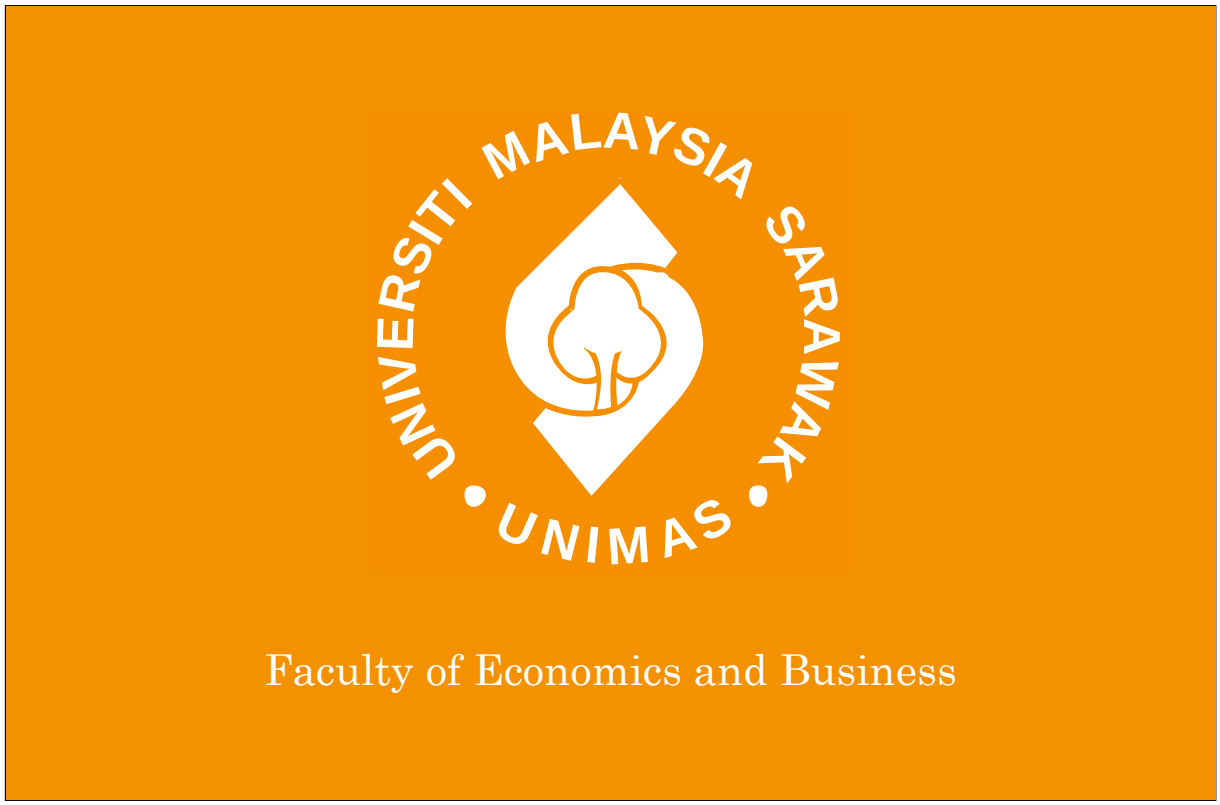

FACTORS INFLUENCING INDIVIDUALS' GAMBLING BEHAVIOR: A CASE STUDY IN MALAYSIA

Woon Chan Yei

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WOON CHAN YEI

This project is submitted in partial fulfillment of the requirements for the degree of Bachelor of Business Administration with Honours

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Statement of Originality

The work described in this Final Year Project, entitled

"Factors Influencing Individuals' Gambling Behavior:

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is to the best of the author's knowledge that of the author except where due reference is made.

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ABSTRACT

FACTORS INFLUENCING INDIVIDUALS' GAMBLING BEHAVIOR: A CASE STUDY IN MALAYSIA

By

Woon Chan Yei

Factors influencing individual gambler's decision making may differ because of different country, races, religion and culture of residents. The main aim of this study was to investigate the factors influencing individuals' gambling behavior. Moreover, it intends to determine whether external factors (marketing activities, sociocultural environment) or internal factors (psychological field) which consist as independent variable have positive influence on individuals' gambling behavior (dependent variables). Theory of Buyer Behavior introduces by Howard and Sheth (1969) were used to examine consumer decision making in this study. The scope of this study was limited to casino visitors above 20 years old in Genting Highlands, Malaysia. A total of 200 filled questionnaires were analyzed. The results of Linear Regression analysis showed that Hypotheses 1 and Hypotheses 2 were accepted. Marketing activities (H1) and sociocultural environment (H2) are significant influence on individuals' gambling behavior. Hypotheses 3 were rejected. It means Psychological Field (H3) insignificantly influences individuals' gambling behavior. Besides, the Pearson R Correlation analysis supported the Linear Regression analysis findings that there were significant and positive relationships among independent variables and dependent variables. From the discussion, this study suggested that marketers should focus more on marketing activities and sociocultural environment since these factors provides highly influencing power in gambling behavior.

ABSTRAK

FAKTOR- FAKTOR YANG MEMPENGARUHI INDIVIDU PERILAKU PERJUDIAN: KAJIAN DI MALAYSIA

Oleh

Woon Chan Yei

Faktor-faktor yang mempengaruhi individu perilaku penjudian adalah berbeza dari segi negara, bangsa, agama dan budaya penduduk. Objektif utama kajian ini adalah untuk mengetahui faktor-faktor yang mempengaruhi individu perilaku penjudian. Selain itu, kajian ini juga bertujuan untuk menentukan sama ada faktor luaran (aktiviti pemasaran dan persekitaran sosial budaya) atau faktor dalaman (psikologi) mempunyai pengaruh positif pada individu perilaku penjudian. Teori Perilaku Pembeli diperkenalkan oleh Howard dan Sheth (1969) digunakan untuk menentukan keputusan responden dalam kajian ini. Skop kajian ini terhad kepada pengunjung kasino yang berumur 20 tahun ke-atas di Genting Highlands, Malaysia. Sebanyak 200 borang soal-selidik terisi dianalisasikan dalam kajian ini. Keputusan "*Linear Regression analysis*" menunjukkan bahawa aktiviti pemasaran dan persekitaran sosial budaya mempunyai pengaruh yang signifikasi terhadap individu perilaku penjudian. Sehubungan itu, analisis "*Pearson R Correlation*" menyokong keputusan "*Linear Regression analysis*" bahawa ada hubungan yang signifikasi dan positif wujud antara pembolehubah tak bersandar dan pembolehubah bersandar. Secara keseluruhannya, kajian ini menyarankan pihak tertentu harus lebih menumpukan pada kegiatan pemasaran dan persekitaran sosial budaya kerana faktor-faktor tersebut memberikan pengaruh yang meluas dalam individu perilaku penjudian.

CHAPTER ONE

INTRODUCTION

1.1 Overview

Undeniably, gambling is getting popular as personal leisure activity across many regions, countries, and cultures. Many governments are aware of the economic benefits of the gambling industry such as tourist expenditures, citizen employments, personal income and tax revenues toward their countries. Gambling industry has been considered for more legislation in Western Countries as well as in many Eastern Countries (Sutton & Griffiths, 2008). Global gambling landscape has changed greatly during the last few decades (Lee, Lemanski, & Jun, 2008). Traditionally, gambling is a kind of small scale excitement. As the gambling industry has been expanded worldwide, gambling activities are transformed into an international scale entertainment industry and business due to people are increasing their interests in travelling and gambling in casino. For instance, one of the current trends in many countries has been to develop the casino industry to attract more foreign visitors.

According to Worldcasinodirectory (2010), the top 10 casino countries in the world are United States of America (USA), France, Russia, United Kingdom, Canada, Argentina, Germany, Estonia, Netherlands, Peru and Macau.In USA, the gambling industry is being considered for entry in more legislation than ever before. There are 48 states out of 50 states allow one or more forms of gambling in USA

since 1931(Neighbors, Lostutter, Larimer, &Takushi, 2002; Wu & Wortman, 2009). While the original gambling legislation in the United Kingdom appeared in the 1850s (Gaming Act 1845 (c.109)), there was rapidly growth of betting houses and to meet the increased demand for cash betting. Tanya & Donald (2003) state that there are presently 64 full-service casino in Canada. In Asia, many countries are establishing to the potential of the gambling industry and finding pioneering and sustainable models to attract gamblers from Asia and across the globe. For instance, gambling in Macau has been legislation since the 1850s and now Macau has become known worldwide as the "Monte Carlo of the Orient" (Kan, 2010). Meanwhile, India increases the number of states that can legally run gambling operations (*It's time to legalise gambling*, 2004; Worldcasinodirectory, 2010). In Japan, with the strong evidence that showed Japanese people love to gamble, the country allowed legislative discussions in 2007 (McCurry, 2009). Singapore has gradually relaxed limitations on gambling industry in 2005 since the Singapore government announced the cabinet's decision to develop two casinos and associated hotels and malls(*The Sun2surf*, 2010). In Malaysia, legal gambling started with lottery in 1969 but this game is limited to non-Muslim (*Berjaya Group Bhd*, 2010).

The gambling industry saw a continuation of strong economic impact toward these countries because the gross revenues has rapidly increased in this few decades (Wu & Wortman, 2009). In USA, The gross revenues of casinos and gambling achieved $90.93 billion in 2006 and grew to $93 billion in 2007 (*American Gaming Association*, 2008). In Canada, the net revenue from government-operated lotteries, video lottery terminals(VLTs) and casinos increased from $2.7 billion in 1990, to

$9.0 billion in 2000, these generate more than $5 billion tax profits for Canadian government (Tanya & Donald, 2003). Interestingly, Macao is the largest gambling city in the world due to Macao's gross gambling revenue that has even exceeded the Las Vegas' (*Gaming Inspection and Coordination Bureau*, 2010). Macao gambling tax is reported to be more than 70%(HK $55.88 Billion, 2009) of the Macao Special Administrative region'stotal fiscal revenue. On average, the Japan gamblers have contributed the equivalent of US$232 billion during 2008 (McCurry, 2009). In Malaysia, total tax revenue in 2009 amounted to RM158.6 billion and gambling industry contributed RM3 billion or 2% of total tax revenuebut not including the illegal gambling revenue in Malaysia. (*Gambling tax for anti-gambling drive*, 2010).

Furthermore, The expeditiousness increase of casino in the region has been identified as one of the important factors that influence consumer involved in the gambling behavior. Increases in the number and variety of gambling activity and the availability of legalized casino have widened the region for consumer choice and have complicated decision making. This is because consumers are always surrounded by advertising, promotion events, magazines and news articles thatprovided a large quantity of information to pursuade consumers. Some of the authors have drawn attention to the fact that marketing strategy is a form of factors that influence people act on gambling behavior (Xiang & John, 2009; Wendy, Caspi, Terrie, & Prulton, 2005). For example, the marketers often develops the strategies to stimulate the gamblers emotion in order to repeat gamble. Indeep, Malaysia gambling industry are becoming saturated with competitors vying toattract the

visitors. Therefore, marketers can only successful if they have a good understanding of the decision-making processes of consumers.

Moreover, Malaysian gambling industry consist with high degree of development opportunities due to the high population growth up. In fact, Malaysia with its multi-ethnic populations such as Malay, Chinese, Indian and a proportion consist with various other races (Abraham, 1999) has a total of 27 million populations and almost 17 million people aged from 20 years old and above (*Department of Statistics*, 2009). Hence, gambling industry creates the biggest consumer market ever in Malaysia and it clearly implies that gambling playing a more essential role in Malaysia. Despite the gambling industry has growth development in Malaysia, a limited amount of study has looked into the factors of influencing individuals' gambling behavior. Consequently, it is important to understand adult consumers in their decision making on gambling behavior in Malaysia.

1.2 Problem Statement

The research on gambling has mushroomed since the late 80s, it reflecting the trends of legalized casino in global gambling industries. Studies on consumer decision-making have been mostly conducted in Western countries or societies (Bakewell & Mitchell, 2003; Rickwood & White, 2009; Senecal, Kalczynski, & Nantel, 2003; Smith & Rupp, 2003). With rapid economic development, changes of economic situation and globalization made consumer decision-making very essential for marketers to understand and to determine the target market (Schiffman & Kanuk, 2007).Since gambling industrycontributed RM 3 billion of total tax revenue in 2009, the gambling industryhas become important in the policy decision making in Malaysia. Understanding the complexities of consumer gambling behaviour is important because consumers are often faced with alternative choices as the increasing amount of information given by each gambling industry players.

According to Howard and Sheth (1969) Theory of Buyer Behavior, the decision making as what happens in between receiving stimuli (input) and behaviour action (output). Input variables are the environment stimuli that influence buyer's decision. The exogenous variables contained the history of the buyer up to the beginning of the period of observation.The consumers would conduct a search for information before to their decision.They evaluate the situation based on information sign; such sign can be internal and external influences. The theory of buyer behavior provides "a sophisticated integration of the various social,psychological and marketing influences on consumer choice into a coherent sequence of information

processing" (Foxall, 1990). Similarly, Consumer Style Inventory (CSI) by Sproles& Kendall (1986) describes consumer decision making as "a mental orientation characterizing a consumer's approach to making choice." Smith & Rupp (2003) concluded that external influences such as corporate marketing efforts and sociocultural considerations in business planning are extremely useful to frame and in the end understand the processes behind customer decisions. Consequently, this project isto investigate the overview of the factors that influence individuals' gambling behavior. There have been rich amount of study in these areas conducted in foreign countries and the finding analysis result are believe not really appropriate in Malaysia since differences people come from difference country, races, religion have difference characteristic on gambling behaviour. Hence, it is not sure that factors of consumer decision making in term of marketing activities, sociocultural environment and psychological field have significant impact on individuals' gambling behavior in Malaysia.

1.3 Research Objective

1.3.1 General Objective

The main objective of this study is to investigate the factors influencing individuals' gambling behavior in Malaysia.

1.3.2 Specific Objectives

i. To examine whether external factors (marketing activities and sociocultural environment) influence individuals' gambling behavior.

ii. To examine whether internal factors (psychological field) influence individuals' gambling behavior.

1.4 Research Question

The fundamental purpose of this study is to investigate the factors influencing individuals' gambling behavior in Malaysia. Hence, this study attempts to answer the following questions:

(i) What are the specific items in marketing activities that influence individuals' gambling behavior?

(ii) What are the specific items in sociocultural environment that influence individuals' gambling behavior?

(iii) What are the specific items in psychological field that influence individuals' gambling behavior?

1.5 Significant of the Study

The practical significance of this study could be beneficial to Malaysian Government, Malaysian public, marketers, and future academic studies.

This study could help Malaysian government to understand the current trend of gambling industries and gambling behaviors, alert about the development of the casino gambling industries since these industries play a crucial role in our economy and image.

In addition, the findings of this study will inform the Malaysian public on the real factors that influence individual's gambling behaviors. Hence, it is important for Malaysian public to recognize the descriptive elements, design effective preventing programs to prevent or minimize the gambling problem in Malaysia. This is because not one wants to see their younger generations indulge in gambling behavior.

Besides, this study provides information to marketers for developing effective targeting, segmentation and positioning. By that, the marketer able to develop the knowledge in order to segment and repositioning the individual gamblers based on their internal or external factors. Itwould enable these marketers to identify the significant marketing strategies for grow up core capability and competition in gambling industry.

Finally, there is little research done on the issues pertaining to gambling behaviors of consumers in Malaysia. So, this research can serve as a reference of future academic researchers in order to further explore other possible influences in Malaysia gambling industries or foreign gambling industries. Therefore, the study is able to increase the knowledge on consumer behaviors specifically in gambling industry.

1.6 Scope of the Study

Based on the objectives, the subjects of this survey is concentrated on consumers around Genting highlands, Malaysia and the respondents were adults who were aged 20 years old and above. Their individual's gambling behaviors were obtained. Malaysia has been choose as the scope in this study because gambling behavior has been long period in Malaysia but seldom researchers study in gambling industry in Malaysia.

Consumers in Genting Highland, Malaysia are choosen as the respondents for the research is based on several reasons:-

- Genting Highland, as Malaysia's sole gambling venue and offers the latest gambling technology such as electronic table games and cashless gaming systems for its slot machines (*The Genting History*, 2010).

- The Genting Highland Resorts designate as "City of Entertainment" and Malaysia premier Resort. Togetherwithintegratedworld-standard entertainment facilities surrounding various leisure, indoor and outdoor theme parks and gambling facilities (*Liburan Malaysia* , 2010). Hence, it is the famous holiday destination of while local or foreign consumer.

- Genting Highland as an international region has one of the popular resort in Malaysia. It also has long history of gambling industrial of Malaysia and

therefore consumers come from different country, religion, race, lifestyle are believe have difference gambling behaviour.

- The huge space at Genting Highland accommodates at least 3,000 gaming machines and 500 table games(*Genting Malaysia*, 2010). The casino resort is also known for having the largest number of rooms which is 8,653(*Genting Malaysia*, 2010).