When it comes to gambling, there is a very fine line between providing what the customer wants and what could be perceived as exploitation (i.e., ‘customer enhancement’ vs. ‘customer exploitation’). The gaming industry sells products in much the same way that any other business sells things. They are now in the business of brand marketing, direct marketing (via email with personalised and customised offers) and introducing loyalty schemes. Such loyalty schemes can help in awareness, recognition and brand loyalty.

However, one question to ask is whether loyalty schemes are socially responsible. On joining loyalty schemes, customers supply lots of information including their name, address, telephone number, date of birth, and gender. They can send the gambler offers and redemption vouchers, complimentary accounts, etc. Benefits and rewards to the customer include cash, food and beverages, entertainment and general retail. However, an unscrupulous online gaming operator could conceivably entice known and/or suspected problem gamblers back onto their premises with tailored freebies.

LOYALTY SCHEMES
Loyalty and discount schemes in which customers are invited to sign up for a card and become a member of a scheme, sometimes in exchange for registering some basic personal details, are an established feature of the retail and services landscape. They have become widespread and arguably ubiquitous. Such schemes are part of the increasing emphasis on defensive marketing where the focus is on retaining existing customers and increasing the amount of custom from them. But whether this leads to ‘customer enhancement’ or ‘customer exploitation’ is open to question.
focus is on retaining existing customers and increasing the amount of custom from them.

There are two major types of schemes: collect and spend, and instant discount. Collect and spend schemes are used widely by many big retailers including some gaming companies. Collect and spend schemes are often free; customers present their card each time that they make a purchase and thereby collect points, which can be redeemed at a later date for a discount or other reward. Many of the larger schemes collect data on customer purchases and use that data to further adapt their offering to suit their customer group, seeking thereby to enhance repeat purchases, or behavioural loyalty. Instant discount schemes tend to be used by smaller retailers and other service outlets. In order to obtain an instant discount card, customers are typically expected to make a modest initial payment for the card. Subsequently when the card is presented at point of purchase a discount is received on some or all of the goods purchased. These types of scheme appear to be much less used by the gaming industry compared to ‘collect and spend’ schemes.

Over the last decade or so, relationship marketing, and in particular loyalty marketing, has become increasingly popular among companies (including gaming operators) who seek customer retention in marketplaces that are complex, dynamic and highly competitive. Retailers tend to compete primarily on product price. In contrast, the hospitality and leisure industries tend to compete on the basis of atmosphere, service quality, and reputation. It could therefore be argued that customer loyalty and retention may be more relevant and of greater importance to the leisure sector (including the gambling industry) than for retailers.

Loyalty card schemes are now widespread and used by many companies in an attempt to increase customer retention, that is, repeat patronage with the aim of increasing company profits. It has been suggested that loyalty has both an attitudinal and behavioural component. Attitudinal loyalty is related to psychological commitment and infers a positive emotional or mental liking of a particular organisation and/or brand. This is based on range of factors including trust, confidence, familiarity, a perception of shared values, and a past relationship. Alternatively, behavioural loyalty is demonstrated through overt measurable behaviours such as increased shopping frequency, customer retention over time, tolerance of price increases, and increased share-of-wallet.

On the whole, businesses prefer attitudinal loyalty to behavioural loyalty, as it is believed to have a greater resilience. This is because it is thought that attitudinal loyalty leads to long-term behavioural loyalty but not vice-versa.

Research into loyalty schemes shows that loyalty cards tend to lead to a calculated commitment rather than affective loyalty. This is because typical loyalty card rewards (e.g., discounts, points and prizes) target behavioural loyalty rather than attitudinal loyalty. There has also been considerable debate in the marketing literature as to whether loyalty card schemes build genuine loyalty or whether they are little more than relatively sophisticated discount schemes where customers trade their contact details for access to reduced price goods or services. Others have reported that loyalty card schemes generate little more than information that is used by companies to tailor and enhance their goods or services.

It has been suggested that there are a number elements that together determine the customers’ perceived value of a reward-based loyalty scheme. These are:

- The monetary value of the rewards given relative to the cost of the product (e.g., the price of a game compared to the value of the reward).
- The aspirational value of the rewards (e.g., how exciting and/or desirable the reward is).
- The perceived likelihood of achieving the rewards (e.g., the odds or frequency of getting a reward).
- The ease of use of the scheme.

