

**HOW IMPORTANT IS A CASINO TO A COMMUNITY AND HOW IMPORTANT IS A COMMUNITY TO A CASINO: AN EMPIRICAL BASIS FOR COOPERATIVE MARKETING BETWEEN CASINOS AND COMMUNITY TOURISM PROMOTION AGENCIES.**

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**Abstract:** Cities, towns and communities have developed casinos for several reasons. The first of which is to: attract more tourists, remain competitive with other destinations and more fully utilize the existing tourism infrastructure; the second is to keep local money inside the local economy by giving residents the opportunity to gamble at home. Although several states have developed casinos in their respective jurisdictions, casino gaming remains a controversial economic and social activity. There has been rising debate with respect to the real value of casinos as an economic development tool, and much discourse has resulted from the political debate in jurisdictions still considering whether or not to legalize casinos. Gaming has opponents and advocates. Both parties provide arguments to support their position. Research on the impacts of casino gaming has indicated mixed results. This research examined the effect of non-local visitors to Detroit casinos on the local economy, based on visitors' spending. Additionally, a typology of casino gamers based on visitors' primary trip purpose was developed to indicate the relationship that exist between the casinos and other community tourism-related attractions. Results indicated that the gaming market is not homogeneous and that casino visitors spend money inside, as well as outside the casino in the community. This suggests that cooperative marketing between the casinos and other community tourism-related businesses and agencies is a key strategy for successful gaming development.

**Introduction**

Cities, towns and communities have developed casinos for several reasons. The first of which is to: attract more tourists, remain competitive with other destinations and more fully utilize the existing tourism infrastructure; the second is to keep local money inside the local economy by

giving residents the opportunity to gamble at home. Although several states have developed casinos in their respective jurisdictions, casino gaming remains a controversial economic and social activity. Research on the impacts of casino gaming has indicated mixed results. Gaming has opponents and advocates. Both parties provide arguments to support their position. There has been rising debate with respect to the real value of casinos as an economic development tool (Eadington, 1996), and much discourse has resulted from the political debate in jurisdictions still considering whether or not to legalize casinos (Cabot, 1996).

Casino gaming:

No matter what casino gaming opponents have said, the number of casinos in the United States has considerably increased. According to the American Gaming Association ([www.aga.com](http://www.aga.com)), some form of casino gaming exists or has been approved to operate in 31 states. There are more than 470 commercial casinos operating in 11 states. The first casino opened its doors in Nevada in 1931. In 1978, New Jersey initiated its first casino. It was not until 1989 that other states started authorizing casino gaming in their respective jurisdictions. From 1989 to 1998, nine additional states --Colorado, Illinois, Indiana, Iowa, Louisiana, Michigan, Mississippi, Missouri and South Dakota--authorized commercial casino gaming. Additionally, there exist approximately 160 Native American casinos in 27 states (AGA 2000). As indicated in Table 1, in the Midwest, there are 94 gaming venues.

Table 1. Gaming facilities in the Midwest.

<u>State</u>	<u>Number of gaming facility</u>
Illinois	9
Iowa	16
Indiana	9
Minnesota	16
Missouri	9
Michigan	19
Wisconsin	16
Total	94

Source: Adapted from Midwest Gaming and Travel, October 2001, p. 46-47.

The proliferation of casinos and regulatory relief and new emerging markets increase competition, not only between gaming states, but also within states. To remain competitive in a near-mature market, casino operators continue to look for new ways to redefine themselves as all-round entertainment facilities. This trend is characterized by the development of elements ancillary to gaming, which is reflected primarily in the development of hotels, golf courses, RV parks, conference and convention centers, theaters, entertainment centers, retail facilities, concert hall, marinas, and a variety of recreationally oriented facilities. As a result of the increased diversity and growing importance of recreational facilities and non-gaming amenities there is an incremental revenue growth in virtually every gaming market.

Tourism:

There is recognition that tourists are attracted to urban destinations by the combination and variety of attractions, events, and services they have to offer.

The Broad field of travel is commonly divided into four major segments based upon purpose of trip. They are (1) business-related travel; (2) personal business, including visiting friends and relatives; (3) conventions and meetings; and (4) pleasure travel. There is some overlap between these trip purpose segments. For example, while the primary trip purpose may be attending a convention or visiting friends and relatives, this may be integrated with pleasure activities (Crompton, 1999). Crompton (1999, p. 10) offers the following taxonomy of tourist attractions (Table 2).

Table 2. A taxonomy of tourist attractions.

