*Article*

# Casino Business in the Context of Tourism Development (Case: Montenegro)

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**Abstract:** Special Interest tourism (SIT) represents an answer to mass tourism and its goal is to ensure tourist destination sustainability. The casino industry is growing intensively in the territory of Montenegro and a question arises whether casino tourism development is an opportunity or a danger for Montenegro and its sustainability. The goals of this paper are to show and assess the current offerings and potential for development of casino tourism in Montenegro, to point out advantages and challenges in development of casino tourism in this type of destination. Econometric models were used for the needs of this paper (time series correlations and regression for defining relation between casino business and tourism, ARIMA model for prognosis of casino business in the context of tourism until 2020). For the first time in the territory of Montenegro, 14 anonymous interviews were carried out with casino players to determine the quality of current offerings for development of casino tourism in Montenegro. The main finding suggests that casino tourism in Montenegro is not sufficiently developed, but that we can boast of a high-quality casino offering such as Slovenia. Limitations lie in the lack of data over a long period and the non-existence of the records on number of casino tourists in Montenegro. The emphasis is put on the economic effects of developing casino tourism, rather than the social ones.

## 1. Introduction

Thematic tourism or Special Interest tourism (SIT) is difficult to define precisely. We can say that the motivation of tourists in this case is conditioned by their special interests, but also that the tourist destination offerings can stimulate new interests among tourists. Broader definitions say that SIT was established as a solution for mass tourism, in order to ensure tourism sustainability (Trauer 2006). Casino tourism is one of the forms of Special Interest tourism and it is becoming more intensive day by day. Casino tourism could be defined as a tour of the tourists inspired by their desire to entertain and gain experiences offered to casino visitors. Leiper (1989) was among the first to define the relationship between tourism and gambling, and presented a typology of casino players. In his paper a clear difference was drawn between tourists with 'wanderlust' (tourists who like to explore the destination, enjoy the wildlife and nature) and 'sunlust' (tourists who are looking for the '3S' offerings of sun, sea and sand). His research showed that that wanderlust tourists are less prone to gambling compared with sunlust tourists, who want to spend their time and have fun in casinos.

Internationally, the casino industry market is about 450 billion US dollars. Approximately 6% of the total number of casinos are online and online casinos carry 10% of total revenues. Las Vegas and Macau are recognized as the premier destinations for casino tourism. Gross annual income of

the casino industry in Las Vegas is 71.1 bn USD while Macao has a gross income of 28.04 bn USD. The most famous and successful casino companies are Las Vegas Sands (11.69 billion USD in gross annual income), MGM Resorts (9.46 billion USD) and Caesars Entertainment (3.88 billion USD). Over 43% of the total casinos are located in Asia and the Pacific, while in America it is 40.11% (Statista 2017).

The territory of the Republic of Montenegro covers an area of 13,812 km. It is located in the southeastern part of the Balkan Peninsula. The airline distance between the southernmost and northernmost points is about 200 km, and between the most western and eastern points it is about 173 km. Montenegro borders the Adriatic Sea, with a coastline of 293.5 km. The nature of Montenegro is well preserved, and as a small Mediterranean country, Montenegro has a rich architectural and cultural heritage. In this small area there is a sea with beautiful beaches, rivers with unique canyons, clean lakes and high mountains (Radović 2010). These natural characteristics are the basis for the development of tourism in this area. Tourism is the fastest-growing sector in Montenegro (Monstat 2017), and the country is projected to be at the 18th position on the growth rate of tourism business in the world, according to WTTC forecasts for the period 2017–2027 (World Tourism & Travel Council WTTC). In 2016, 11,250,005 tourist nights were realized in Montenegro and there were 1,813,817 tourist arrivals. The share of tourism in the GDP of Montenegro was 7.46% in 2016 (Monstat 2017). The average length of stay of tourists in Montenegro is 6.2 days. Tourists visit Montenegro mostly for holiday and recreation. More than 90% of the tourist traffic was realized on the coast of Montenegro. There are 404 hotels in Montenegro, 12 hotels with a rating of 5 *, 136 hotels with 4 *, 145 hotels with 3 *, 88 hotels with 2 * and 23 hotels with 1 *. The total number of beds in the hotels is 40,358, which is 24.18% of the total number of beds in Montenegro (Monstat 2017). Since tourism has been a strategic branch of development, the state has provided a number of benefits in order to expand the tourism offer in Montenegro and raise it to a higher level. To encourage the construction of high category hotels (4 * and 5 *), the state has reduced VAT, weakened taxes, contributions and property tax for a period of 10 years, including taxes for Utilities, etc., under the auspices of the Ministry of Sustainable Development and Tourism. On the other hand, the VAT on services of accommodations, food and drinks is 7% in hotels with 5 * on the coast and in the central region and in hotels with 4 * in the north. VAT on other services and goods is 19% (National Law on Value Added Tax 2016).

Montenegro's tourism development strategy up to 2020 (Grupa Autora 2008) foresees that Montenegro is not only a summer destination, that tourism is not just based on 3S (sea, sand and sun) tourism. This strategy recommends the development of high-quality tourist products, development of special-interest tourist products that would be intended for a high-paying class of tourists in order to avoid a large number of tourists and pressure on the destination. We can say that the development of nature-based tourism, cultural tourism, nautical tourism, MICE tourism, etc., is discussed more frequently nowadays, while casino tourism in Montenegro is rarely discussed, written about or explored.

Viewed from the corner of casino tourism, Montenegro has 5 casinos and they are all within the category of 4 and 5 stars. Total revenues from these casinos amounted to approximately 20,548,530 euros in 2016, which is 0.55% of GDP. The total number of beds in the casino hotels is 2592, which is 6.42% of the total hotel offer of Montenegro. The largest number of casino tourists come from Italy, Russia, Albania, China, as well as domestic tourists. Montenegro enjoys enormous economic benefits from casino tourism. Namely, the state gives concessions that are made up of a fixed and variable part. The fixed part is 50,000 euros per casino per year. The variable part is 10% of the total casino income plus 20 euros per month per appliance (National Gaming Act 2011). The state received 2,368,213 euros of concession fee in 2016. While destinations such as Las Vegas and Macau have based their entire economy on development of casino business and casino tourism, the development of casino tourism in Montenegro is uncontrollable and modest. Casino tourism is an excellent opportunity for the Montenegrin economy. The great disparity between north and south is a challenge which Montenegro is trying to overcome, but still with no significant results. The revitalization of the north would be possible if the thematic tourism and, above all, the casino tourism, were more intense.

