4,928 respondents on January 6, 1997. These packets contained several pieces:

(1) The survey instrument.
(2) A postage-paid response envelope to facilitate return of completed surveys.
(3) A personal cover letter from the research team asking respondents for their participation and explaining the purpose of the study.
(4) A nominal incentive to thank respondents for their participation in the project.

Of the 4,928 surveys mailed, 318 were returned as nondeliverable, leaving an effective sample size of 4,610. Excluding the nondeliverable pieces, a total of 2,138 completed and usable surveys were returned. Thus, the overall response rate for the survey was approximately 46.5%.

Data Collection Measures

Initial drafts of the survey instrument were constructed based on a review of existing literature on gaming and consumption behaviors, as well as theoretical definitions of the constructs under investigation. Several measures were taken that focused on respondents' gambling experiences, if any had occurred. Questions included the frequency of trips they'd taken to the casinos and their general gambling habits, as well as the amount of money they had spent on gambling.

Respondents with prior gambling experiences were then asked to reflect on their last trip that involved a visit to a casino. Based on these recollections, respondents were asked to answer several additional questions addressing specific details of that latest trip including:

(1) The purpose of the trip (business, pleasure, etc.).
(2) The number of people in their traveling party.
(3) Their mode of travel.
(4) The distance of their travel.
(5) The duration of the trip.
(6) How they spent their time on the trip.
(7) Their level of gambling expenditure on the trip.
(8) Their level of expenditures in addition to gambling for the trip.

Next, respondents' motivations for gambling (wealth versus entertainment) were assessed with 24 items rated on a 5-point Likert-type scale ranging from 1 - "Strongly Disagree" to 5 - "Strongly Agree." The survey concluded with a series of basic demographic questions.

■ Results

Demographic Characteristics

Demographic characteristics of survey respondents are summarized in Table 1. Based on Table 1, survey respondent characteristics are very similar to those of the population for the study. Population data for each of the five states sampled were obtained from the 1990 U.S. Census Bureau. As the figures indicate, survey respondents are slightly overrepresented in higher income and education brackets and slightly underrepresented in younger age categories. Gender differences are virtually indistinguishable between the sample and population of the study. Based on demographic statistics, more than half of the survey respondents are between the ages of 25 and 55, more than half have had at least some college education, and approximately half report incomes between $20,000 and $49,999. The sample was fairly equally divided in terms of gender.

Descriptive Information

Basic frequency analyses were conducted to examine respondents' behavior patterns with respect to gaming alternatives and their recollections of a recent visit to a casino operation. Table 2 presents frequency percentages for respondents' participation in a wide variety of gambling activities. Visiting a casino and betting on lotteries received the highest level of participation with only 24% of the sample reporting never having visited a casino, while 30% of the sample never had purchased a lottery ticket. As expected, gaming alternatives that are available at a casino (slot machines and video poker) received high mentions. However, bet-

TABLE 1. DEMOGRAPHIC CHARACTERISTICS

Characteristic	Sample Frequency Percentages	Population Frequency Percentages
Gender		
Male	42%	49%
Female	58%	51%
Age		
24 or under	3%	13%
25 to 40	29%	29%
41 to 55	31%	25%
56 to 65	19%	15%
over 65	18%	18%
Education		
High school graduate or less	37%	57%
Some college or college degree	47%	37%
Postgraduate study	16%	6%
Income		
$19,999 or less	16%	28%
$20,000 to $34,999	25%	27%
$35,000 to $49,999	24%	20%
$50,000 to $74,999	23%	18%
$75,000 to $99,999	8%	4%
$100,000 and over	5%	3%

ting on horses, dogs or other animals and participating in illegal gambling activities were reported by only a small percentage of the respondents.

Seventy-six percent of respondents had visited a casino operation and reported specific details about their latest trip. The majority of respondents (73%) traveled by automobile while 16% traveled by airplane. The frequency percentages of travel mode are reported in Table 3.