Arts	Theaters, Art galleries, Museums, Performing groups, Music concerts
Heritage places	Ethnic cultural places, Shrines/churches, Historical sites and structures, educational instructions, Industry factory tours
Parks	National, State, Local, Beaches, Theme parks
Recreation	Events and festivals, aquatic and coastal areas, Outdoor recreations (e.g., camping, fishing, hunting), Sports, (e.g., golf, tennis, skiing, sailing, softball), Fitness and wellness centers
Arenas	College sports, professional franchises, Concerts and exhibitions
Other	Gambling places, Cruise ships

Source: Crompton, 1999, p. 10.

According to Crompton (1999), the challenge for recreation providers is not merely to provide services that people want; it is to package them so they can be accessed conveniently. Packaging means that the agency links with other sources and necessary support services, such as restaurant and hotel, and offers a fixed price for the total experience to targeted groups. For example, "if an agency offers a fishing trip to senior citizen groups, the package may include a chartered bus, lunch, fishing poles, and a staff person who meets the chartered bus and provides interpretation and assistance with bait, fishing, cleaning fish, and so forth" (Crompton 1999, p. 5). Targeting groups from outside of the community with packages would help to re/position the community as a tourist destination.

Tourism economic development involves actively partnering with the community tourism providers to create new events designed to attract outside visitors to stay in the jurisdiction for multiple days, and spend more. According to Compton (1999), strengthening linkages between tourism providers in the community may contribute to sustainable tourism economic development. Partnerships make pragmatic sense because tourism organizations/suppliers often have complementary assets;

for example, some have the expertise while others have available funds for promotion. Cooperative partnerships are key to economic development

Casino gaming development:

Advocates of casino gaming maintain that casinos are a key attraction that can stimulate and revitalize a community's economy, particularly its tourism industry (Cabot 1996). According to Eadington (1996), the opening of a casino, or casinos, in a region that previously had no legal casino gaming "has tapped a substantial latent demand for the activity" (p. 4). Many recently legalized casino jurisdictions, such as Windsor and Montreal, the Golf Coast and Tunica County in Mississippi, Foxwoods in Connecticut, or Juliet and Elgin in Illinois, he explains, have experienced surprising revenue and visitation rates. On the other hand, opponents (e.g., Grinols and Omorov 1996) argue that 80 percent to 90 percent and more of the bulk of casino revenues come from residents. Considering the added costs of casino gaming, they argue, it appears that the costs outweigh the benefits, and thus, maintain that casinos are not a viable option for economic development. Oddo (1997), for example, argues that casinos cannibalize sales from cinemas, restaurants and other businesses that depend on discretionary dollars. Restaurants in many states have reported that their revenues dropped in response to the opening of a nearby casino, and many restaurants have closed.

Casino gaming in Detroit:

The debate about casino gaming establishment in Detroit started in the 1980's (Trebilcock and Foster, 1999). The controversy about the potential economic and social impacts of casino gaming did not stop the development of casinos in the City of Detroit. On November 18, 1996, the passage of Proposal E allowed the City of Detroit the initiation of up to three land-based casinos. Like many other cities, the City of Detroit has embraced casino gaming as a strategy for additional tax revenue and for economic growth. After the passage of Proposal E three land-based casinos were established in Detroit. However, Proposal E did not settle the debate over casino establishment in the City. Casino gaming advocates indicate that the city has benefited from the casinos, while gaming adversaries oppose this view.

The only empirical study that focused on the economic impact of the Detroit casinos on the local economy was sponsored by the Detroit Metro Convention and Visitors Bureau, and conducted by Michigan State University's Travel, Tourism and Recreation Resource (Moufakkir, Holecek, van der Woud and Nikoloff, 2000). Results of this study indicated that non-local casino visitors whose primary purpose was to visit the casino contributed \$165 million to the local economy.

The objective of the present study was to provide a background for bridging the gap between casino gaming opponents and advocates, and thereby encouraging cooperative marketing designed to increase the market

potential of the community tourism-related businesses and organizations. Two research questions were specifically addressed:

1. How important is a casino to a community?
2. How important is a community to a casino?

### Methods

The data gathered in this study were collected using two research procedures: (1) an intercept survey, and (2) a follow-up telephone survey. Casino visitors were randomly intercepted entering or exiting the casino building. Non-local casino visitors were screened out and asked whether they were willing to participate in the study. Those who agreed to provide a telephone number were asked about the appropriate time when they would be more receptive to complete a 15-12 minute questionnaire.

Of the 9099 intercepted visitors, 1887 were non-locals. Non-locals were defined as those visitors who did not reside in the Tri-county area (Macomb, Wayne and Oakland county). Seventy-seven per cent provided a telephone number. Of these 853 successfully completed the questionnaire, representing a 62% response rate.

Several administrated response inducement techniques were employed to achieve a desirable rate of response:

1. Social exchange theory –building trust and explaining to the respondents the importance of the study,
2. Record time preference to be contacted,
3. Offer an incentive –building a sense of commitment.