If there is a connection between tourism and casino business, it is evident now, but in this paper we will explore further this relationship and how to set the framework for planning casino tourism in Montenegro. In the forthcoming presentation we will review the literature, explain the methodology and the paper sample, present the results and arguments of our findings, and provide guidelines for the future development of casino tourism in Montenegro along with suggestions to improve this research.

## 2. Literature Review

Since the sector of games of chance is gaining in significance in many parts of the world, and is characterized by a strong growth trend, especially over the course of the last few decades, numerous scientific studies are dealing with this topic. Most of them focus on the advantages and drawbacks of the development of casino tourism, including positive and negative economic, social, cultural, environmental and other impacts. Conclusions are often based on the attitudes of the local population and the impacts that this kind of tourism can have on the local community as a whole. The negative social effects of casino tourism are often highlighted. In this section, we will give an overview of the most important findings of other authors about casino tourism and the most significant issues related to it.

The study conducted by Wan et al. (2011) explores the social consequences of casino plays in Macau, focusing on the period after 2002, from liberalization of licensing casinos. The development of casino plays at this destination surely brought certain benefits to the community, of which the most significant are reflected in: increase of personal income of residents and enhancement of financial situation as a whole, improvement of infrastructure and buildings in the city, as well as enrichment of entertainment, recreation and leisure content, along with preservation and improvement of the scenery in the destination. However, the results point to numerous negative consequences such as: uncontrolled urban development and decrease of public green areas as an outcome, traffic problems and traffic jams. Findings pointing out a high rate of renouncement among students, increased engagement of the local population in gambling and crime, increased demand for counselling services and public health care services, are disturbing. These negative social effects can significantly determine the future of the local community and the quality of everyday life of its residents. The authors emphasize that challenges and problems brought by casino tourism can overcome the advantages and benefits that a destination willing to emerge in casino business can experience. Wan (2012) also examines the impact of casinos and casino tourism on a destination. He suggests that much attention and effort of the authorities is needed in order to minimize the negative effects of development of casino tourism in Macau.

The issues of support of the local population in the development of gambling as a strategy for tourism development were also studied. Thus, Perdue et al. (1995) explore the attitudes of the local population on gambling, focusing on how the residents perceive the influence of gambling and the quality of contact between the local population and the gamblers. They analyzed the different levels of their personal benefits and well-being, and perceived the future of the entire local community. Here authors have identified the key positive and negative impacts. The key positive impacts of gambling include significant economic benefits such as the increase of potential number of new working positions for local residents in the casino industry. Positive socio-cultural effects include enrichment of cultural content and the possibilities for recreational and leisure activities, as well as preservation of cultural and historical complexes and buildings. On the other hand, a significant number of negative influences were identified, including: the increase of life expenses with the local population, traffic jams, increase of dangers of driving, as well as increase of crime rates in the local community.

Further, significant differences in the perceptions of the local population towards the development of casino industry were investigated, ranging from pre- and post-emergence of casinos. Lee and Back (2003) conducted a research to examine the fundamental relationships between the following variables: the influence, benefits, and support of the local population, based on social exchange theory. They have proven that the positive economic impact is actually the most important in determining the level of

benefits. This influence is later enhanced after the opening of casinos. On the other hand, the local population experienced significant positive social impacts during both periods: both before and after the development of casinos, which makes social impact the most difficult to assess and measure.

Wu et al. (2017) examine local people's views on the development of the Penghu's casino industry. They set up a theoretical model on the basis of which they examine how social, economic and environmental effects of the casino industry affect local people's attitudes, which depends on future development plans.

Long (1996) analyzed the intention of rural communities, having in mind the potential income from the gambling industry, considering the incitement of gambling tourism as a means of revitalization of the economy. Many rural communities in the US, including Deadwood, South Dakota, and Black Hawk, Central City and Cripple Creek, Colorado, have conducted a form of casino gambling. These rural communities have had different successes in it, but their experience points out that gambling can create large expenses. Therefore, the author emphasizes that public officials, casino owners and managers, leaders of municipalities, as well as the local population itself must be aware of the challenges and problems the communities can face during engagement in the casino industry. In this respect, it is necessary to make appropriate plans at the level of gambling industry, with local community as well as the larger nation. Since the transition to gambling economy implies significant changes in the local environment and causes the need of dramatic adjustment of the local population, it is necessary to determine and plan specific benefits and advantages the community would have from the development of this form of industry.

The experience of introduction of casino tourism in Pennsylvania refers to positive economic and fiscal impacts, especially from the aspect of attracting the casino tourists that formerly travelled to some other states. Similar results can be noted in the example of casino tourism in Philadelphia. However, the group of authors (Williams et al. 2011) point out the difference between the short-term benefits and long-term sustainable development of casino industry. They emphasize that it is necessary to additionally analyze whether the benefits from casino industry realized by the local community are adequate for compensation of local expenses. Particular consideration should be carried out in the case of Philadelphia for the effects of development in significant part of city beach for the needs of casinos, compared to the potential economic effects of development in some other facilities, for example, leisure and recreational facilities. Based on the review of the 492 internationally carried out studies of the economic and social impacts of gambling, small positive economic and social effects were identified at the level of the local community, as well as relatively small social effects in the community, which simultaneously can be rather dramatic on an individual level. Positive economic and social effects are reflected in the increase of state revenues through taxes for casino business, procurement of additional leisure content for recreational gamblers and relatively small increase in employment of the local population. Negative social influences are the most prominent in the increased gambling issues among the local population, which reflect financial hardships and the loss of employment. Therefore, gambling can contribute to increase of social and economic inequality inside a local community (Williams et al. 2011).

Furthermore, Nickerson (1995) dealt with the issue of casino tourism and its influences on a destination. He affirmed that a destination firstly enjoys the economic benefits from the development of casino tourism. Back and Bowen (2009) also researched the effects of casino tourism on a destination, but differing from the rest, they deal with models of taking the maximum of economic benefits, while at the same time reducing social expenses of casino tourism. Cho (2002) affirms that casino tourism is ideal for recovery of touristic economy of a destination. He, like the other authors, claims that development of casino tourism must be controlled. Piner and Paradis (2004) focus on the significance of long-term planning of development in casino tourism opposing to short-term benefits for problematic economies.

Great destinations of casino tourism, such as Macau, are facing new challenges. The question arises of the sustainability and validity of current strategies. It is necessary to innovate the casino tourism development strategies (Greenwood and Dwyer 2017). McCartney (2015) examines ethics and social responsibility in casino tourism and concludes that these issues are not complete. Hang and

Penny (2011) examined the influence of casino business on medium and small businesses in tourism and the development of tourism entrepreneurship. They concluded that SMEs have a significant role in marketing of a destination of casino tourism, and that the authorities, i.e., the government, must work on minimizing the negative effects of casino tourism on the destination. MacLaurin and MacLaurin (2003) give an overview of the development of casino tourism in Canada and they focus on the analysis of economic parameters. Gu et al. (2016) explore the impact of earning tax of casino visitors on tourism. They came to the conclusion that taxes should be reduced in all destinations where casino tourism is at the initial stages of development and vice versa. Mason and Stranahan (1996) also examine the impact of casinos on state tax revenues. McCartney (2008) examines the relation between casino tourism and the event tourism. He concludes that the more developed casino tourism is in one destination, the more growth it makes in event tourism. Huang et al. (2017) examine functioning of casino event management in different environments. But and Ap (2017) examine the impact of casino tourism on the lives of local population and the consequences of poverty and all inequalities. Wong and Rosenbaum (2012) reveal that behind the pure gambling, the motives of casino gamers are numerous, starting from pursuit of entertainment, the desire to escape from everyday life, freeing themselves from stress, to the sight of casinos and wish to rest and recreate.

It is an interesting fact that there are no significant papers in this area for Montenegro, which is another contribution of this paper.

## 3. Methodology and Sample

Several scientific methods have been used for the purposes of this paper. In order to define the guidelines for development and improvement of casino tourism in Montenegro, we used a management strategy tool, Gap Analysis. The Goal of Gap Analysis is to answer four key questions: Where are we now? (A); Where are we likely to be? (B); Where do we want to be? (C); and, How to overcome the gap between B and C? (Pearce and Robinson 1997; Thompson and Strickland 2001; David 2011). Our Gap Analysis model (Figure 1) is depicted below:
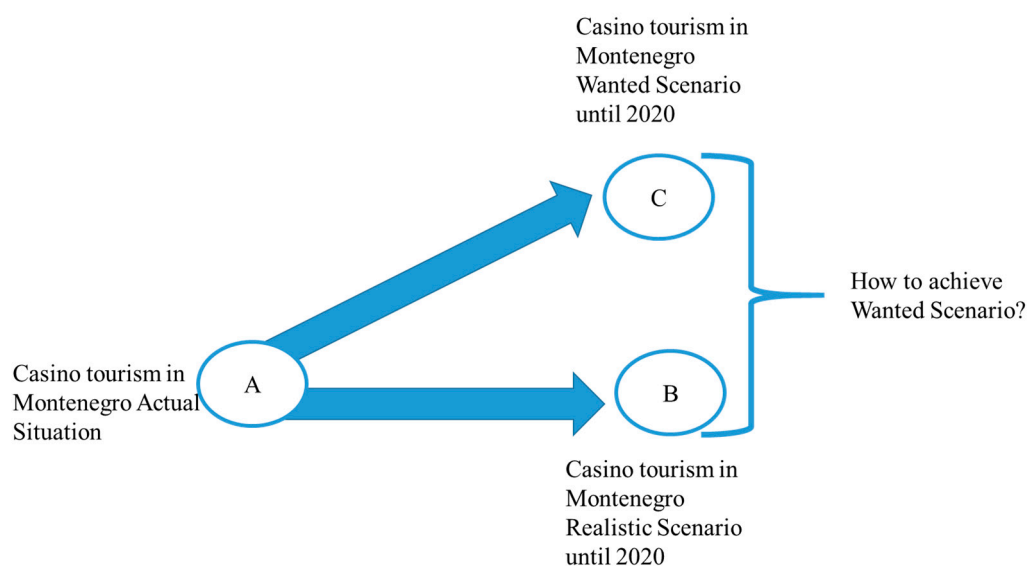


**Figure 1.** Gap analysis model. Source: Authors.

Within the scope of the point A: Casino tourism in Montenegro Actual Situation, we provide quantitative and qualitative analysis of the casino offer. In order to make the qualitative analysis more complete, we conducted an interview among casino players.

The interview is one of the most popular methods of qualitative analysis (Turner 2010). Process of sampling in qualitative studies has been discussed widely and there is no consensus about the exact

number of interviewees sufficient for conducting research study enabling relevant research findings. Strauss and Corbin (1998) suggest that the data saturation is one of the key elements that should be considered in determining the sample size for qualitative studies. They emphasize the importance of the degree to which new knowledge provides new understandings, awareness and insights. Based on the concept of data saturation (Strauss and Corbin 1998), similar to what has been proposed in the study of Longarta et al. (2016), we consider terminating the process of data collection if no new insights and understandings of the casino business and casino tourism appeared from the collected data. On the other hand, qualitative sampling should be flexible and pragmatic (Marshall 1996) while the focus should be on gaining new insights emerging from the data (Strauss and Corbin 1998) that allow researchers to make conclusions and apply them in wider research contexts. However, there are different authors' opinions about the minimum sample size for qualitative studies. Authors Green and Thorogood (2004) consider 20 interviewees as a minimum sample size while Gaskin et al. (2011) noticed that between 10 and 30 customers are interviewed in a typical study of customer needs. Furthermore, according to Guest et al. (2006), for most research studies, twelve interviews should be adequate, if the aim is to "understand common perceptions and experiences among a group of relatively homogeneous respondents." At the same time, author Bertaux (1981) required a minimum number of 15 respondents while Francis et al. (2010) consider seventeen as the number of interviewees that would be sufficient. Nevertheless, Marshall (1996) proposed that "the appropriate sample size is that which adequately answers the research question." The sample for this study was formed based on the recommendations of Marshall (1996), Longarta et al. (2016), Gaskin et al. (2011), Strauss and Corbin (1998), Green and Thorogood (2004), Guest et al. (2006), Francis et al. (2010) and Bertaux (1981). Even though the sample of 14 interviewees is considered as a small sample, for the purpose of our study in casino business this number was sufficient to make conclusions and forecast certain trends.

