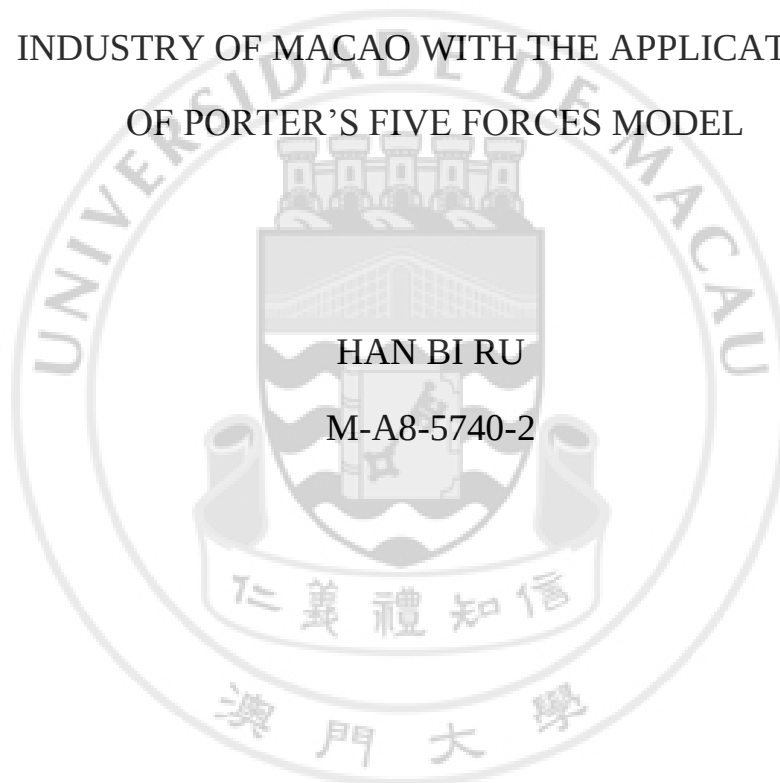


UNIVERSITY OF MACAU

FACULTY OF BUSINESS ADMINISTRATION

A STUDY ON THE ATTRACTIVENESS OF THE GAMING
INDUSTRY OF MACAO WITH THE APPLICATION
OF PORTER'S FIVE FORCES MODEL



Thesis Presented to the

Faculty of Business Administration

University of Macau

In partial fulfillment for granting the MBA Degree

2011

ACKNOWLEDGEMENT

With the accomplishment of my thesis, I am thankful and indebted to many people who have supported me a lot and provided endless encouragement during the whole process.

First of all, I must address my heartfelt thanks and appreciation to my supervisor, Dr. Priscilla Tam, who has given me very clear guidance and continuous support on this thesis. I have really gained a lot of valuable knowledge from her on various aspects throughout the whole process.

Besides, I must thank Prof. Li Guoqiang, my thesis proposal reviewer, who has given me valuable and constructive comments on the focal issues of study. Special thanks should also be given to Dr. Phillip Iu who has inspired me on the thesis orientation. In addition, the encouragement from my friends, Ms. Dawn Kwok and Ms. Yimiko Wang motivate me to keep on working. Furthermore, there are many classmates who have provided mutual support and sharing of thesis preparation experience.

Last but not least, I would like to say thanks to my family members, especially my parents, brother and grandfather. Without their support, I could hardly have completed my thesis.

ABSTRACT

In light of the economic significance of the gaming industry in the mini-economy of Macao, we conduct an evaluation of the industry ten years after the establishment of the Special Administrative Region. This study begins with a comprehensive overview of the development process of the gaming industry, wherein the economic and social impacts of the industry on the Macao economy are examined. The attractiveness of Macao's gaming industry is then analyzed with the application of Porter's Five Forces Model. Through the analysis of the relevant microeconomic environment, implications on the attractiveness and future development prospect of the gaming industry are drawn out which may serve as references for the policymakers in maintaining and improving the attractiveness of the gaming industry, thereby achieving sustainable economic development and growth for the overall economy.

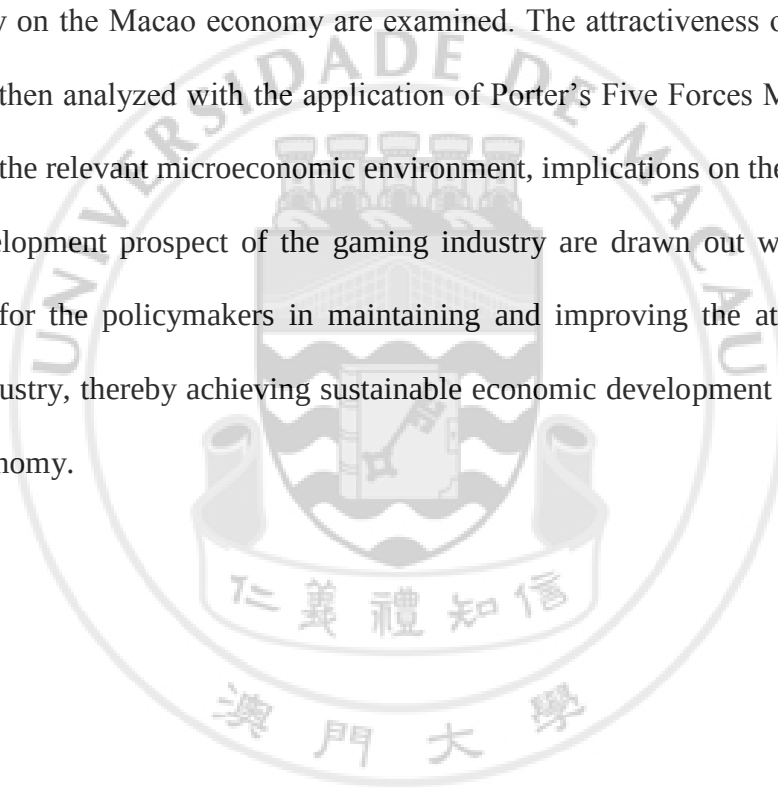
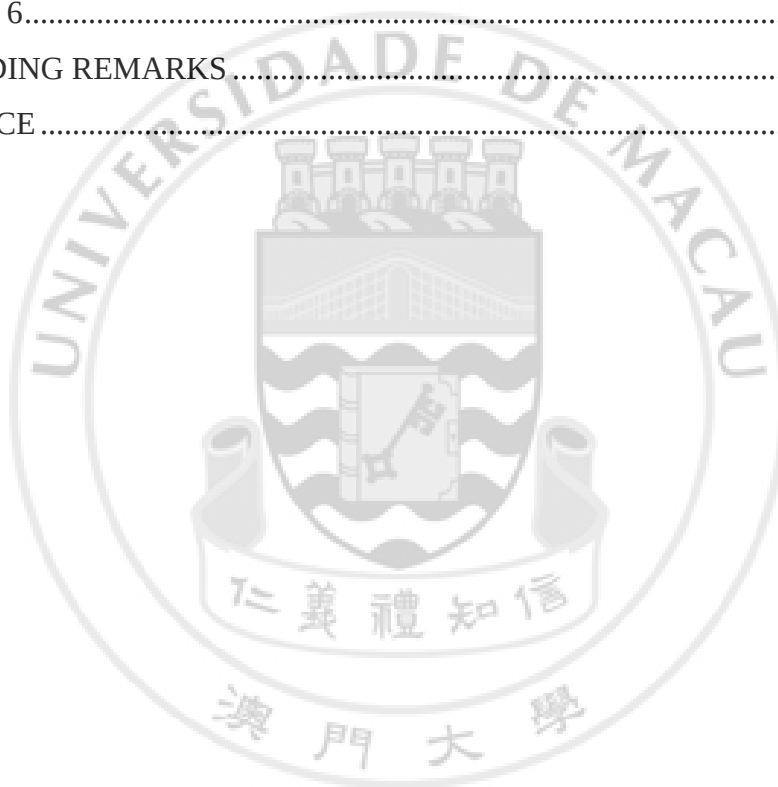


TABLE OF CONTENT

ACKNOWLEDGEMENT	I
ABSTRACT	II
TABLE OF CONTENT	III
LIST OF FIGURES	VI
LIST OF TABLES	VII
CHAPTER 1 INTRODUCTION	1
1.1 Background.....	1
1.2 Objectives and Expected Contributions.....	3
1.3 Methodology.....	3
1.3.1 Document Analysis.....	4
1.3.2 Model Application.....	4
1.4 Scope.....	4
CHAPTER 2.....	7
LITERATURE REVIEW	7
2.1 Economic and Social Impacts of the Gaming Industry in General	7
2.1.1 Economic Impacts.....	7
2.1.2 Social Impacts.....	8
2.2 Economic and Social Impacts of Macao's Gaming Industry	9
2.2.1 Economic Impacts.....	9
2.2.2 Social Impacts.....	10
2.3 Analyses of Macao's Gaming Industry	11
2.4 Porter's Five Forces Model	13
CHAPTER 3.....	14
THE HISTORICAL DEVELOPMENT OF MACAO'S GAMING INDUSTRY	14
3.1 Legalization Period (1847-1961).....	14

3.1.1	Overview of Development	14
3.1.2	Economic Impacts of the Gaming Industry	15
3.1.3	Social Impacts of the Gaming Industry	16
3.2	Monopoly Period (1961-2002)	17
3.2.1	Overview of Development	17
3.2.2	Economic Impacts of the Gaming Industry	18
3.2.3	Social Impacts of the Gaming Industry	21
3.3	Liberalization Period (2002-2010)	23
3.3.1	Overview of Development	23
3.3.2	Economic Impacts of the Gaming Industry	25
3.3.3	Social Impacts of the Gaming Industry	31
CHAPTER 4		34
APPLICATION OF PORTER’S FIVE FORCES MODEL TO MACAO’S GAMING INDUSTRY		34
4.1	Introduction of the Five Forces Model	34
4.2	Product of Macao’s Gaming Industry.....	35
4.3	Threat of Substitute Products.....	36
4.4	Bargaining Power of Buyers.....	40
4.5	Rivalry among Existing Casino Operators	45
4.6	Bargaining Power of Suppliers.....	51
4.7	Threat of Potential Entrants	54
4.8	Results of the Five Forces Model Analysis	56
CHAPTER 5		58
IMPLICATIONS FOR MACAO’S GAMING INDUSTRY		58
5.1	Implications at the National Level and Local Level.....	58
5.1.1	Strengthening the Relationship with the Central Government	58
5.1.2	Support from Local Residents	60
5.2	Implications at the Economic Level and Social Level	61

5.2.1	Economic Level	61
5.2.2	Social Level	63
5.3	Implications at the Industry Level	64
5.3.1	Substitute Products.....	65
5.3.2	Buyers	65
5.3.3	Existing Gaming Competitors.....	66
5.3.4	Suppliers	68
5.3.5	Potential Entrants	69
CHAPTER 6		71
CONCLUDING REMARKS		71
REFERENCE		74



LIST OF FIGURES

Figure 3.1: Gaming Tax and Government Revenue, 1962 – 2002	19
Figure 3. 2: Structure of Production-Based GDP at Constant Prices, 1991-2001	21
Figure 3.3: Total Visitor Arrival to Macao, 1991-2009	22
Figure 3.4: Total Number of Crime Cases, 1981-2009	23
Figure 3.5: Concessionaries and Sub-concessionaries in Macao's Gaming Industry	24
Figure 3.6: Exports of Gaming Services and GDP, 2002 – 2009	26
Figure 3.7: Macao Gaming Tax and Government Revenue, 2002-2009	28
Figure 3.8: Structure of Production-Based GDP at Constant Prices, 2002-2009	30
Figure 4.1: Specific Microeconomic Environment under Porter's Five Forces Model	35
Figure 4.2: Gross Gaming Revenue Market Share, 2002-2010	46



LIST OF TABLES

Table 3.1: Employed Population by Industry, 1998 – 2002	20
Table 3.2: Employed Population by Industry, 2002 – 2009	27
Table 4.1: Determinants of the Bargaining Power of Buyers.....	40
Table 4.2: VIP Segment and Mass Gaming Segment Performance, 2001-2009	41
Table 4.3: Profit Rate of Gaming Firms, 2002-2010	43
Table 4.4: Profit Rate of SJM, 2009.....	43
Table 4.5: Determinants of the Degree of Rivalry	46
Table 4.6: Market Share Ranking of Gaming Firms, 2002-2010.....	47
Table 4.7: Gross Revenue from Different Gaming Activities, 2002-2010	48
Table 4.8: Fixed Assets of Gaming Firms, 2004 -2010	49
Table 4.9: Total Number of Casinos, Gaming Tables and Slot Machines in Macao, ...	49
Table 4.10: Manpower Involved in Gaming Industry, 2004 – 2009	50
Table 4.11: Determinants of the Bargaining Power of Suppliers.....	51
Table 4.12: Determinants of the Threat of Potential Entrants.....	54