Furthermore, the potential such a scheme has to attract members depends not only on the value of the rewards it offers, but also on when the rewards are available. Research on the psychology of reinforcement tells us that when rewards are delayed they are far less motivating. Many accumulating benefit schemes, such as frequent-flyer schemes, try to (partially) alleviate this problem by sending their members a statement of accumulated points at regular intervals. Typically, these statements are accompanied by material promoting the aspirational values and ease of achieving the various available rewards. Unfortunately, it is not known to what extent these elements are important in a gambling-related reward schemes although there seems to be good face validity that they may be important for gamblers.

It is also known that many customers (including gamblers) are members of several loyalty schemes, (i.e., polygamous loyalty) such has having two or three supermarket loyalty cards that could be viewed as ‘disloyal’ behaviour. However, this appears to be a fairly rational behaviour by consumers as it is unlikely that one company or organisation can realistically meet all their needs. Companies (including those in the gambling industry) need to...
understand that their clientele may hold a ‘portfolio’ of loyalty cards. Furthermore, the customer may view these as complementary rather than as competitive. This perspective will encourage companies to make appropriate use of differentiation through the levels of discounts offered, any supplementary reward design, membership pricing, and membership benefits.

Although loyalty card data has typically been restricted to direct marketing it can also be converted into information and knowledge, and utilised to tailor businesses’ goods and services (e.g., price, product range, service quality, convenience). This requires integrative knowledge of the ways in which loyalty card schemes can underpin processes associated with customer relationship and knowledge management. Despite the increasing knowledge about loyalty schemes, some authors have suggested that there is no single formula for the development of a successful loyalty card scheme, and that in some cases it depends on the scope for customisation of the goods or services, which in itself depends on the company’s positioning within its particular sector. Therefore, the loyalty card scheme should be determined as much by the data that the company needs to optimise its goods and services to its clientele, as by the rewards offered to ensure participation by the clientele.

LOYALTY CARDS VERSUS PLAYER CARDS

Despite the potential to exploit gamblers, some gaming companies who offer loyalty cards are beginning to use their large data sets to help identify problem gamblers rather than to promote their gaming products to them. This would appear to be more socially responsible than loyalty cards per se. Such cards may be more accurately described as Responsible Gaming Cards or Player Cards rather than ‘loyalty cards.’ Clearly, player cards utilise very similar technology to loyalty cards but should be considered as conceptually very different. Whilst loyalty cards are utilised for the purposes of attracting and maintaining a customer base, player cards should be solely concerned with the issues of protecting ‘vulnerable’ players and (ideally) offering useful information and services to help all players manage their gambling behaviour. Whilst it is technically possible for a loyalty card to also be concerned with harm minimisation, the reality is that their aims are mutually exclusive. Furthermore, it is unlikely that a loyalty card incorporating harm minimisation will be given credibility by customers, stakeholders, or regulators as a genuine responsible gaming strategy. Recent research has shown that many gambling customers, particularly in online environments, expect that a trustworthy operator will have effective responsible gaming initiatives as part of the services offered, but can be sceptical of how and why such services are developed.

CONCLUSIONS

The empirical literature on the use of loyalty cards in gambling environments has been limited. It has also been argued there are distinct differences between loyalty cards and player cards, and that player cards can be a socially responsible tool in gambling settings. For player cards to be useful, the player needs to be rewarded for actually utilising social responsibility features (SRFs) and it is important that any reward given to players does not encourage continued gambling. This is the critical difference between a loyalty card scheme, which can encourage longer and/or more frequent play, and a responsible gaming strategy that encourages behavioural transparency (i.e., a good awareness of personal gambling behaviour).

The design of the interface is essential and should be both easy to use and entertaining. The use of player cards and SRFs should feel as though they are a part of the gaming experience rather than something tagged on afterwards. In this way, they will not feel like a chore or something for people with problems, and instead they become a part of the core playing experience. In conclusion, this article’s main argument is that gambling companies should strive to use their large data sets to help identify problem, and/or ‘risky’ gambling behaviour rather than use just using such data for marketing products.

The long-term success of the gambling industry is likely to be dependent upon the ability to produce a low-impact (in terms of problems), enjoyable, gaming experience that actively seeks to identify and assist ‘vulnerable’ and problematic players. There is undoubtedly a much larger future entertainment market in providing low-impact games to many players spending a little rather than high-impact games where a few players spend a lot. The former is also less likely to attract punitive regulatory attention. We would argue that the future success of responsible gaming initiatives will also be dependent upon the degree with which an operator actively engages their players into responsible gaming initiatives, rather than providing passive measures that will be frequently be ignored or deemed only relevant to problem gamblers.

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