A total of 14 casino players who provided written answers via an electronic questionnaire were interviewed. The number of 14 is a relevant sample as we explained in the text above. The interview questionnaire contained a total of 15 questions, and casino players had the task to evaluate the total offer and individual segments of the casino offer in Montenegro, to highlight the most significant barriers to the development of casino tourism, list the best casino in Montenegro they had visited and argue their choice. They also had to propose priority measures to improve casino services. Likert scale 1 to 10 was used for certain questions (1): the most unfavorable answer; 10: the most favorable answer). The interview took place in the period from 1 September to 15 September 2017. Casino players are a special and highly-specific market segment, particularly if we consider the social and psychological aspect. Thus, we knew that it would be impossible to get an interview if we asked for information on the interviewed players. That's why this interview was completely anonymous. It should be noted that this is the first interview of the sort that has ever been carried out among casino players in Montenegro, which reflects special contribution of this paper.

To define point B: Casino tourism in Montenegro—A realistic scenario we used econometrics. There is no precise definition of econometrics. One would say that those are all so-called economic tricks, while the others would define econometrics as the application of statistics and mathematics in economics to prove hypotheses and foresee the future of trends (Moosa 2017). Thanks to the autoregressive integrated moving average (ARIMA) model (Akaike Info Criterion), a model that is used to predict the time series, we gave a forecast of casino income by the end of 2020. That is the realistic scenario of casino tourism development based on average growth rate for observed period. We analyzed monthly time series from January 2013 to December 2016 (48 observations in total).

The point C: Casino Tourism in Montenegro Wanted scenario foresees that the casino business in Montenegro is developing in accordance with the tourism development. The connection between the casino business and the tourism is higher than the existing one. Related to this, first we defined the relationship between casino revenues and tourist traffic with the help of Simple Correlation, Autocorrelation (AC) and Partial Correlation (PAC). In order to set up a model by which casino revenue depends on the number of tourist arrivals, we used a linear regression equation for the time

series. In this way, we will receive the desired casino income assuming that the correlation between casinos income and tourist arrivals is high, $r \geq 0.5$ (Cohen 1988). Input information for the mentioned analysis, the value of monthly income from casinos from 2013 to the end of 2016, and the number of tourist arrivals in the same period, are presented in the following table (Table 1).

**Table 1.** Input information for econometric analysis of casinos and tourism in Montenegro—Sample.

| | Casino Revenues (euros) | | | | Number of Tourist Arrivals | | | |
|---|---|---|---|---|---|---|---|---|
| Month | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 |
| I | 231,097.8 | 118,158.4 | 655,078.3 | 174,727.2 | 15,504 | 15,949 | 19,584 | 20,197 |
| II | 222,976.2 | 265,819.5 | 1,664,896 | 2,485,447 | 15,350 | 17,105 | 21,487 | 22,607 |
| III | 194,995.1 | 179,857.7 | 718,829.3 | 953,948.6 | 22,695 | 21,674 | 24,204 | 28,343 |
| IV | 254,502.7 | 563,292.3 | 535,241.3 | 1,109,694 | 32,750 | 36,395 | 43,808 | 48,754 |
| V | 233,398.5 | 256,942.9 | 1,441,538 | 962,468.2 | 89,139 | 91,270 | 99,980 | 104,964 |
| VI | 446,219.2 | 882,791.2 | 1,290,611 | 873,251.3 | 161,854 | 160,513 | 181,111 | 187,099 |
| VII | 379,090.9 | 1,381,679 | 1,562,868 | 1,468,816 | 348,190 | 343,518 | 442,461 | 452,126 |
| VIII | 708,533.8 | 1,543,044 | 1,739,630 | 2,100,312 | 500,779 | 513,317 | 547,597 | 583,276 |
| IX | 578,305.5 | 2,536,813 | 2,896,699 | 2,359,253 | 223,727 | 228,146 | 233,152 | 250,538 |
| X | 331,955.3 | 1,023,749 | 1,288,554 | 3,639,155 | 45,238 | 47,115 | 51,124 | 62,602 |
| XI | 282,464.6 | 839,705.6 | 514,316.1 | 1,292,788 | 18,823 | 22,800 | 24,282 | 26,688 |
| XII | 134,7826 | 1,100,509 | 1,664,594 | 3,128,669 | 17,957 | 19,574 | 24,319 | 26,623 |

Source: Statistical Office of Montenegro Monstat; Ministry of Finance of Montenegro (2016), Games of Chance Administration (2017), annual reports.

Table 2 illustrates the descriptive statistics of samples. EViews software (IHS Global Inc., Irvine, CA, USA) v.9 was used for econometric analysis.

**Table 2.** Descriptive statistics of Samples.

| | Casino Revenues | Tourist Arrivals |
|---|---|---|
| Mean | 1,092,190 | 136,173.1 |
| Median | 918,369.9 | 46,176.5 |
| Maximum | 3,639,155 | 583,276 |
| Minimum | 118,158.4 | 15,350 |
| Std. Dev. | 854,740.5 | 166,748.3 |
| Skewness | 1.077714 | 1.42484 |
| Kurtosis | 3.657795 | 3.75576 |
| Jarque-Bera | 10.15713 | 17.38371 |
| Probability | 0.006229 | 0.000168 |
| Sum | 52,425,110 | 6,536,308 |
| Sum Sq. Dev. | $3.43 \times 10^{13}$ | $1.31 \times 10^{12}$ |
| Observations | 48 | 48 |

Source: EViews 9 output.

## 4. Results and Discussion

For a more precise view of results and discussion, this section will be divided into four parts as explained in the previous chapter.

