



## From gambling exposure to adaptation: Implications for casino sustainability

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### ABSTRACT

This paper draws upon the adaptation theory and discusses the impact of adaptation effect on casino business growth and sustainability. The study deploys secondary data and provides evidence for likely existence of the adaptation effect. This effect is derived from analyzing visitors' profiles over 20 years from various sources. On the basis of this analysis, the study proposes various strategies including promoting casino tourism instead of gambling focus to sustain casino business. The current study lays foundation for sustainability research on the casino industry. Findings of this study have implications for researchers and practitioners in the gambling, tourism and hospitality fields.

### 1. Introduction

Casino business is one of fastest growing industries in the world, particularly in the Asia Pacific region. Since 1989, twenty-one states in the United States have legalized commercial casinos (The AGA Survey of casino entertainment, 2015). Over past decade casinos in other jurisdictions have been gradually legalized as a means to boost tourism and economic development. Singapore legalized casino gambling in 2005. Taiwan also passed the gaming law in 2009, allowing casino establishments on some off-shore islands. New casinos have been erected in the Philippines and Russia. Macau has become Asia's Las Vegas since international casino operators made their debut in 2002.

Expansion of the casino industry has made substantial impact on local tourism and hospitality development, as well as on other areas including employment, real estate and transportation (see Wan, 2012; Wu and Chen, 2015). Such expansion also increases individuals' exposure to gambling and gambling-related information, and consequently brings about negative social impacts and problems associated with gambling. In the academic community, two main streams of gambling research emerge and appear to be mutually exclusive. One approaches casinos as tourism destinations from business management and marketing perspective. This stream is mainly focused on casino development and sustainability (e.g. Lam, 2007; Lam et al., 2011; Lucas, 2003; Lucas and Bowen, 2002; Wong, 2013; Wong and Fong, 2010; Prentice, 2013; Prentice and King, 2013; Shi et al., 2014).

The other stream, from psychological and sociological perspectives, approaches casinos as gambling venues that entice gambling addiction

and other social problems. This stream of research seems to be dominant in the gaming literature, and is primarily centered on identifying risk factors, minimizing and treating problem gambling, as well as on proposing responsible gambling and gambling interventions (e.g. Gainsbury et al., 2014; Griffiths and Parke, 2002; Hsu et al., 2014; Ledgerwood et al., 2013; McQuade and Gill, 2015; Petry, 2012). Researchers in this stream (e.g. Guttentag et al., 2011; Hing and Nisbet, 2009; Shaffer and Hall, 2002) claim that gambling problems are mainly attributed to increasing exposure to gambling. Toning down the entertainment and recreational aspects that gambling can offer, this stream of research regards gambling as some kind of toxin, exposure to such toxin potentially leads to infectious disease (e.g. problem gambling).

Admittedly some individuals are indeed susceptible to such disease. By the same token, if gambling is a toxin, exposure to such toxin may lead to adaptation. The adaptation theory, proposed by Huxley (1941) from biological perspective, refers to an organism's ability to adapt to changes in its environment and to make appropriate adjustments over time. The concept adaptation was brought into gambling literature a decade ago (Shaffer, 2005). Shaffer (2005) observed that increasing exposure to gambling does not necessarily lead to increase of gambling participation and problems. In the case of more mature gambling settings such as Nevada and New Jersey, exposure to gambling appears to have less adverse effect. This observation led the author to propose the adaptation of addiction. This proposition is construed as that individuals may gradually adapt to the gambling environment and become less prone to gambling and related risks (LaPlante and Shaffer,

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2007; Shaffer, 2005). Other studies (e.g. Jacques and Ladouceur, 2006; Volberg, 2002) have shown that increasing gambling exposure co-exists with decreasing participation and stable or declining problem gambling rate. These studies indicate that individuals do not gamble more because of more exposure to gambling and more available gaming facilities. Some even gamble less. The reason for these phenomena is inconclusive. However, Shaffer (2005) suggest the adaptation effect may play a significant role. The effect has strategic implications for the gambling industry as well as for gambling researchers.

The gambling industry (e.g. casinos), like any other businesses, requires appropriate business strategies to be viable and sustainable. The adaptation proposition, despite increasing exposure to gambling facilities, suggests decrease of gambling participation. This suggestion counteracts current casino expansion across the globe, particularly in Macau. On the other hand, the adaptation effect also challenges the claims and research findings drawn from exposure-derived gambling risks and harms. Although induced into the gambling literature over a decade ago, the concept adaptation has received very limited attention in gambling studies.

Consistent with the foregoing discussion, the current study aims to identify likely existence of the adaptation effect through reviewing the relevant literature and reports. Shaffer (2005) indicates that the adaptation proposition is drawn from decrease of problem gambling and gambling participation over time. The review is focused on the two aspects (i.e. problem gambling and gambling participation including gambling behaviors), and centered on Macau since casino expansion is particularly evident in this area. The adaptation effect is derived by analyzing gambling participation and problem gambling rates from existing visitor profiles. The casino visitors from Macau, Hong Kong and Guangdong are selected. This option is appropriate as these regions are geographically adjacent to Macau casinos. The residents are more exposed to gambling with rapid expansion of casino establishments in Macau.

