

Residents' Perceptions of Casino Development in Korea: The Kangwon Land Casino Case

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Abstract

This study was developed to examine the underlying relationships among the socio-demographic variables of casino community residents, the perceptions of potential benefits and costs, and the support for casino development based on the social exchange theory. The results show that social and economic benefits were most significant in determining the level of support for casino development. None of the demographic variables significantly affected support level. Based on the results of this study, casino operators and policymakers should make efforts to minimize the negative social factors and maximize social and economic benefits if they want support from residents for further development of casino businesses.

Keywords: casino development, socio-demographic variables, benefits, costs, support, social exchange theory

Introduction

Like many countries with casino industries, Korea has legalized domestic gaming, hoping to enhance development in rural communities. The government first legalized a casino for local people in Chongsun, Kangwon province in 1995, after residents repeatedly urged officials to legalize gaming for domestic customers in order to revitalize this dilapidated mining town. Similar to comparable communities in Colorado, the geographic location of this area is a rundown mining area that suffered a devastating economic situation after coal was replaced by oil and gas. The first casino, Kangwon Land, was made legally available to domestic customers in the Kangwon province in October 2000. This is the only domestic-use casino allowed in Korea, even though 13 other casinos have been operating solely for foreigners. In the year of 2004, the government announced it would legalize 3 additional casinos for foreigners: two casinos in Seoul and one casino in Busan. They will be run by a subsidy of Korea National Tourism Organization (KNTO).

The Kangwon Land Casino has developed in two different phases. In Phase I, a small casino was opened in October 2000. It included 30 table games and 480 slot games and was attached to a deluxe hotel that had 199 guestrooms. This small casino was planned for a capacity of 700 people, but recorded 3,200 visitors per day, almost five times its capacity (Kangwon Land Casino, 2001). During Phase II, the main casino was opened with 100 table games (as of this writing, it has expanded again to 132 table games) and 960 slot machines in March 2003. The new casino was attached to a hotel with 477 guestrooms and a theme park. Because the current law only allows one casino for domestic use, the old casino was closed down and turned into a clubhouse for a golf course.

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Since the small casino opened, a number of impacts have been detected. As examples of economic benefits, local businesses, lodging facilities, restaurants, taxis, and gas stations increased their sales volumes by 50 to 200% (Kangwon Province, 2000). Specifically, more than 1.8 million people visited the casino, and casino revenues amounted to 695 million dollars in 2004 (Kangwon Land Casino, 2005a). Also, the casino hired 44% of its employees and purchased 80% of its inventory from the community. Moreover, as of December 2004, the casino hired about 3,115 employees of which 44% were recruited from the communities (Kangwon Land Casino, 2005b)

However, the casino also had many negative social impacts which were great concerns for local residents. Bankruptcies, suicides, and other types of gambling addiction-related problems increased significantly after the casino opened. For instance, the number of excluded customers has dramatically increased from 174 in 2001 to 1,655 in 2004, due to the outstanding symptoms of gambling addiction (Kangwon Land Casino, 2004). The number of pawnshops rapidly increased after the casino opened. Despite concerns about the potential impacts of casino development, there is little research on the relationship among residents' positive and negative perceptions, their level of support, and various socio-demographic variables.

Thus, the purpose of this study is to investigate the relationship among personal demographic characteristics (i.e., age, gender, length of residence), positive and negative social and economic impacts and support for casino development. This study includes some socio-demographic variables to explore any significant effects of these variables on support for casino development and to provide implications for social and tourism development.

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Past Research and Theoretical Background

Several recent studies on perceptions of the possible impacts of legalizing gaming have been reported in the literature (Hsu, 2000; Long, 1996; Perdue, Long & Kang, 1995). Hsu (2000) stated that most of these gaming impact studies were based on the tourism impact studies of the 1970s. Their main interest was residents' perceptions of the social, economic, and environmental impacts of gaming on the community.

Roehl (1999) suggested that residents would express both positive and negative perceptions of the impacts of casino development and that these perceptions would vary across personal characteristics. Socio-demographic characteristics that differentiate individual perceptions include income, age, sex, education, length of residence, homeownership, and occupation in the casino industry. The study by Andriotis and Vaughan (2003) indicated that the education variable had a significant impact on tourism where well-educated respondents viewed tourism less favorably than did less-educated respondents. The other socio-demographic variables, such as length of residence, gender, age, and income, did not affect resident perceptions of tourism. Pizam and Pokela (1985) found that homeowners expressed more negative attitudes towards legalizing casinos than did renters. Also, female respondents had more negative perceptions of legalizing casinos than male respondents (Eadington, 1986). This seemed to be due to the fact that homeowners were satisfied with their present status and that women were interested in protecting their families from gambling addictions.

These different attitudes might be related to whether casino development would be likely to improve or adversely affect the individual quality of life (Eadington 1986). Charmichael, Peppard, and Boudreau (1996) suggested that personal factors, such as socio-demographic characteristics and employment in the casino industry, would influence resident attitudes toward tourism development as explanatory variables. In addition, Carmichael et al. (1996) stated that crime, immorality, natural environment,

recreation opportunity, gender, and taxes were important variables in explaining the dependent variable of 'less desirability.'

It is interesting to note that the study by Perdue, Long, and Kang (1995) indicated that socio-demographic characteristics were correlated with perceived personal benefits, but not correlated with the impact of gambling itself when controlling for personal benefits. Also, Perdue et al. (1995) found that personal benefits were strongly correlated with support for gambling and its positive impacts, such as jobs and recreation opportunities, whereas support for gambling and length of residence were not significantly correlated.

In addition, the study by Milman and Pizam (1988) showed that most socio-demographic characteristics did not affect resident support, with the exception of gender and whether residents and their families were employed in the tourism industry. Perdue, Long, and Kang (1999) insisted that socio-demographic variables showed little consistent differences in impact on tourism. The results of their study indicated that none of socio-demographic variables were related to resident quality of life. Furthermore, Andriotis and Vaughan (2003) indicated that little research had been done on whether socio-demographic variables made significant differences in resident attitudes toward tourism. However, most research has found that these variables have little or no significance in explaining resident perceptions.

Ap (1992) argued that the existing research lacks a theoretical framework for explaining resident attitudes towards the impact of tourism. He advocated a social exchange theory as an appropriate framework for explaining these perceptions. According to his findings, residents would evaluate tourism development in terms of expected benefits or costs obtained in return for their services, that is, 'social exchange.' In other words, residents who perceived personal benefits from tourism development would support tourism development and express positive attitudes. This behavioral theory attempts to understand and predict the reactions of individuals in an interactive situation (Ap, 1992). Accordingly, Lee and Back (2003) developed a theoretical model based on this theory, which predicted the behavior of individuals in an interactive situation. The results of several other tourism studies seem to support the social exchange theory in that residents who perceive personal benefit from tourism development will support and express positive attitudes toward tourism development (Ap, 1992; Decio & Baloglu, 2002; Jurowski, Uysal, & Williams, 1997).

Methodology

Two casino communities, designated by a special law as run-down mining areas, were chosen for survey research. An on-site survey of residents was conducted in June 2003. Well-trained research assistants administered the personal interviews. The number of samples was proportionately allocated based on occupations using the official statistics of the communities. A self-administered questionnaire was given to those who preferred to complete the questionnaire by themselves. Otherwise, the field researchers completed the questionnaire via personal interview. Respondents at least 18 years of age were asked to participate in the survey; in case there was a group, one respondent was chosen for the sample. A total of 567 usable questionnaires were collected and used for analysis.

Measurements of residents' perceptions on casino development were directly adopted from the study of Lee and Back (2003), because they have been found reliable and valid. Content validity ensures that the measure includes an adequate and representative set of items that describe the concept. The measurement items were selected after (1) an extensive literature review—a preliminary list of measurement items was initially generated from a review of tourism literature pertaining to residents' perceptions of tourism and casino impacts (Carmichael et al., 1996; Jurowski, Uysal, & Williams, 1997; King, Pizam, & Milman, 1993; Lindberg & Johnson, 1997; Liu & Var, 1986; Long, 1996; Perdue et al., 1995, 1999; Pizam, 1978; Pizam & Pokela, 1985); (2)

interviews with tourism academics in the field of tourism impact; and (3) interviews with community leaders in the casino town. All items were pilot-tested, and respondents were asked to evaluate the appropriateness of the measuring instruments.

The questionnaire items included (1) socio-demographic variables, (2) perceptions of possible benefits and costs, and (3) support of casino development. Socio-demographic variables such as age, gender, education, income, length of residence, marital status, and number of children in household were included. To determine resident perceptions of the benefits and costs of casino development as critical predictors of their support level for the casino development, a total of 21 items were derived. On the other hand, the support factor was composed of five items: I believe the future of our city is bright due to the casino industry; I am proud that I live in this city; the casino industry makes this city a better place to live; I support development of the casino, and the development of the casino is the right choice for this city. Items of residents' perceptions and support factor were measured on a 5-point Likert-type scale: 1=strongly disagree, 3=neutral and 5=strongly agree. Respondents were asked to rate how much they agreed with each item on the scale.

Results

Table 1 presents demographic characteristics of the respondents. The proportion of male respondents (50.2%) was almost the same as the female (49.8%). Most respondents were married (72.1%), aged 30–49 (60.0%), high school graduates (52.4%), and long-time residents of the city (21–40 years: 49.1%). Most respondents earned less than 2 million won (approximately US\$1,156) each month.

Table 1
Demographic Characteristics of Respondents

Characteristics	% (n=567)	Characteristics	% (n=567)
Gender:		Length of residence:	
Male	50.2	Less than 1 year	1.2
Female	49.8	1-10 years	20.1
Age:		1-20 years	24.8
Less than 20	0.9	21-40 years	49.1
20-29	23.3	41 years or longer	4.7
30-49	60.0	Marital Status:	
50 and higher	15.8	Single	26.0
Education:		Married	72.1
Less than middle school	3.9	Missing	1.9
High school	52.4		
2-year college	19.0		
University or higher	24.1		
Missing	.5		
Monthly income:			
(1,156 won = US\$1)			
Less than 1 million won	23.6		
1.00-1.99 million won	36.2		
2.00-3.99 million won	32.2		
4 million won or higher	8.0		

Table 2 presents the results of factor analysis. Factor analysis was used to determine underlying constructs of the perceptions of potential benefits and costs attributes. Only multiple measurement items of latent variables were included in this process. Principal component analysis and Varimax rotation were used to delineate the discriminant factors. Four independent factors were identified using an eigenvalue of 1 as a cutoff point.

Factor 1, labeled as *social cost*, included seven items: increase in gambling addicts, bankruptcies, destruction of family, prostitution, divorce rate, alcoholism, and crime rate. Factor 2, labeled as *social benefit*, had five attributes. These variables were: residents' perceptions of the positive social impacts of casino development, including enhancement of quality of life, development of community spirit, improvement of educational environment, encouragement of pride of local residents, and conservation of local culture. Factor 3, labeled as *economic cost*, had three attributes: possibility of increase in costs of living, occurrence of tax burden, and leakage of casino revenue. Among the economic cost items, leakage of casino revenue showed a relatively low factor loading and low communalities, so it was deleted from the analysis. Factor 4, labeled as *economic benefit*, included six attributes: encouragement of investment and business activities, increase in tourist spending, improvement of standard of living, boost of tax revenue, generation of employment opportunity, and enhancement of personal income.

Table 2
Results of Factor Analysis

Factor	Internal Consistency (Cronbach's α)	Item	Factor Loading	Eigen Value	Variance Explained (%)
Social Cost	0.87	Gambling addicts	0.74	5.29	26.46
		Bankruptcy	0.81		
		Destruction of family	0.83		
		Prostitution	0.68		
		Divorce	0.76		
		Alcoholism	0.76		
		Crime	0.71		
Social Benefit	0.84	Quality of life	0.63	4.07	20.34
		Community spirit	0.80		
		Educational environment	0.71		
		Pride of local residents	0.79		
		Conserve local culture	0.79		
Economic Cost	0.68	Costs of living	0.80	1.51	7.58
		Tax burden	0.81		
		Leakage of casino revenue	0.34		
Economic Benefit	0.83	Investment and business	0.70	1.28	6.39
		Tourist spending	0.63		
		Standard of living	0.58		
		Tax revenue	0.77		
		Employment opportunity	0.77		
		Personal income	0.58		
Total				60.76	

As Table 2 presents, all factor loading scores, except for leakage of casino revenue, were higher than 0.4; four extracted factors accounted for 60.8% of the variation in the items. In addition, the Cronbach's alpha of support for casino development was .84. All the alpha coefficients for the data exceed or are close (Cronbach's alpha ranges from 0.68 to 0.87) to the minimum standard for reliability of 0.7 recommended by Nunnally and Bernstein (1994), so the results indicate that these multiple measures are reliable for measuring each construct.

To determine the relationship among demographic variables, perceptions of benefits and costs, and support for casino development, a stepwise regression analysis was performed. The stepwise model included independent variables that could reasonably be expected to influence support for casino development: these include socio-demographic items—age, gender, education level, monthly household income, length of residence, and marital status; and perceptions about possible impacts of the casino—social cost, social benefit, economic cost, and economic benefit.

Each construct with multi-items was measured through a single index by averaging the item scores for each construct. Thus, the independent variables and dependent variable were treated as continuous variables. The analysis-of-variance inflation factors confirmed that multicollinearity among the tested variables did not exist. Variance inflation factors are a scaled version of the multiple-correlation coefficients between one variable and the remainder of the independent variables. Because all variance inflation factors were below the cutoff value of 10, multicollinearity among the variables was not detected (Fox, 1997).

As Table 3 shows, none of the socio-demographic variables significantly affected support. Rather, social benefit, economic benefit, and social cost were statistically significant at the .01 level and had the signs one would expect: respondents who believe the casino had positive effects on the economic and social benefits would be expected to support casino development. On the other hand, respondents who believed the casino would have adverse social impacts, such as gambling addicts and destruction of family, would provide less support for casino development.

Table 3
Regression Estimates

Independent Variable	Regression Coefficients		t -value
	Unstandardized	Standardized	
Age	-0.02	-0.01	-0.12
Gender	-0.09	-0.07	-1.22
Education	-0.19	-0.15	-0.25
Income	0.03	0.01	0.12
Lengths of residence	0.07	0.04	0.62
Marital Status	-0.22	-0.17	-0.31
Social Benefit	0.45	0.35	8.83*
Economic Benefit	0.42	0.34	8.50*
Social Cost	-0.16	-0.13	-3.83*
Economic Cost	-0.09	-0.06	-1.20
Intercept	1.03	4.78	
R ² (adjusted R ²) = .41(.40) ^a			

Dependent variable is "Support."

^a F < .01

* p < .01

As Table 3 shows, 40% of the variance in the dependent variable was accounted for by these three independent variables. Interestingly, economic cost was not significantly associated with support. This result can be interpreted as residents' exposure to the casino industry; their perceptions of negative economic factor did not significantly influence them to oppose the casino industry. Rather, they tended to become more supportive when they actually perceived economic and social benefits.

To summarize, the social exchange model partly fits the data set in explaining residents' attitudes toward casino development because the social benefit factor was most significant in determining support for casino development, followed by the economic benefits. However, personal socio-demographic variables were not significant in affecting support. In other words, whether the respondents were female or male, old or young, their level of support for casino development depended on their perceptions of benefits and costs, not by these socio-demographic variables.

Discussion

Theoretically, the results of this study partly confirm social exchange theory as consistent with previous studies (Ap, 1992; Decio & Baloglu, 2002; Jurowski et al., 1997). Specifically, both social and economic benefits have significant positive effects on support, whereas only social cost has a negative role in determining support level.

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For instance, residents supported casino development when they perceived increasing coherent community spirits, quality of life, and employment opportunities. Also, their support level was significantly reduced when they were concerned about gambling addicts, destruction of family, and other types of social cost. Economic cost did not significantly affect resident support for casinos because the two items in economic cost (cost of living and tax burden) might not directly influence residents' lives; these two items had not changed much because the casino opened 2000.

Surprisingly, the result of the study indicates that on the basis of the sampling, none of the socio-demographic variables had a significant effect on resident level of support for casino development. This result should be interpreted carefully. This result may be due to the data collection period. As mentioned in the background section, the residents spent much effort in urging the government to legalize the casino in their community. The data were collected when the casino had been open for less than three years, so the residents still held somewhat common feelings toward casino development even though they had different genders, ages, or even household incomes.

This study has specific implications for tourism and social development. First, policy makers should identify the best methods for presenting the benefits of casino development to local residents. The benefits played an important role in this study, so local government could increase job opportunities and income levels by developing a number of tourism projects, including building bed-and-breakfast facilities and restaurants, hosting seasonal cultural events, and constructing a mining theme park. For instance, abandoned mining areas could be turned into amusement parks with rides and could be connected with a ski resort. In this case, the local communities could benefit from increasing job opportunities that are only indirectly related to the casino.

Second, casino operators and policy makers should make efforts to minimize the negative social factors. The results of this study showed that social costs had a significant effect, so casino operators and policy makers should plan problem gambling prevention programs in order to minimize the negative social impacts of casinos on residents. Since the Kangwon Land casino opened, the casino developed or introduced several outstanding programs for problem gamblers, including a self-exclusive program, limited access for local residents, and so on. Recently, the casino restricted the number of visits by each customer up to 20 days a month (Lee and Back, 2005). Also, a wall-clock was installed in the casino—it may be the second attempt after the Australian casino industry in the entire

worldwide casino industry. The Kangwon Land casino also established a problem gambling center which develops prevention programs for problem or pathological gamblers and provides counseling programs on-site and through off-line (e.g., Internet, telephone). Like other casino industries, the Korean government should establish a gaming control board to minimize potential costs associated with the casino operation.

Last, in order to maximize social benefits to the community, policy makers should consider creating a pleasant educational environment. A look at the Korean cultural background reveals that enhancements to the educational environment will lead children of local residents to remain in the community and will result in an equivalent level of education to that found in metropolitan areas. Consequently, the size of the community will not decrease, but rather will increase because these educated residents will decide to stay where they have more job opportunities in their communities. Specifically, the Kangwon Land casino and local government need to provide funds to enhance school equipment and facilities and to recruit experienced teachers. Training programs for local residents should be also provided to run tourism related businesses, such as lodging, restaurants, convenience stores, and gift shops. It is fortunate that the Kangwon Land casino had promised to recruit locally a certain percentage of their employees, and they are now hiring 44 % of their employees from local communities.

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Limitations and Future Research

Like other studies, this study has limitations. First, this study may not be generalizable beyond the residents of two communities in Kangwon Province, Korea. The findings may not be applied to communities with different structural attributes, such as economic and political situations.

Second, this study was conducted as a one-shot study after the casino was opened for less than three years. People change attitudes and behaviors as time passes, especially when the situation significantly affects their quality of life, so respondents' perceptions and their support for casino development may already have changed. Similarly, socio-demographic variables may have different role in determining their support level for casino business.

Thus, a longitudinal study should be conducted to assess current residents' perception of casino development so that casino operators and policy makers can proactively develop social and economic programs for further assisting residents. Also, future study should incorporate raw economic data such as differences in household income after the casino opened and the resulting relationship to resident support of casino development. Furthermore, additional insights can be gained using qualitative methods such as personal interviews with residents and community leaders. For instance, resident support for casino development may be explained by many other personal factors, such as gambling addicts in the family and religious background. Finally, conducting a series of longitudinal studies will be more effective when using panel data. In other words, using the same panel data, the result would be more meaningful for investigating actual perception changes within the data set.

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