### 4.1. Point A: Actual Casino Tourism Offer in Montenegro

As we have mentioned in the introduction, Montenegro has 5 casinos located in five high category hotels. In the next text we will list all five companies developing casino businesses in Montenegro and we are going to present these hotels separately (Table 3).

The table above shows the casino companies in Montenegro, hotels where casinos are located and the revenues of these casinos in 2016.

**Table 3.** Casino hotels in Montenegro.

| Company | Hotel Where Casino Is Located | Revenue of Casino 2016 (euros) |
| --- | --- | --- |
| Hit Montenegro Doo | "Maestral" 5* | 12,093,743.1 |
| Casino Avala Doo | "Avala" 4* | 2,592,037.6 |
| Dzek Pot Doo | "Royal" Hotel Splendid 5* | 1,753,664.6 |
| Dzek Pot Doo | "Montenegro" Hotel Hilton Crna Gora—Podgorica 5 * | 1,154,859.6 |
| Dzek Pot Doo | "The Queen of Montenegro" 4 * | 1,068,672.2 |

Source: Ministry of Finance of Montenegro (2016); Games of Chance Administration (2017).

Hotel Maestral 4 * is located on the Montenegrin coast, in a beautiful fishing village of Przno, near Budva. In the period from the opening (2004) until 2016, it was owned by the Slovenian company Hit Montenegro[1]. The hotel has 183 rooms, 22 apartments and 398 beds (Ministry of Sustainable Development and Tourism 2017). Since 2016 there has been a change of ownership and the former hotel Maestral 4 * has been reconstructed and given five stars. Both the hotel and casinos, since their emergence until the present day, have been renowned for their high-quality offerings. The largest number of tourists who are also casino players, have come from Italy, and since the reopening in the middle of 2017, the Chinese make a significant share as well. Regardless of the fact that the hotel has been open for public since the middle of this year, the casino worked during the reconstruction of the hotel and we see from the previous table that it has achieved its best results during 2016. Please note that one of the crucial reasons for hotel sales was the state tax policy that negatively affected the casino business in Montenegro. However, having realized that such a policy has not been fruitful, the legal regulations in this segment have been altered. This type of issue would be interesting to analyze more, as Mason and Stranahan (1996) and Gu et al. (2016) have done.

Hotel Avala 4 * is also located on the Montenegrin coast in the center of Budva, which is the metropolis of Montenegrin tourism. The hotel has 181 rooms, 122 apartments and 664 beds (Ministry of Sustainable Development and Tourism 2017). Although under the same roof, the hotel and the casino are divided into two companies for easier financial monitoring. From 2016 to 2020, the company Casino Avala doo has signed a contract of cooperation with the well-known Turkish company Merit, which took over the management of the casino. With this respect, Avala Casino is represented under the name Merit Avala.

Casino Royal is located in the first Montenegrin 5 * hotel, Splendid. The Hotel and the casino are located on the beach of Bečići, one of the most beautiful in the Mediterranean, not far from Budva. The hotel has 322 rooms, 19 suites and 688 beds (Ministry of Sustainable Development and Tourism 2017). It is the first 5 * star hotel in Montenegro and one of the most exclusive in southeastern Europe. The casino of the hotel is owned by Jack Pot doo which, as well as Casino Avala doo, has concluded an agreement with Merit in 2016.

Within the Hotel Hilton 5 *, which is located in the heart of the capital, Podgorica, the hotel has 157 rooms, 23 suites, and 360 beds. Within the hotel is Casino Montenegro. Casino Montenegro, like the Royal Casino, is owned by Jack Pot doo, and since 2016 it is under the management of Merit.

Hotel Queen of Montenegro 4 * also has a casino owned by the company Jackpot doo. The Hotel and Casino are located near Hotel Splendid, i.e., the Bečići beach. The hotel has 222 rooms, 14 suites and 482 beds. The following table illustrates the equipment of casinos in Montenegro (Table 4).

We see that this is a modest offer for the development of casino tourism in Montenegro compared to, for example, Perla (Nova Gorica, Slovenia), which owns 979 slot machines including electronic roulettes, 90 game tables, special open-air and private rooms (Casino Perla 2017).

The reinterpretation of anonymous interviews that we explained in detail in Methodology and Sample speaks of the modesty of current casino offerings in Montenegro.

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[1]    Hit Nova Gorica—parent company; Hit Montenegro—sister company

**Table 4.** Casino equipment in Montenegro.

| Company | Casino | Number of Tables | Slot Machines | Electronic Roulette |
|---|---|---|---|---|
| Dzek Pot Doo | "Royal" | 14 | 46 | 1 |
| Dzek Pot Doo | "The Queen of Montenegro" | 10 | 28 | / |
| Dzek Pot Doo | "Montenegro" | 9 | 46 | 1 |
| Hit Montenegro Doo | "Maestral" | 9 | 61 | 1 |
| Casino Avala Doo | "Avala" | 23 | 83 | 1 |

Source: Ministry of Finance of Montenegro (2016); Games of Chance Administration (2017).

The following Figure 2 shows us that casino players have given the highest evaluation to the kindness of the staff (7.31/10), then the comfort, interior, staff professionalism, price-quality ratio. The general mark of casino players' satisfaction with the current offerings is 6.15 (of 10).
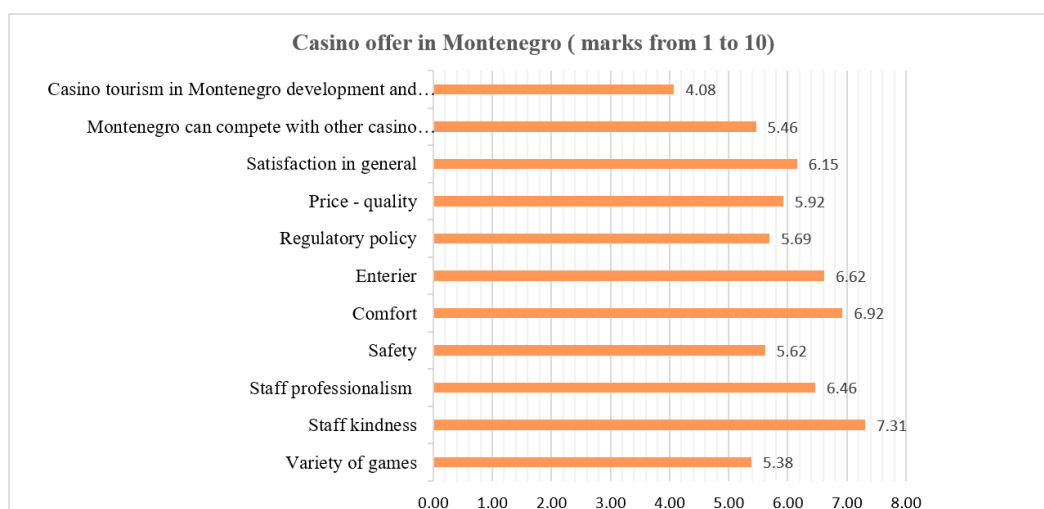


**Figure 2.** Interview results. Source: Authors.

Further, we can notice that casino players have evaluated the development of casino tourism in Montenegro unfavorably, as well as the diversity of supply and the potential of Montenegro to compete with attractive tourist casino destinations such as Slovenia. More than 80% of the interviewed casino players have stated that the best casino is Maestral, which can be noticed by the earnings of this casino (Figure 2). As the main barriers to the development of casino tourism in Montenegro, among others, the players state the following:

- Insufficient state support,
- Incompetent staff,
- Not respecting ethics in casino business (predisposition to fraud),
- Relatedness of subjects (lack of cooperation between casinos, hotels, agencies, carriers),
- Non-existence of casino tourism development strategy in Montenegro,
- Non-existence of marketing strategy for development of casino tourism in Montenegro.

The above statements give us the right to conclude that casino offerings in Montenegro are not sufficiently developed, or promoted to attract more wealthy tourists.

When we talk about effects of developing casino tourism, we saw that Montenegro has economic benefits of casino tourism. However, based on the experiences of developed casino tourism destinations, a number of negative, primarily social, consequences of the casino industry can be noticed. Some of them are: an increase in crime rates and the frequency of gambling-related crime, increase of drugs consumption and prostitution, increased number of vehicles, traffic jams and air pollution, as well

as the reduction of free public spaces and green spaces due to the construction of a number of casino hotels and complementary entertainment facilities.

Furthermore, there are also negative economic consequences of the casino tourism. Although the development of a casino business provides opportunities for new jobs, negative repercussions can also be seen in the field of employment. One of them is an increase in the number of high school students and university students leaving school due to good opportunities for employment in the gambling industry. Also, many people decide to change their jobs and to switch to the casino industry, due to higher income, which results in the lack of highly skilled workers in many professions. Development of the casino industry is also accompanied by the increase in the cost of living and housing and the constant rise in inflation rates.

Additionally, it should be emphasized that the Governments usually provide global gambling companies with various privileges such as tax reduction, that negatively affects the economy, and even the changing of legal frameworks, which can affect the stability and the overall confidence in the legal and political system of the country.

Decisionmakers in casino tourism industry in Montenegro should analyze all above-mentioned variables and develop appropriate strategies to avoid these negative effects.

In addition to the aforementioned economic, social and environmental impacts of casino tourism on Montenegro, we must especially emphasize the importance of the relationship between casinos and money laundering phenomenon. Actually, casinos represent for criminal groups an effective tool for laundering "dirty" (illegally earned) money. Significant risk factors in this industry include the prevalence of cash transactions, accessibility to multiple premises and anonymity on the part of the customer. Money laundering has a devastating impact on the society, because it destabilizes the legal economy, and it is a risk to the fundamental principle of free competition, producing in the medium-long term devastating negative effects not only from an economic point of view but also from a social one. How to stop illegal transactions is the greatest challenge for the Montenegrin government. The Montenegrin anti-money laundering law will be amended soon.

For a better illustration of actual development of casino tourism in Montenegro, we identified a number of key advantages: luxury hotels with 4 and 5 stars that offer casinos, a high-quality and young workforce, growth of income of companies, growth of public revenues, growth of income of local people, excellent new casino area, variety of offers in small space, climate and geographical position, natural values, cultural and historical heritage, hospitality of the local population, food and drink, favorable ambience for investments, developed IT infrastructure, good relations with neighboring countries, new casino destinations, closeness to important European metropolises, economic benefits for the destination and the state budget, and foreign casino management with many years of experience in this field, such as Hit Nova Gorica and Merit Casino.

As key disadvantages of casino tourism in Montenegro, we recognized: negative impacts, increase in crime, prostitution, drug use, lack of protection measures for local population, undefined ethical codes of casino tourism, undefined product of casino tourism, lack of strategy for development of casino tourism, lack of control mechanisms, bad connectivity of Montenegro and other destinations, non-existence of educational programs in this field, a small number of experts, the emergence of money laundering, the increase in the gap of the rich and the poor and the north and the south, and poor connectivity between the public and the private sector in the field of casino tourism.

*4.2. Point B: Casino Tourism in Montenegro—Realistic Scenario*

Based on the sample, i.e., on the base time series, we have established a close connection between income from casinos and the number of tourist arrivals with the aid of autocorrelation and partial correlation. Using Pearson's correlation, we established the strength of the relationship between these two variables. The following Table 5 gives the results of autocorrelation and partial correlations.

As we can see (Table 5), p (prob) is in all cases less than 0.05, which confirms the existence of a connection. The Pearson correlation coefficient ($n = 48$, $p < 0.05$, $r = 0.283$) shows that it is a weak link

between these two phenomena (Cohen 1988). In order to anticipate the real scenario of developing casino tourism in Montenegro, we used the ARIMA model to predict how much casino income will be by the end of 2020 assuming that the connection strength will not change. Our findings say that by 2021 casinos in Montenegro will achieve revenues of 51,493,657 euros, which is 150.59% more compared to 2016.