4. Leave a message in case the selected respondent was not available,
5. Ask for appropriate time to call back,
6. Leave a phone number in case respondent wished to call back.

### Results

#### Ratio of local/non-local casino visitors

As indicated in Figure 1, twenty-one percent of the casino visitors were non-local and seventy-nine were local. Of the non-locals, 38% came from Michigan, 38% from Ohio and 24% from other states. This indicates that the Detroit gaming market is a diverse market

#### Outcome of money wagered at the casino

When asked about their gambling experience, 66.3% of the respondents reported that they came out behind on the money they wagered the day they were intercepted. Almost 25% reported coming out ahead, while 9% broke even.

#### Expenditures

The average total trip expenditure per person per day (excluding gaming expenditures) was \$52.98. Because it was assumed that visitors who were on a charter bus trip had different spending patterns than those who were not on a bus tour, trip expenditures were broken down by bus visitors and non-bus visitors. Average spending in the study area –Macomb, Wayne and Oakland counties-- are presented in Table 3..

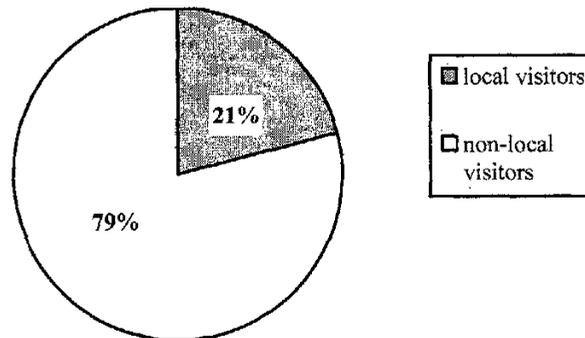


Figure 1. Breakdown of local and non-local visitors

**Table 3. Average spending (US\$) in the Detroit area by type of expenditures**

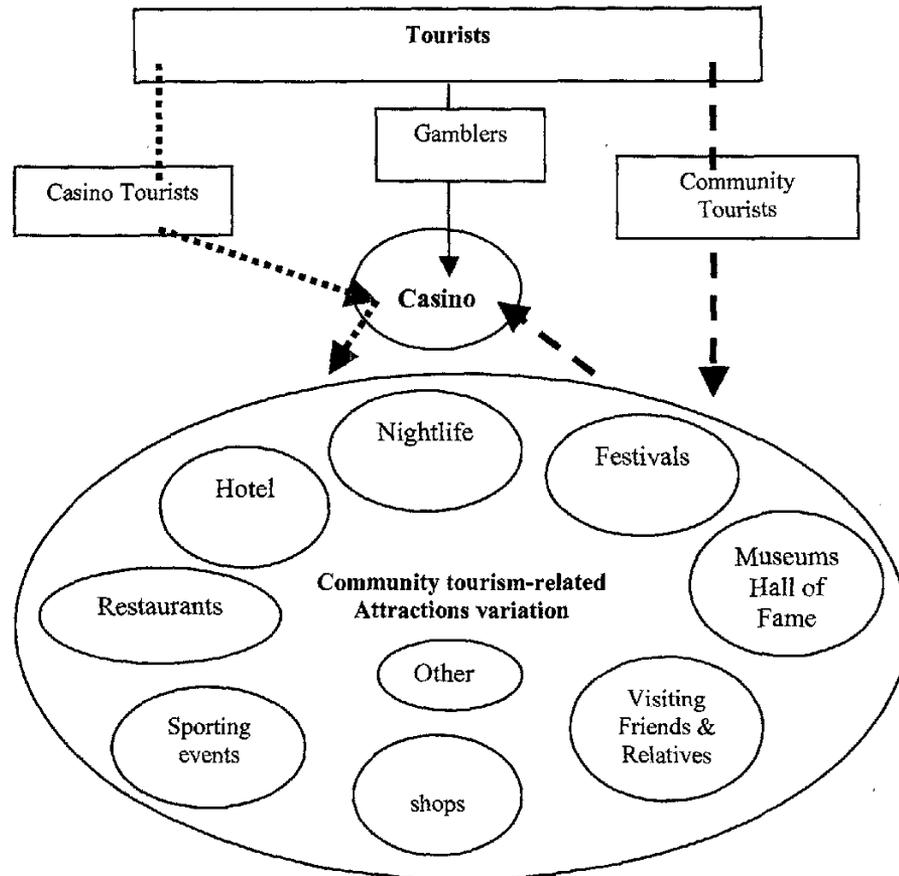
Spending categories	Non-bus visitors	Bus visitors	Total visitors
Lodging	\$16.26	\$5.85	\$15.62
Food & beverages inside the casino	7.48	10.65	7.90
Food & beverages outside the casino	13.66	6.22	13.25
Gasoline purchased inside the Metro area	4.88	0.00	4.55
Other local transportation	0.49	1.37	0.58
Other expenses	<u>11.53</u>	<u>4.06</u>	<u>11.07</u>
Average total spending per person per day	\$54.31	\$28.16	\$52.98

Slightly over one-quarter of the respondents reported that they spent money on lodging. More than one-half (55.3%) spent money on food and beverages inside the casino, and 37% spent an amount of money on food and beverages outside the casino. Over one-quarter (35.3%) spent money on gasoline in the Detroit metro area, while only 4% spent some money on local transportation. Over one-half (16.10%) spend between \$100 and \$750 on other spending categories.

Over one-half of the respondents reported that did not engage in any other recreational activity besides gaming. The remaining half indicated that they patronized restaurants (14.1%), visited friends and relatives (10.6%), engaged in shopping activities (7.9%), attended a sporting event (6.6%), participated in sightseeing (4.9%), visited museum or hall of fame (4.1%), explored the City (3.5%), engaged in nightlife activities (2.1%), and 5% reported that they engaged in other activities.

Tourism-related activities non-local casino visitors participated in while on trip:

Based on primary trip purpose, a typology of the gaming market was developed. This typology is depicted in Figure 2.



**Figure 2.** A typology of the tourism gaming market based on primary trip purpose.

Based on primary trip purpose, the Detroit gaming market could be segmented into three groups: (1) the Gamblers, (2) the Casino Tourists, and (3) the Community Tourists. As indicated in Table 4, the first group constituted 53% of the gaming market, the second group 6%, and the third 41% .

Table 4. Detroit non-local gaming market.

Gamblers	53%
Casino Tourists	6%
Community Tourists	41%

Three types of casino tourists were identified:

1. The gamblers: these are casino patrons whose primary trip purpose was to visit the casino only and go back to where they came from or to other destinations without spending any money in the community outside the casino.
2. The community tourists: are the patrons whose primary trip purpose was other community related tourism attractions than the casino. They mainly came to the community either for shopping, to attend a special event, to visit friends and relatives or for reasons other than to visit the casino. However, these visitors had patronized the casino while on their trip. The casino had been an extra recreational activity they engaged in while in the community. As such, these visitors spent money both inside the casino as well as outside the casino on other things.
3. The casino tourists: these visitors are those whose primary reason to visit the community was the casino, however they engaged in other community tourism-related attractions. They, therefore, spent money both in the community outside the casino, as well as outside the casino.

## Conclusion

This research indicated that the gaming market is not a homogeneous group. Casino visitors spend money inside as well as outside the casino, in other community spending venues. Based on the typology offered, it is clear that several segments of the gaming market can be identified, and targeted, based on their trip purpose. Several recreation providers are thus needed to develop successful packaged services tailored to specific segments of the gaming market. Out-of-state tourists are usually looking for a package of different experiences. Rather than competing with each other, tourism providers can jointly advertise to the gaming market, enticing gamers to stay longer in the community, and spend more. Tourism products include all the attractions, events and experiences that visitors anticipate. Attractions bring visitors to a community while service makes their stay more pleasant.

According to Crompton (1999), the challenge for recreation/tourism providers is not merely to provide services that people want; it is to package them so they can be accessed conveniently. Packaging means that the agency links with other sources and necessary

support services, such as restaurant and hotel, and offers a fixed price for the total experience to targeted groups. For example, "if an agency offers a fishing trip to senior citizen groups, the package may include a chartered bus, lunch, fishing poles, and a staff person who meets the chartered bus and provides interpretation and assistance with bait, fishing, cleaning fish, and so forth" (Crompton 1999, p. 5). Targeting groups from outside of the community with packages would help to re/position the community as an interesting tourist destination.

Tourism economic development involves actively partnering with the community tourism providers to create new events designed to attract outside visitors to stay in the community for multiple days, and spend more. According to Compton, strengthening linkages between tourism providers in the community may contribute to a healthy tourism development. Partnerships make pragmatic sense because tourism organizations/suppliers often have complementary assets; for example, some have the expertise while others have available funds for promotion.

If the rationale behind casino development is to contribute to the well-being of the community, it is, therefore, necessary that, in a near-saturated and highly competitive market, all community tourism-related businesses (including casinos) and organizations (including casino officials) work together. This research, based on a case study of the casino development in Detroit has demonstrated that both the casinos and other tourism-related businesses are benefiting from casino visitors. Cooperative marketing seems to be a logical strategy for a gaming community to maximize benefits, remain competitive and achieve its goals. Additional research is needed to shed more light into the impact of casino gaming development on the City of Detroit and its residents.

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