Louisiana Gambling Study
Business Survey Analysis

Methodology

The perceptions of and impacts from gambling upon businesses were important factors to identify in the comprehensive study of gambling in Louisiana. To this end, the Editorial Board devised a questionnaire that would elicit the type of information needed to assess these elements. A questionnaire mailout/mailback approach was used. The details of the survey methodology are presented below.

There are a number of sources of business lists. However, no list encompasses the entire population. Therefore, the source that was selected from which to draw the sample of businesses was the ProCD⁷ SelectPhone database. This source is based upon telephone directory information. Thus, it is a complete listing of establishments with commercial telephone numbers. The Division of Business and Economic Research at the University of New Orleans (UNO) identified a total of 119,896 unique business establishments from the database. The establishment count for each geographic area under study was Shreveport-Bossier City–10,709, Lake Charles–4,862, Baton Rouge–17,668, New Orleans–38,808, and the balance of the state–47,849.

The goal of the survey was to obtain sufficient numbers of responses from each of the Baton Rouge, Lake Charles, New Orleans and Shreveport-Bossier City Metropolitan Statistical Areas (MSAs) and the balance of the state to be able to draw statistically valid conclusions. In order to do so, the target number of responses was identified–500 from each of the Baton Rouge, Lake Charles, New Orleans and Shreveport-Bossier City Metropolitan Statistical Areas (MSAs) and 600 from the balance of the state for a total of 2,600 surveys. Based upon previous experience with mail surveys, a 20% across-the-board response rate was assumed. Consequently, to achieve the desired number of responses, the sample sizes were 2,500 for each of the four metropolitan areas and 3,000 for the balance of the state, for a total of 13,000 businesses.

The first mailing of the Business Survey was sent on November 10, 1998 with an accompanying cover letter from Governor Foster. A postcard was mailed a week later as a reminder to those who had not returned the survey or a thank you to those who did return it. A follow-up mailing with a different cover letter from Governor Foster was scheduled to be mailed again to the entire sample of 13,000 businesses on December 7th. However, the printer/distributer of the survey mistakenly mailed the second letter and survey to about 9,500 business people who currently receive a publication *(Louisiana Business Survey)* from UNO=s Division of Business and Economic Research. Fortunately, this error was discovered within two days of the mailing. In order to preserve the statistical properties of the original sample of businesses, surveys were segregated by receipt date to exclude all responses from these other businesses. The mailing house printed and mailed an explanatory postcard to all 9,000 businesses who were sent the survey in error. Next, an identifying mark was added to the remaining 3,500 surveys and these were mailed with the Governor's letter to a sample of the original 13,000 businesses. This solution was deemed appropriate because response to the November 10th mailing was high relative to expectations.

A total of 2,977 completed responses from the desired sample groups were received before final analysis began in the third week of January, 1999, for a total response rate of 22.9%. The total number of responses by area was Baton Rouge–538, Lake Charles–556, New Orleans–525, Shreveport-Bossier City–594, and balance of State–754.

Weighting

The sampling framework that was selected created an equal number of targeted responses (500) in each of the four metropolitan areas in which casinos operate (Baton Rouge, Lake Charles, New Orleans and Shreveport-Bossier City). For the balance of the state, the target was 600 completed surveys. The actual number of responses was higher, in some cases considerably, for all areas.

This framework over sampled the smaller population areas in the state in order to get a sufficient number of observations for each area. Consequently, not all areas of the state had an equal representation in the sample. In addition, the response rates varied across the geographic areas, from 21.0% in New Orleans to 25.1% in the balance of the state. Therefore, analyzing the survey responses as they were collected would have resulted in inaccuracies, particularly when combined to form totals for the whole of Louisiana. To overcome this geographic imbalance in the sampling and responses rates, a weighting scheme was designed to adjust the number of responses in each geographic area according to the proportion of the business establishments in the state contained in that area.

The weights were derived in a relatively simple fashion. Each weight was the quotient of two factors–the proportion of the total number of business establishment in each geographic area divided by the proportion of the total number of responses in each area. The tables below display the weighting procedure and final weights.

Geographic Area Weights for Business Survey

Area	*Geographic Area Weights*
Lake Charles	0.21329
Baton Rouge	0.81542
New Orleans	1.83542
Shreveport-Bossier City	0.44765
Balance of State	1.57571

The relatively low weights for Lake Charles and Shreveport-Bossier City result from the large number of responses relative to the population of all business establishments. In Lake Charles, 4,862 establishments were identified and 566 surveys were returned. In Shreveport-Bossier City, 10,709 businesses were identified and 594 surveys were returned.

Summary of Findings

Overall Perceptions

$ A slight majority (51%) of Louisiana businesses responding to the survey felt that the presence of gambling has affected Louisiana as a place to do business. Some 40% believe gambling has had no impact and 8% were unsure.

$ Video poker and casino gambling are viewed as having the most detrimental impacts on local business climates. Of those establishments who believe gambling had some impact, 61% felt that video poker negatively impacts their communities as a place to do business while 23% said video poker had a positive impact. Some 53% felt that casino gambling had a negative impact, yet 35% said the impact was positive. The most common response for other forms of gambling except one was Ano effect.@ The one exception was the lottery, 38% percent of the firms felt it had a negative effect, while 37% felt no impact.

$ Firms were asked about the effects of gambling upon various aspects of their individual business. The results indicated that 36% of all responding firms reported that gambling had no impact at all on their operations. Negative-only impacts were cited by 33%, while positive-only effects were felt by 19%. Some 9% felt mixed (some positive and some negative) results. Video poker had a slightly higher incidence of only negative effects (34%) than did casinos (31%). The percent of respondents who offered only positive effects was 17% for casinos and 12% for video poker.

$ An effort was made to identify how, specifically, gambling affected their businesses. Four areas were considered–revenues and customers, costs, profits, and employees. Gambling largely had no impact on Louisiana businesses, but those that were impacted were negatively affected. However, no particular area was mentioned by a majority of respondents except for in the revenues and number of customers category where the majority response was Ano effect." The results were very similar for both casinos and video poker. The lottery had even less impact.

$ Video poker, casinos, and Internet wagering were least likely to be seen as Agood corporate citizens." Some 53% of firms stated that video poker was a bad corporate citizen; 39% stated casinos, and 37% said Internet wagering (note: the undecided response on this question was 26%).

Individual Business Effects

$ Some 4% of responding firms were formed or changed focus to meet the needs of the gambling industry.

$ Almost one-quarter (24%) of the businesses reported receiving revenues directly attributable to the gambling industry. Eighty percent of those cited direct revenues from gambling as between 1% and 25% of total revenues. The sources of these revenues were principally casinos (67% of respondents) and video poker (45%). One industry had substantial revenues directly from gambling–34% of eating and drinking establishments in the state reported receiving more than 50% of revenues from gambling.

- Only 12% of businesses reported that they had any employees leave to work in the casino gambling industry. The primary reason cited for this was higher pay (67% of respondents). Other factors of note were better benefits (31%) and different working environment (29%).

- The relationship of gambling to business crime victimization measured very low in the survey. The highest incidence of crime related to gambling was employee theft. Some 7% of business executives stated that their firms were victims of gambling-related employee theft. Other crimes were virtually unaffected by gambling-related crimes (non-employee theft–4% of establishments, burglary–3%, and robbery–2%).

Area Differences

- Business perceptions about gambling differ according to the resident's location within the state. Those businesses from Shreveport-Bossier City or Lake Charles, where gambling has been successful in attracting tourist visitors, are much more likely to view gambling as having a positive impact on Louisiana. Businesses in the balance of the state view it more negatively.

- To illustrate, 51% of all Louisiana businesses which responded felt that gambling has had an impact on the state as a place to do business. In both the Shreveport-Bossier City and Lake Charles metropolitan areas, 72% felt that gambling had an effect. In contrast, in New Orleans, 45% felt that it has had no effect and 48% of the businesses in Baton Rouge perceived no impact.

- As expected, these results were largely reflected in the views of casinos as related to the local business climate. The vast majority of businesses in Shreveport-Bossier City (73%) and Lake Charles (69%) felt that casinos had a positive impact on their local area as a place to do business. In contrast, 59% of New Orleans business respondents and 56% of those from Baton Rouge felt that casinos were a negative factor on the local economy. Shreveport-Bossier City and Lake Charles also held video poker, the lottery, and horse racing as more beneficial, in terms of impact, than much of the rest of the state.

- Businesses in Shreveport-Bossier City and Lake Charles reported positive effects on sales revenues and customers (47% and 46% positive, respectively) and profits (37% and 41%, respectively). However, even in these areas more negatives than positives were offered regarding costs (wages and rent) and employee factors (turnover, absenteeism, and productivity).

- As expected, all other business indicators relating to gambling were more acute in the Shreveport-Bossier City and Lake Charles areas. The incidence of firms being established or changing focus was up to twice that of some of the other areas. Additionally, casinos were viewed more strongly as good corporate citizens in these areas. Also, larger percentages of firms had employees leave to work in casinos. However, there was little difference in crime rates attributed to gambling.

$ These perceptions are not at all surprising. The Shreveport-Bossier City and Lake Charles areas contain 8 of the 13 operating riverboat casinos in Louisiana. Both also have horse race tracks. The majority of the visitors to those venues live in nearby Texas. Thus, much of the substantial economic benefit offered to those areas by casino gambling is new money infused into the community. On the other hand, the vast majority of gamblers in New Orleans and Baton Rouge casinos live in Louisiana. The casinos in these areas do not infuse as much money into the economy because some gambling spending displaces other spending by local residents. The balance of Louisiana businesses, either with no local gambling or closer to one of the three Indian casinos in the state, felt about the same as businesses from New Orleans and Baton Rouge.

Relationship to the Gambling Industry Differences

$ Business managers were asked a series of questions relating to their firm's relationship to the gambling industry. One question requested the percentage of revenues directly attributable to the gambling industry. Other questions asked whether the firm was formed or changed focus to address the needs of the gambling industry. The perceptions were clearly and predictably different according to their response to these questions. The greater the business' relationship to the gambling industry, as measured either as a percent of revenue or formation or change in focus to meet gambling industry needs, the vastly more positive was its manager's views of gambling.

Ownership Characteristics Differences

$ Respondents were asked to categorize the owners and operators of the business. Analysis of survey answers based upon these classifications revealed little consistency across owner/operator type. The only exception was that women-owned businesses tended to view gambling more negatively than other business types. This observation is consistent with results from the resident survey that showed women, in general, perceive gambling more negatively. Because the respondents in women-owned businesses were likely to be women, it is likely that their responses were more a function of their personal opinions rather than their objective business experience.

Business Demographics Differences

$ Firms responding to the survey were asked other questions relating to the nature of the business. Two of the more important questions were business demographics–number of years the company has been in business in the local community (age) and number of employees at the specific business location (size). Some consistent patterns were observed relative to age of the company. Respondents from newer firms (i.e., those in business for ten years or less) generally viewed gambling, notably casinos, video poker, and the lottery, more positively than did older firms. Considering that all the firms that were formed to meet the needs of the gambling industry and a substantial number of those whose focus changed to accommodate gambling were young companies accounts for at some of these perceptual divergences.

- $ Respondents from larger establishments were more generally likely to view gambling in a more positive light than did smaller establishments. Compared to smaller firms, the larger ones reported greater benefits from gambling in terms of sales, customers, and profits, despite citing greater problems with employee issues such as ability of attract quality workers, absenteeism, turnover, and productivity.

- $ These relationships between the perceptions and influences of gambling and company demographics hold true in the overall sense. However, one cannot observe the strength and consistency of these relationships that can be seen in other classification variables.