**Table 5.** Correlation analysis.

| Date: 16 November 2017 Time: 22:05 | | | | | | |
|---|---|---|---|---|---|---|
| Sample: 2013M01 2016M12 | | | | | | |
| Included observations: 48 | | | | | | |
| Autocorrelation | Partial Correlation | | AC | PAC | Q-Stat | Prob |
| . \|*** \| | . \|*** \| | 1 | 0.384 | 0.384 | 7.5137 | 0.006 |
| . \|**** \| | . \|*** \| | 2 | 0.489 | 0.400 | 19.975 | 0.000 |
| . \|** \| | . \| . \| | 3 | 0.264 | −0.002 | 23.705 | 0.000 |
| . \|*. \| | .*\| . \| | 4 | 0.120 | −0.190 | 24.495 | 0.000 |
| . \|*. \| | . \|*. \| | 5 | 0.184 | 0.120 | 26.387 | 0.000 |
| . \|*. \| | . \| . \| | 6 | 0.082 | 0.063 | 26.773 | 0.000 |
| . \|*. \| | . \| . \| | 7 | 0.133 | 0.023 | 27.808 | 0.000 |
| . \|*. \| | . \| . \| | 8 | 0.147 | 0.066 | 29.104 | 0.000 |
| . \| . \| | .*\| . \| | 9 | 0.052 | −0.075 | 29.270 | 0.001 |
| . \|** \| | . \|*. \| | 10 | 0.217 | 0.169 | 32.247 | 0.000 |
| . \| . \| | .*\| . \| | 11 | 0.030 | −0.074 | 32.304 | 0.001 |
| . \|** \| | . \|** \| | 12 | 0.351 | 0.334 | 40.518 | 0.000 |
| . \|*. \| | . \| . \| | 13 | 0.204 | 0.038 | 43.381 | 0.000 |
| . \|*. \| | **\| . \| | 14 | 0.136 | −0.255 | 44.693 | 0.000 |
| . \|*. \| | .*\| . \| | 15 | 0.127 | −0.100 | 45.863 | 0.000 |
| .*\| . \| | .*\| . \| | 16 | −0.097 | −0.084 | 46.571 | 0.000 |
| . \| . \| | . \| . \| | 17 | −0.002 | 0.068 | 46.571 | 0.000 |
| .*\| . \| | .*\| . \| | 18 | −0.128 | −0.112 | 47.877 | 0.000 |
| .*\| . \| | . \| . \| | 19 | −0.096 | −0.040 | 48.639 | 0.000 |
| .*\| . \| | .*\| . \| | 20 | −0.083 | −0.115 | 49.226 | 0.000 |

Source: Eviews 9 Output.

### 4.3. Point C: Casino Tourism in Montenegro—Wanted Scenario

Our assumption is that casino revenues depend on the number of tourist arrivals. By applying line regression analysis of time series we come to the following results (Table 6):

**Table 6.** Estimation of Regression Equation.

| Dependent Variable: LOG (Casino Revenues) | | | | |
|---|---|---|---|---|
| Method: Least Squares | | | | |
| Date: 11 Novemeber 2017 Time: 12:24 | | | | |
| Sample: 2013M01 2016M12 | | | | |
| Included observations: 48 | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 9.977738 | 0.796491 | 12.52711 | 0.0000 |
| LOG(DOLASCI) | 0.236278 | 0.072060 | 3.278912 | 0.0020 |
| @TREND | 0.040997 | 0.006256 | 6.553280 | 0.0000 |
| R-squared | 0.576125 | Mean dependent var | | 13.56290 |
| Adjusted R-squared | 0.557286 | S.D. dependent var | | 0.892986 |
| S.E. of regression | 0.594164 | Akaike info criterion | | 1.857139 |
| Sum squared resid | 15.88639 | Schwarz criterion | | 1.974089 |
| Log likelihood | −41.57134 | Hannan-Quinn criter. | | 1.901335 |
| F-statistic | 30.58165 | Durbin-Watson stat | | 2.186967 |
| Prob (F-statistic) | 0.000000 | | | |

Source: EViews 9 Output.

From the table we can notice that the coefficients for creation of our model are statistically significant ($p < 0.05$).

This means that the regression model is:

$$Log(x) = 9.977738 + 0.236278*log(y) + 0.040997*T$$

where X: Casino revenues, Y: Number of tourist arrivals, and T: Trend.

In this case, correlation between the number of tourist arrivals and casino revenues is high ($r = 0529$). Thanks to this formula we can predict the future of casino revenues and we succeeded to form a wanted (desired) scenario.

By application of ARMA model (Akaike Info Criterion, KPSS significance 5%) we have obtained the value for casino revenues that are conditioned by the number of tourist arrivals. Graphical display of prognosis of casinos until 2020 is shown in Figure 3:
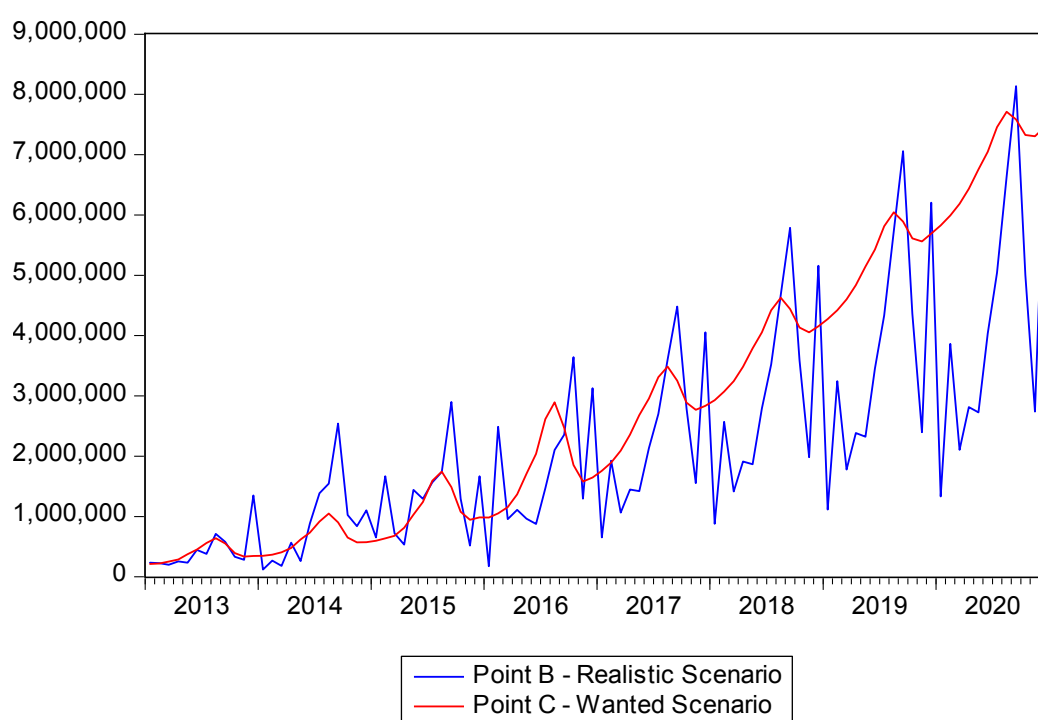


**Figure 3.** Forecast of casino revenues until the end of 2020. Source: Eviews 9 Output.

The graph shows (Figure 3) that casino revenue is calculated based on current (unadjusted) values. Our forecasts say that casino revenues by the end of 2020 will amount to 83,097,190 euros, which is 61.37% more than the realistic forecast estimates and 304.39% more than in 2016. Positive effects of this wanted scenario, can be easily noticed and it is evident that casino tourism would be important for growth and development of the Montenegrin economy. Our findings match the findings of Greenwood and Dwyer (2017); Nickerson (1995); Back and Bowen (2009); Wan (2012) and Cho (2002).

## 5. How to Achieve Wanted Scenario?

With the above analyses and forecasts we have created points A, B, and C. A question arises of how the desired casino revenues can be achieved by 2020. The answers can be found in the strategic management of a tourist destination. As Piner and Paradis (2004) have pointed out, we can also say that planning long-term casino tourism in Montenegro is a priority. One of the key disadvantages of the Montenegro casino tourism is the lack of strategy for its development. Strategic management primarily implies the analysis of the middle of the destination (internal and external) in order to

define the vision of development of casino tourism in Montenegro. The basic assumption is that the vision must be precise, clear, specific, recognizable, and that it does not rely too much on superlatives. The vision of the casino of tourism in Montenegro by 2030 would be:

*Montenegro will be recognized on the tourist map by the high-quality offer of sustainable casino tourism.*

Montenegro can accomplish the given vision only by ensuring economic, ecological and socio-cultural sustainability. Economic benefits of casino tourism development in Montenegro would easily be noticeable, however, care must be taken about negative socio-cultural effects, as well as ecological effects as studied by Greenwood and Dwyer (2017); Nickerson (1995); Back and Bowen (2009); Wan et al. (2011) Perdue et al. (1995); Lee and Back (2003); Cho (2002); Long (1996); Mallach (2010); McCartney (2015) and But and Ap (2017). By establishing strong mechanisms, development of casino tourism can be monitored, controlled, and adjusted if needed. Casino tourism is an excellent opportunity for revitalization of the northern part of Montenegro, where apart from ski tourism and nature-based tourism, the casino tourism can develop as well. Construction of the Bar-Boljari highway, the possibility of reopening Berane airport, and enriching the existing hotels with casino content could contribute to achievement of the desired scenario.

However, it is clear that without a significant marketing effort, Montenegro as a casino destination will not sell itself. Defining marketing strategy under the strategy of casino tourism development is vital for revival of this type of tourism. Precisely defining sales policy represents a prerequisite for casino tourism development. Cooperation of casino hotels with specialized tourist agencies and travel organizers abroad is crucial in order to ensure high rates of hotel occupancy and high revenues from casinos. Hotel Maestral very well knows the complete casino tourism system and it represents the best practice example in this area in Montenegro. Certainly, there are good examples in the surrounding areas as well.

The emergence of Merit Company to the Montenegrin market is promising, but it is not sufficient. Without the support of state departments such as Montenegrin Government, Ministry of Tourism and National Tourist Organization of Montenegro, we cannot expect better results than the current casino tourism in Montenegro.

It should be noted that, although the casino tourism segment is small, as we have seen by the share of casino revenues in GDP, this segment should not be neglected. Owing to casinos, Montenegro can be a destination that will be visited throughout the entire year. Casino tourism is unavoidably followed by event tourism. Pairing these two forms of tourism enables a decrease in tourist seasonality. Casino tourism development may contribute to realization of a vision of Montenegro as a tourist destination as early as 2020, which means that it contributes to high quality touristic offerings for 365 days a year, while respecting the sustainability concept.

### 6. Conclusions and Suggestions for Future Research

Strategic planning of Special Interest tourism is necessary for all tourist destinations wishing to sustain for a longer period, as is the case with Montenegro. Casino tourism is becoming an increasingly popular form of tourism day by day, carrying a number of positive and negative effects. As such it is both a great opportunity and a danger to the development of tourism in Montenegro. In order for the casino tourism in Montenegro to be treated as an opportunity for development, there is a need for strong management that will base its business on the principles of sustainability and social responsibility.

Precise definition of a casino business policy and ethics is essential, as well as determining the social costs of casino tourism in Montenegro. Along with adequate strategic and marketing planning, it is also vital to determine a destination's carrying capacity (economic, socio-cultural, ecological, moral, and psychological) from the aspect of casino tourism. On the other hand, strong marketing management is needed, with strong promotion and cooperation at all levels and between all tourist

system objects. Existing hotels that contain casinos must also work on networking urgently and establishing good cooperation with specialized travel agents. Social responsibility issues must be observed and studied, too.

Our findings open up the possibility of further research on this topic and represent the basic starting point for the development of strategic documentation for the development of casino tourism in Montenegro. On the other hand, the proposed models can be explored and used for analysis and forecast of casino tourism in other economies. As we have not addressed the ecological and socio-cultural effects of casino tourism at the destination in this paper, we suggest that our results are annexed with the analysis of the mentioned effects. While we have pointed out the main disadvantages of the development of casino tourism in Montenegro, the social and environmental costs must be precisely determined.

In the end, a closer look at the connection between the casino tourism and the event tourism can be further examined in Montenegro, as well as the surrounding regions.

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