

# GAMBLING LOYALTY SCHEMES: TREADING A FINE LINE?

BY MARK GRIFFITHS AND RICHARD WOOD

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.



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. There are a number of major groups of loyalty schemes in different sectors including retail, financial services and the travel and hospitality sectors. 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.

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 of 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 as 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

**>> 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' >>**

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 gaming 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.

### REFERENCES

- Bellizzi, J. A. & Bristol, T. (2004). An assessment of supermarket loyalty cards in one major US market. *Journal of Consumer Marketing*, 21, 144-154.
- Ben-Meir, D. (1997). Integrating secure and smart-card technologies into on-line cashless gaming solutions for clubs and casinos. Located at: <http://www.securitymagnetics.com.au>.
- Berger, D., & Hauk, I. (2002). Cashless gaming. Located at the European Association for the Study of Gambling website: [http://www.easg.org/Warsaw/Presentations/dominik\\_berger\\_cashless\\_gaming.htm](http://www.easg.org/Warsaw/Presentations/dominik_berger_cashless_gaming.htm).
- Bolton, R.N., Kannan, P.K. & Bramlett, M.D. (2000). Implications of loyalty program membership and service experiences of customer retention and value. *Journal of the Academy of Marketing Science*, 28, 95-108.
- Briggs, P., Burford, B., De Angeli, A. & Lynch, P. (2002). Trust in online advice. *Social Science Computer Review*, 20, 3, 321-332.
- Capizzi, M.T. & Ferguson, R. (2005). