

# A Study of Gambling Motivations of High Rollers from Mainland China

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# Introduction

- Chinese high rollers appear in almost all major gambling cities in the world. **The number of these people may be small**, but their contribution to casinos is large. They are the section of gamblers that produces high percentage of problem or pathological gamblers. So far there are few studies about them and even fewer studies on their gambling motivations. This study tries to narrow the gap by studying the gambling motivations of the high rollers from Mainland China to Macao.

# Macao's Gambling Industry

- Macao's gambling industry before 2004 was a monopolized industry, with only one company operating. In 2002, the government opened the market and in 2004 first foreign casino began to operate. Macao now has 33 casinos with operators from US, Australia and HK.
- In 2003, the gambling revenue was US\$3.7 bil., in 2009, the revenue reached \$14.9 bil., which was **more than 4 times that of** 2003. In 2010, when casinos in other places were still suffering from financial crises, Macao's casino gambling revenue **reached an all time high**. The first 8 months' revenue was close to that of the whole year of 2009 (**Fig.1**) .

Fig 1

## The Growth of Casino Gambling Revenue since 2003

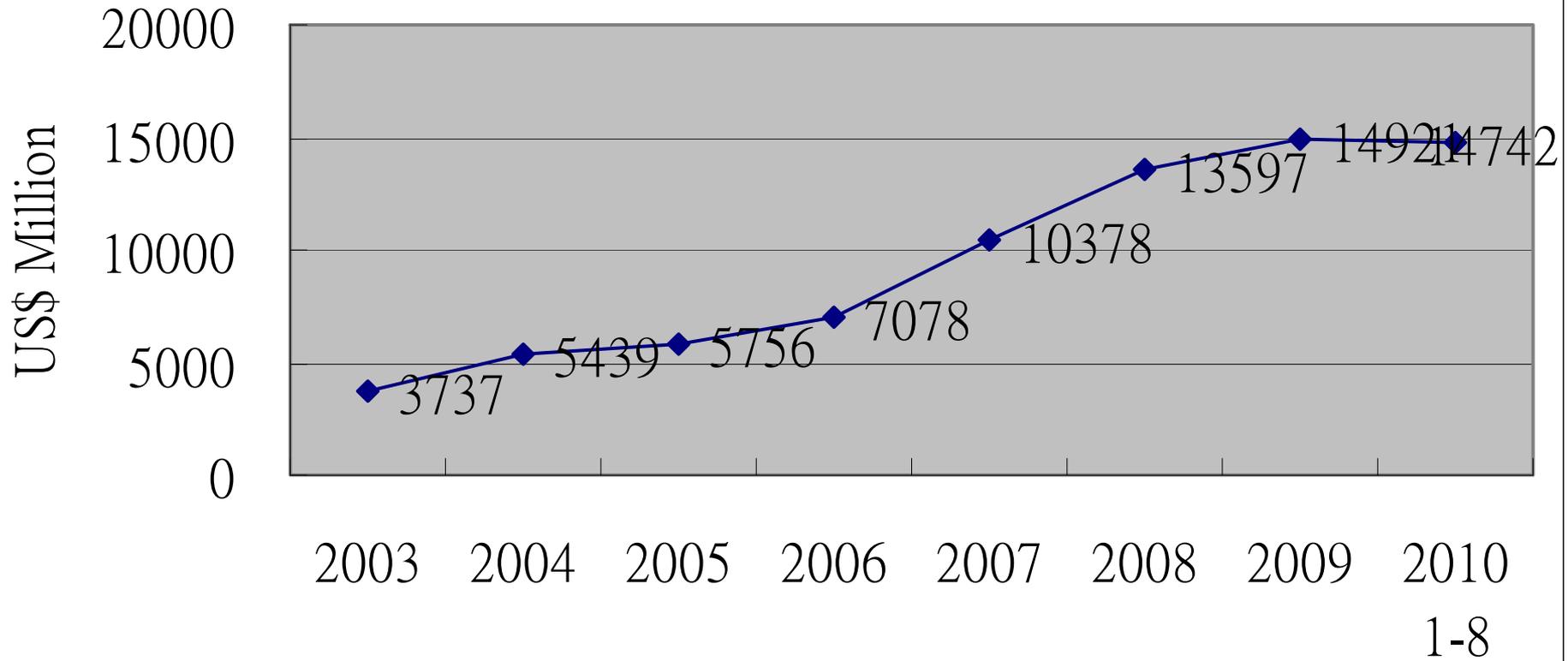
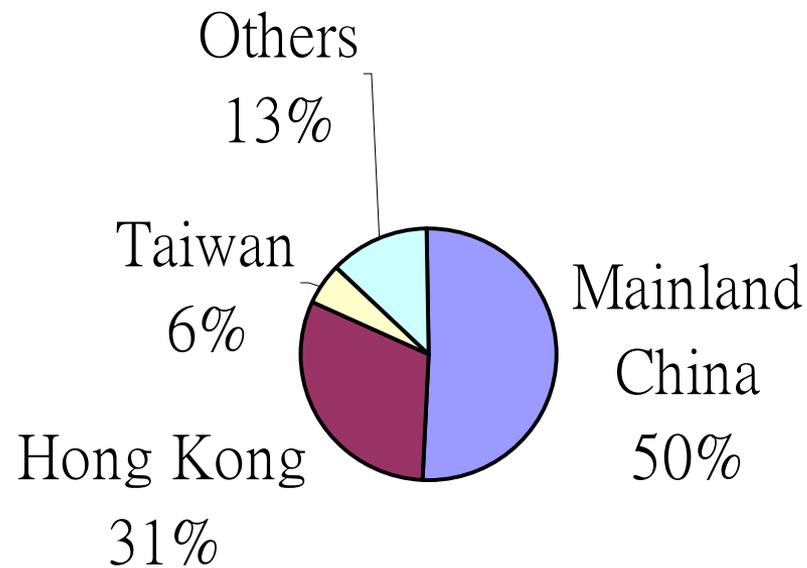


Fig. 2

## The Components of Visitors to Macau 2009



# **Some Characteristics of Chinese gamblers**

# Comparison of Average Gambling Expenditures of Visitors in 3 cities (2009)

| City          | Gaming Revenue (\$bil.) | Visitor Numbers (million) | Average Gambling Expenditure |
|---------------|-------------------------|---------------------------|------------------------------|
| Macao         | 14.9                    | 22                        | \$667                        |
| LV (Metro.)   | 8.8                     | 36                        | \$243                        |
| Atlantic City | 3.9                     | 30                        | \$130                        |

2009 US GDP per capita US\$46381(0.5%), China:US\$3678 (18%)

## Gambling Expenditure of the Visitors to Australia (2007)

| Countries   | Total visitors | Gamblers | Gamblers/Visitors(%) | Gambling Epnditure (Au\$ ) |
|-------------|----------------|----------|----------------------|----------------------------|
| M.China     | 357557         | 56000    | 15.7%                | 449                        |
| Japan       | 573031         | 54000    | 9.4%                 | 251                        |
| Korea       | 253327         | 37000    | 14.6%                | 336                        |
| US          | 459733         | 47000    | 10.2%                | 196                        |
| Canada      | 114636         | 15000    | 13.1%                | 68                         |
| Britain     | 688950         | 76000    | 11.0%                | 127                        |
| Germany     | 151583         | 9000     | 5.9%                 | 70                         |
| Italy       | 53617          | 5000     | 9.3%                 | 73                         |
| Ireland     | 67331          | 14000    | 20.8%                | 178                        |
| Switzerland | 41927          | 4000     | 9.5%                 | 124                        |

# Percentage of Budget on Gambling

- Mainland Visitors to Macao spent most of their travel budget on gambling. In the first five months of 2010, 89% of their travel budget was on gambling, only 11% on non-gambling items. In contrast, in Las Vegas, the visitors' expenditure on gambling is less than 50% of their budget .

# Las Vegas visitor Average Trip Expenditure

|                      | 2005    | 2006    | 2007    | 2008    | 2009    |
|----------------------|---------|---------|---------|---------|---------|
| Food & Drink         | \$248.4 | \$260.7 | \$254.5 | \$273.4 | \$250.3 |
| Local Transportation | \$60.5  | \$68.7  | \$62.7  | \$59.3  | \$53.3  |
| Shopping             | \$136.6 | \$140.9 | \$114.5 | \$121.9 | \$102.0 |
| Shows                | \$49.4  | \$50.8  | \$47.9  | \$51.6  | \$39.9  |
| Sightseeing          | \$8.2   | \$8.5   | \$8.3   | \$7.1   | \$5.8   |
| Total                | \$503.1 | \$529.5 | \$487.8 | \$513.3 | \$451.2 |
| Gambling Expenditure | \$538.8 | \$567.2 | \$466.7 | \$452.2 | \$399.7 |

# Reasons to study Mainland Gamblers

- Chinese individuals account for about a quarter of the world's population and can be found throughout the world. Chinese high rollers are playing high stake baccarat in casinos from Las Vegas to Melbourne. Understanding their gambling behavior is helpful for marketing.
- There are many anecdotal reports suggesting high levels of gambling and problem gambling among the Chinese. Understanding their gambling behavior is helpful for taking preventive measures against problem gambling.

# Reasons to study Mainland gamblers (Cont.)

- For Macao, understanding the gambling motivations of high rollers can help to determine their future gambling intention and thus understand the future trends of the gambling industry.
- There is currently a significant lack of information on their gambling behaviors and motivations towards gambling.

# Gambling Motivations: Literature Review

# Gambling Motivation Scale

- Chantal et al. (1995) developed a gambling motivation scale, in which three types of gambling motivation have been identified: intrinsic motivation (IM), extrinsic motivation (EM) and amotivation.
- IM consists of three facets: (1) toward knowledge via learning, exploring, (2) toward accomplishment of things, (3) toward stimulation or excitement.

# gambling motivation scale (cont.)

- EM involves positive and negative reinforcement: receiving or avoiding something. It also consists of three facets: (1) gambling for rewards , (2) gambling for release of tension and guilt , and (3) gambling for internal values such as social recognition.
- Amotivation occurs when one does not perceive relations between one's own actions and gambling outcomes.

# Cognitive-based Explanation

This paradigm assumes that gamblers are driven by flawed reasoning. Ladouceur & Walker (1996) propose that gamblers display two types of faulty cognitive biases: they behave as if (1) they can control the outcome of unpredictable events, and (2) an event is more predictable than it really is. Clotfelter & Cook (1993) found that some gamblers had “gambler’s fallacy” : the flawed belief that the probability of a gambling event is lowered when that event just occurred, even though the probability of the event occurring is independent from each period.

# Motivational model

- Binde (2009) has developed a motivational model for leisure gambling:
  - The dream of hitting the jackpot.
  - Social rewards: communion, competition and ostentation (displaying skill etc. to gain prestige).
  - Intellectual challenge. Intellectually stimulating hobby and interest.
  - Mood change.
  - Winning money.
- People may have varying levels of involvement. Strong motivations can produce risky gambling, and multiple motivations increase risk of problem gambling.

# Analysis Frame for Motivations

- Heather et. al. summarized the motives of gambling into 6 categories:
  - Social reasons
  - Monetary Reasons
  - Excitement/Amusement
  - Challenge/Learning
  - Escape/Avoidance/Coping
  - Others
- My research will use the 6 categories to analyze gambling motivations of high rollers from Mainland China to Macao

# High Rollers (VIP Players)

- High rollers are the most important segment of gamblers for Macao's gambling industry. Their number may not be large compared to the mass market, but their contribution to casinos is big. 1% of players account for 30% of total GGR.
- In the first half of 2010, 71% of Macao's gaming revenue was from this segment.
- According to industry estimates, about 70%-90% of the high rollers are from Mainland China. In the VIP rooms, betting on baccarat can go as high as US\$300,000 per hand.

# Data Collecting Problems

- It is very difficult to collect data on high rollers. First of all, they are difficult to be accessed. They don't come and go by the way the ordinary gamblers do. VIP representatives take care of all their traveling affairs, including transportation, lodging, and others. Thus high rollers are usually not available by ordinary questionnaire survey.
- As they are main source of VIP representatives' income, VIP representatives usually guard the information about them vigilantly. So ordinary data collecting method is not feasible.

# Data Collecting Problems

- Even if one can make survey on them, it is very difficult to avoid traditional problem of “social desirability bias”. As gambling activities are often socially stigmatized, the gamblers are highly likely to be motivated to hide their real beliefs & behaviors about gambling on self-report measures.

- This is especially true to gamblers from Mainland China: although 89% of their budget is on gambling, only 3% of them say they come to Macao for gambling when surveyed.

- In order to overcome the above problems, I use newspaper reports as my data source for my study.
- In newspapers of Mainland China, there are reports about incidents of high rollers from time to time. Those are occasions when a high roller committed a financial crime or something serious happened to him. Many of the reports described in great detail their gambling behaviors and their criminal procedures. These newspapers are usually big newspapers or local official papers where the high rollers were living & working. Thus, the reliability of these reports is very high.

- In order to find these reports, two search engines, Baidu and Google, were employed. The two are the largest Chinese language search engines in China and in the world.
- The search was conducted from February 20, 2008 until Sept. 10, 2010. A total of 215 cases were gathered, of which, 93 provided their gambling motivations.

# Profiles of 93 high rollers

- 8 are women and 85 are men.
- The average age is 41.
- 31% of them are from Guangdong and 22% are from Zhejiang, the two richest provinces in China.
- 34.4% are private business owners, 24.7% are government officials and 21.5% are state-owned enterprises managers.
- The highest loss is US\$146.6 million, the lowest, US\$14663, and the average, 6.34 million.
- 87% of them committed crimes concerning money, 2 committed suicides & one was killed.

# Profile of 93 High Rollers

|                 |          |                |          |
|-----------------|----------|----------------|----------|
| Sex N=93        |          | Age N=63       |          |
| Male            | 85 (91%) | Oldest         | 60       |
| Female          | 8 (9%)   | Youngest       | 26       |
| Where from N=93 |          | Average        | 41       |
| Guangdong       | 29 (31%) | Median         | 41       |
| Zhejiang        | 20 (22%) | Status N=93    |          |
| Shanghai        | 8 (9%)   | Pvt. B owners  | 32 (34%) |
| Beijing         | 6 (7%)   | Gvt. officials | 23 (25%) |
| Hubei Province  | 5 (5%)   | SOE managers   | 20 (22%) |
| Other Places    | 25 (27%) | Cashiers       | 8 (9%)   |
|                 |          | Others         | 10 (11%) |

|                        |           |                          |          |
|------------------------|-----------|--------------------------|----------|
| Gambling time N=93     |           | Reasons for reports N=93 |          |
| Gvt. officials         | 1992-2007 | Misappr. public funds    | 26 (28%) |
| SOE managers           | 1992-2007 | Corruption, bribery      | 24 (26%) |
| Pvt. B owners          | 1993-2009 | Fraud                    | 15 (16%) |
| Money Lost (US\$) N=85 |           | Misappr. funds           | 5 (5%)   |
| Highest                | 146.6 Mil | Other crimes             | 11 (12%) |
| Lowest                 | 14663     | Suicide/killing          | 3 (3%)   |
| Average                | 6.34 Mil  | Non-crime incidents      | 9 (10%)  |
| Median                 | 1.89 Mil  |                          |          |

- According to Sakurai and Smith(2003), when a person's gambling activity gives rise to harm to the individual player, to his or her family, or to the community, it maybe characterized as pathological.
- If we accept this definition, then all 93 cases can be categorized as pathological or problem gamblers because their gambling has made harm to the society or to themselves.

# The Gambling Motivations of the 93 Cases

| Motivation              | No. of cases | %    |
|-------------------------|--------------|------|
| Excitement & Amusement  | 57           | 61.3 |
| Monetary reasons        | 30           | 32.3 |
| Social reasons          | 2            | 2.20 |
| Escape/avoidance/coping | 1            | 1.10 |
| Other reasons           | 3            | 3.20 |
| Challenge/learning      | 0            | 0.00 |
| Total                   | 93           | 100% |

# Subsets of Reasons (1)

- Of the 57 gambling for excitement and amusement:
  - 33 are addicted gamblers.
  - 14 are for excitement or thrill.
  - 10 gamble for fun or amusement.

# Subsets of Reasons (2)

- Of the 31 gamblers who gamble for monetary reasons:
  - 8 gambled because they believe that it is easy to make money in casinos.
  - 7 wanted to win money to pay their business debt or make up their loss in business.
  - 6 gambled because they won money when they first gambled in a casino.
  - 6 wanted to win back the money they lost before.
  - 3 just wanted to win money.
  - 1 felt that he was having a good luck.

# Comparison of Gambling Motivations of Different Groups

# Comparison with Motivations of 102 PB owners & managers

- In 2008, we made a survey of 102 private business managers and owners in 3 cities of Guangdong province. Those people were managers or owners of businesses with an annual revenue of about US\$7 million or more, and had gambled at least 3 times in Macao in the past 12 months.
- They were not high rollers, but their positions and power were closer to high rollers than any other gambling group.

## Gambling Motivations of 102 PB Owners & Managers Surveyed

| Motivation             | No. of cases | %    | Weighted % |
|------------------------|--------------|------|------------|
| Excitement & Amusement | 63           | 61.7 | 39.10      |
| Monetary reasons       | 22           | 21.6 | 13.69      |
| Social reasons         | 46           | 45.1 | 28.58      |
| Escape/avoidance       | 0            | 0    | 0          |
| Other reasons          | 0            | 0    | 0          |
| Challenge/learning     | 30           | 29.4 | 18.63      |
| Total                  | 161          | 158% | 100%       |

Multipal responses accepted

# Differences between the Two Groups

- Both groups were gambling for excitement or amusement, and for money. But a large part of private business gamblers gambled for social reasons or for learning, while no pathological high rollers were gambling for social reasons, nor for challenging or learning. These are most important differences between them. The finding is in agreement with what Platz & Millar(2001) found: recreational gamblers & problem gamblers have different gambling motivations.

# Some Preliminary Conclusions

- As excitement or amusement are part of human needs, we can predict that this motivation will last and thus demand for gambling will last.
- As people learn more about casinos and the rule of gambling, the monetary motivation may diminish. This has happened on western gamblers: earning money is not the primary motivation for gambling (Tarras, et. al. 2000). Gamblers from Mainland China will learn. Thus creational or experiential gambling will be the future trend.

- Gambling for excitement of thrill is not the main cause of pathological high rollers. The main cause is easy money. The money may come from bribery (gvt. officials), public fund (managers of SOEs) or wealth accumulated (private business owners) or loan from loan sharks (for all high rollers). The need for excitement plus easy money produce pathological high rollers. In order to prevent pathological gambling of high rollers, China needs to build a control system with more checks and balances.

# Time for Q & A

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