Table 4 provides frequency percentages, ranges and sample means for the number of minutes and miles traveled to the casino during the respondents' last trip. Twenty-five percent of respondents traveled 30 minutes or less, 24% traveled between 31 and 60 minutes, and 51% of respondents traveled more than 60 minutes. As reported in the Table, a majority of respondents traveled more than 121 miles and the mean number of miles traveled was 326.

Most respondents reported spending very little time in the city where the gaming operation was located. Table 5 summarizes the frequency percentages for time spent in the city during the last gambling trip. Nine percent of the sample spent one hour or less while 43% of the

TABLE 2. GENERAL GAMBLING HABIT FREQUENCIES

Gambling Behavior	Once a day	At least once a week	At least once a month	At least once a year	Less than once year	Never
Visit a casino	0%	2%	8%	44%	22%	24%
Play cards for money	0%	3%	7%	23%	14%	52%
Bet on horses, dogs, or other animals	0%	0%	2%	14%	19%	65%
Bet on sports	0%	4%	3%	22%	9%	61%
Play dice games	0%	2%	3%	11%	9%	74%
Play bingo for money	0%	2%	4%	17%	15%	62%
Play slot machines	0%	2%	8%	44%	21%	26%
Play video poker	0%	2%	6%	26%	13%	54%
Play pull tabs	0%	3%	7%	24%	12%	55%
Participate in illegal gambling	0%	2%	1%	5%	4%	87%
Bet on lotteries	2%	17%	15%	29%	7%	30%
Golf, shoot pool, or play some other game for money	0%	2%	3%	10%	8%	76%

sample spent between two and four hours. Eight percent of respondents stayed between one and two days; 22% stayed more than two days. On average, respondents stayed 31.84 hours in the gaming operation host city or community.

Respondents reported greater winnings than losses, with average winnings of $284 compared to average losses of $86. However, the range of winnings was $0 to $300,000 while the range of losses was $0 to $5,000. Respondents also reported the amount of money they spent in addition to gambling during their last trip. The mean response was $165 dollars with a range of $0 to $9,000. Table 6 summarizes the frequency

TABLE 3. TRAVEL MODE ON LAST GAMBLING TRIP

Transportation Mode	Frequency Percentage
Casino Shuttle Bus	2%
Tour Bus	6%
Automobile	73%
Airplane	16%
Other (e.g., train, cruise ship)	2%

TABLE 4. DISTANCE TRAVELED TO CASINO ON LAST GAMBLING TRIP

Variable	Percentage	Range	Mean
Minutes Traveled		1 - 900	134.05
10 or less	4%		
11 to 20	11%		
21 to 30	10%		
31 to 60	24%		
61 to 120	20%		
121 or more	31%		
Miles Traveled		1 - 7007	325.77
10 or less	4%		
11 to 20	9%		
21 to 30	8%		
31 to 60	18%		
61 to 120	14%		
121 or more	47%		

percentages for respondents' expenditures during their last gambling trip.

Tests of Hypotheses

Hypotheses 1a and 1b addressed involvement in gambling and retail expenditures. Specifically, we proposed that individuals who scored high in gambling to fulfill wealth motivations were expected to spend more money at gambling operations and less in other retailing operations compared to individuals who scored low in wealth motivations. Similarly, individuals who scored high on motivations to gamble for enter-

TABLE 5. TIME SPENT IN CITY DURING LAST GAMBLING TRIP

Hours Spent in City	Frequency Percentage
1 hour or less	9%
2 to 4 hours	43%
5 to 10 hours	13%
11 to 24 hours	5%
25 to 48 hours	8%
49 to 72 hours	7%
73 or more hours	15%

TABLE 6. SPENDING DURING LAST GAMBLING TRIP

Expenditures	Frequency Percentage
Expenditures in addition to gambling ($\bar{X}$ = $164.78)	
$10 or less	30%
$11 to $25	20%
$26 to $50	15%
$51 to $100	10%
$101 to $27	9%
$276 or more	16%
Dollars lost during last gambling trip ($\bar{X}$ = $85.76)	
$8 or less	29%
$9 to $29	25%
$30 to $49	12%
$50 to $99	13%
$100 to $199	10%
$200 or more	11%
Dollars won during last gambling trip ($\bar{X}$ = $283.86)	
$0	60%
$1 to $24	10%
$25 to $59	9%
$60 to $199	10%
$200 or more	11%

tainment needs were expected to spend more money than individuals who exhibited less of this motivation. One-way analysis of variance was conducted to test these hypotheses. As Table 7 indicates, individuals who ranked high on wealth motivation gambled significantly more in any one day than individuals who ranked in low or medium wealth motivation categories. High wealth motivation also corresponded to a significantly higher amount lost during the last trip in which gambling activities took place.

Interestingly, individuals in both medium and high categories for the entertainment motive gambled significantly more in any one day than individuals who ranked low on entertainment motive. High entertainment motivation also corresponded to a significantly higher amount lost during the last trip in which gambling activities took place. Thus, Hypotheses 1a and 1b are supported.

Hypothesis 2 examined the relationship between tourism expenditures and gambling. Specifically, we proposed individuals who traveled with other family members would be more likely to seek other entertain-

TABLE 7. ANALYSIS OF VARIANCE EXAMINING MOTIVATIONS TO GAMBLE AND GAMBLING EXPENDITURES

Gambling motives	Amount gambled in any one day	Additional spending during last trip	Amount lost during last trip
Wealth Motives			
Low (n=769)	$71.27	$115.95	$52.28
Medium (n=549)	$141.14	$146.97	$73.15
High (n=690)	$444.98	$211.93	$122.38
	[H > L, M]	[H > L]	[H > L, M]
Entertainment Motives			
Low (n=581)	$83.15	2.36	55.62
Medium (n=545)	$267.72	24.86	73.20
High (n=880)	$307.72	67.91	21.73
	[H, M > L]		[H > L, M]

ment options such as amusement parks, shopping, museums, sports, etc., compared to individuals traveling alone. These results are presented in Table 8. Chi-square analysis was utilized to test the relationship between participation in other recreational activities and whether respondents traveled alone or with others. The Table reports the total percentages of respondents participating in each recreational activity. In other words, 5.6% of respondents visited a movie theater in addition to gambling on their last trip; 0.3% of those respondents traveled alone while

TABLE 8. OTHER ACTIVITIES PURSUED DURING LAST GAMBLING TRIP IN ADDITION TO GAMBLING

Recreational activity	Traveled alone	Traveled with others	$\chi 2$ analysis p-value
Visited a movie theater	.3%	5.3%	.79
Visited a zoo	.1%	2%	.63
Ate at a restaurant	2.6%	68.8%	.02
Toured a museum or major attraction	.6%	14.8%	.86
Went swimming	.4%	9.9%	.99
Went bowling	.3%	1.3%	.004
Went shopping	1.5%	31.6%	.89
Attended a professional sporting event	.2%	2.4%	.35

5.3% traveled with others. While figures for all eight recreation activities are in the direction hypothesized, differences between respondents traveling alone and those traveling with others were significant for eating at a restaurant and bowling.

For further examination of consumers' extent of participation in other entertainment options, we tested the relationship between distance traveled to the casino on their last trip and their activities. Table 9 reports the total percentages of respondents participating in each recreational activity by distance traveled. We categorized distance traveled into three groups: 30 miles or less, 31 to 120 miles, and 121 miles or more. We utilized these categories as we believed individuals who traveled within 30 miles represent the local trading area for the casino operation. Those traveling between 31 and 120 miles include consumers who are making day trips, while those traveling more than 120 miles are likely to stay longer in the host city. The results indicate that distance traveled is significantly related to participation in other recreation activities. In fact, the χ^2 test is significant for seven of the nine activities. Only bowling and attendance at sporting events were not significantly different for the various distance groups.

We also tested the relationship between distance traveled and consumer expenditures. One-way analysis of variance was utilized to explore mean differences in expenditures by distance traveled. As Table 10 indicates, individuals who ranked high on distance traveled (those traveling 121 miles or further) spent significantly more money in addition to

TABLE 9. RELATIONSHIP BETWEEN MILES TRAVELED AND OTHER ACTIVITIES PURSUED DURING LAST GAMBLING TRIP IN ADDITION TO GAMBLING

Recreational activity	30 miles or less	31 to 120 miles	121 miles or more	χ2 analysis p-value
Visited a movie theater	1.3%	0.8%	2.9%	.0000
Visited a zoo	0.4%	0.1%	1.4%	.0000
Ate at a restaurant	18.2%	24.5%	28.4%	.0000
Toured a museum or major attraction	1.0%	1.4%	11.4%	.0000
Went swimming	0.9%	1.4%	6.8%	.0000
Went bowling	0.6%	0.7%	0.4%	.71
Went shopping	4.3%	8.6%	18.3%	.0000
Attended a professional sporting event	0.8%	0.9%	1.1%	.59

TABLE 10. ANALYSIS OF VARIANCE EXAMINING GAMBLING EXPENDITURES AND DISTANCE TRAVELED ON LAST GAMBLING TRIP

Distance traveled	Amount gambled in any one day	Additional spending during last trip	Amount lost during last trip
30 miles or less	$275.32	$87.49	$46.5
31 to 120 miles	$246.36	$99.14	$65.36
121 miles or more	$336.26	$733.33 [H > L, M]	$138.97 [H > L, M]

gambling compared to individuals who traveled 120 miles or less. Similarly, individuals who traveled 121 miles or more also lost significantly more money than those who traveled less than 121 miles. However, there were no statistically significant differences between groups in the amount of money respondents gambled in any one day. Therefore, we conclude support for Hypothesis 2: respondents who travel further are more likely to participate in additional recreational activities and spend more money in addition to gambling.

■ Discussion

This study was executed to quantify the percentage of residents in Illinois, Indiana, Iowa, Missouri, and Wisconsin who engage in gambling activities, explore the extent to which personal expenditures on gambling entertainment reduces other entertainment expenditures, and determine the amount of money patrons of casinos spend in local retail establishments. The findings indicate a majority (76%) of respondents have visited a casino operation and 44% participate in casino gaming at least once a year. Thus, casino gaming operations have enjoyed widespread participation by the study participants. Not surprisingly, study participants also reported high levels of lottery ticket purchases with 2% of the sample betting on lotteries daily, 17% weekly, 15% monthly, and 29% at least once a year. Only 30% of respondents had never purchased a lottery ticket.

We expect that lottery ticket purchases are so prevalent due to the widespread availability in retail locations as well as recent introductions of lottery kiosks in airports, grocery stores, and other retail or service environments. Moreover, the low relative dollar expenditure of a lottery ticket also encourages purchase since consumers are not wagering large

sums of money at any one time. We speculate that as casinos continue to be developed throughout the United States, participation in gaming operations will increase. For example, the Illinois Gaming Board (1993) reported slightly over four million admissions during 1992 when five riverboats were operating within the state. This figure grew to over 24 million participants in 1995 when 10 riverboats were in operation. Moreover, gross receipts have grown commensurably with admissions, as evidenced by adjusted gross receipts of $226,334,794 in 1992 compared with $1,178,311,827 in 1995. Thus, similar to other retail and entertainment options—if you build it, they will come and spend money.

This research also sought to explore the extent to which personal expenditures on gambling entertainment reduced other entertainment expenditures. Of the 66% of respondents who had visited a casino operation, 30% spent $10 or less on activities or services in addition to their gambling expenditures. Only 25% of respondents reported expenditures over $100. However, respondents' losses were not sizable, with 29% losing $8 or less during their last trip and 39% losing between $9 and $49. Similar to the attractiveness of lottery ticket purchases, consumers may view casinos as a relatively inexpensive entertainment option. Reported losses compare quite favorably to the expenditures consumers might make when viewing a movie, enjoying a sporting event, or playing a round of golf.

The study also sought to explore the amount of money spent in local retail establishments by out-of-town visitors to casino operations. The findings demonstrate that 25% of respondents traveled 30 minutes or less to the casino operation, while 24% traveled between 31 and 60 minutes. These results indicate that a sizable number of casino patrons reside in the local community and may in fact be substituting gaming activities for alternative recreation activities. Although the study did not directly assess the extent to which consumers' gambling expenditures have displaced other expenditures, we expect that some amount of displacement is occurring. As further evidence, 52% of respondents spent four hours or less in the city or community where the gaming operation is located. Thus, there is little opportunity for these consumers to enjoy other tourist, retail, or entertainment options the community has to offer. Additionally, only 8% reported staying between one and two days, which indicates that the casino operation is minimally impacting the lodging industry within the local community.

Further evidence that visitors to casinos from the local market area spend fewer dollars in addition to gambling was provided in Table 10. Results show consumers who travel more than 120 miles to the casino operation spend considerably more ($\bar{x}$ =$733.33) than consumers who travel between 31 and 120 miles ($\bar{x}$ =$99.14) and 30 miles or less ($\bar{x}$ = $87.49). Therefore, local communities are clearly more affected by out-of-town visitors.

Finally, the study proposed and tested two major hypotheses exploring the relationship of motivations to gamble and expenditures as well as trip purpose and participation in other entertainment options. Our findings indicate that individuals who scored high in both wealth and entertainment motivations gambled significantly more in any one day than individuals who ranked low or medium in these motivation categories. Respondents high in wealth motivations also expended greater amounts of money in addition to gambling than individuals low in wealth motivations. It is interesting to note that mean levels of expenditures in addition to gambling are lower overall for individuals expressing entertainment motivations in comparison to those gambling for wealth motives.

The study findings also supported Hypothesis 2 where we expected individuals who traveled with others would be more likely to participate in other recreational activities compared to individuals traveling alone. Participation in other activities in addition to gambling was statistically significant for those engaging in bowling and dining at a restaurant.

Additional support for this hypothesis was also provided by examining the relationship between distance traveled and participation in other recreational activities. Respondents who traveled 121 miles or more participated in more activities compared to those who traveled 120 miles or less. Travel distance was significantly related to participation in recreation activities for all but two activity categories.

■ Implications for Retail Strategy

Challenges abound for retail and service businesses competing for a share of consumer discretionary expenditures. Exploratory results indicate that consumers may be shifting spending from one retail or entertainment category to another and casino operations have emerged as a fierce, new competitor. As noted by Popcorn (1991, p. 164), the shopping experience has "grown cumbersome, inefficient, a violation of the trends." She predicts only specialized boutiques with expanded customer service and "shopping as theater" options will continue to attract consumers from the cocoon of their home environment where they can shop by mail, telephone or the Internet. Service and retail environments that maintain a traditional format will have a difficult time competing with the sensory stimulation and cacophony of sounds provided by casinos. Stew Leonard has incorporated this principle into his strategy for grocery shopping by providing a petting zoo, animated characters throughout the store, overwhelming point-of-purchase displays, and an in-store bakery which serves to stimulate the taste buds and olfactory senses of shoppers.

Additionally, local retailers and entertainment providers must seek ways to attract casino patrons to their operation. We recommend that businesses seek strategic alliances and utilize cooperative marketing strategies. For example, a regional shopping mall might contract with the casino to offer shuttle transportation to the shopping mall for casino patrons. Furthermore, the local convention and visitors' bureau might facilitate cooperation by developing coupon books or other communication devices which could be mailed to tourists or provided at local hotels, restaurants, and available at the casino operation. Since the majority of casino patrons travel by automobile and spend relatively little time within the host city, retailers might consider the use of billboard advertising to stimulate awareness and traffic.

In conclusion, we recommend that businesses pursue a customer-oriented strategy wherein consumers' needs and wants are identified, understood and the basis for product and service decisions. Consumers vote with their discretionary dollars, and those businesses that continue to provide value and satisfy consumer needs and wants will survive.

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