The current paper is approached from marketing and management perspective with intention to propose appropriate business strategies for casino growth and sustainability. The results are derived from literature review and secondary data. However, the findings offers fresh views and insights for researchers and practitioners in gaming, tourism and hospitality fields.

## 2. Literature review

### 2.1. The adaptation theory

Adaptation, proposed by Huxley (1942, p23) from the biological perspective, refers to both the adaptive state of an organism and to the dynamic evolutionary process that leads to the adaptation. Adaptation is universal among organisms. In their growth and development, according to (Kanter, 1977), organisms are exposed to various environmental challenges and equipped with adaptive plasticity. Adaptation events have the following interrelated characteristics: contiguity of things and events, coincidence of adaptation processes with surrounding conditions, compatibility of interacting factors, mutuality of interactions, and consequences (Kanter, 1977, p140). The adaptation process involves a relationship between a subject and its environment. The subject is exposed to environments or the changes of environments and adapts to fit the changing or changed environments.

The theory suggests that new environmental toxins initially increase adverse reactions, symptoms nonetheless subsequently diminish as individuals adapt to such toxins and acquire resistance. When the activities are suggestive of harmful consequences, people are alert to them through social interaction and learning, and subsequently adjust their behaviors in response to exposure (Shaffer et al., 1999; Shaffer and Zinberg, 1985; Zinberg, 1984). If gambling is viewed as such a toxin or virus, on the basis of the adaptation theory, when an individual is exposed to the virus for the first time, he or she is more likely to be

infected; after exposing to it for a long period, this person will develop immunity and thus be less likely affected. Shaffer (2005) brought this concept into gambling literature after observing the inconsistent pattern between gambling exposure and problems associated with gambling. This observation and the proposed adaptation theory present challenge to the current gambling exposure studies.

### 2.2. From exposure to adaptation

The exposure theory suggests that the accessibility to environmental toxins increases the likelihood of related disease (see Shaffer et al., 2004a, 2004b, 2004c). Gaming venues such as casinos are regarded as such toxins and gambling related disorders as diseases or viruses. Research indicates that accessibility to gambling opportunities likely increases gambling consumption and problem gambling (Currie et al., 2006). Marshall's (2007) study shows that accessibility to gaming facilities is an important factor of gambling consumption at a particularly local level. Researchers (LaBrie et al., 2003; LaPlante and Shaffer, 2007) suggests that gambling problems are related to geographic exposure to gambling opportunities. This suggestion received ostensible evidence in other empirical studies (e.g. Adams et al., 2007; Vasiliadis et al., 2013a, 2013b).

However, the relationship between gambling exposure and problems associated with gambling is not conclusive. In some cases, gambling availability has positive influence on mental health (Costello et al., 2003). Research led by LaPlante et al. (2004) and LaPlante and Shaffer (2007) indicate that gambling participation patterns and consequences are inconsistent with the exposure effect. LaPlante and Shaffer (2007) provide a thorough review on temporal exposure to gambling and indicate that expansion of gambling availability is not necessary associated with increase of gambling related problems. Their studies suggest that some people might have adapted to the risks and hazards of gambling (i.e., the adaptation effect). The authors propose that the adaptation theory may provide an adequate model to examine gambling risks over time and inform harm minimization strategies aimed at supply regulation.

### 2.3. Adaptation derived from stable or decreasing problem gambling

Review of the relevant literature reveals that estimates of pathological gambling in the general population across different study periods and locations in the USA have been fairly stable, ranging from less than 1–1.9% over the past three decades despite the rapid increase in legalized gambling during this period (LaPlante and Shaffer, 2007). The prevalence rates generated from divergent research methods and measures are also similar and stable across the globe despite differences in culture and access to gambling opportunities (see Gambling and public health, part 1 p.6)

Volberg (2002, piii) reported that people living in Nevada for more than 10 years had lower rates of gambling disorder than those who had lived there for 10 years or less. In another study, the author noted that Nevada adolescents evidenced lower rates of the most serious form of gambling disorder compared with the counterparts from other locales using similar estimation techniques (Volberg, 2002). These adolescents did not gamble at an earlier age or gamble at casinos more than their counterparts from areas with less gambling exposure.

The study conducted on Hull residents in Canada by Jacques and Ladouceur (2006) shows that there is no significant difference in incidence of problem gambling before and after induction of the casino in Hull over 4-year period. There was a significant increase in problem gambling in the first 12 months. However, this initial spike plateau or decline over a period of three years. Shaffer and Hall (2002) did a survey on casino staff over a period of three years – one soon after their employment commencement and the other in their third year and found that the number of employees who were identified to have gambling problems in the first survey was reduced to half in the second.

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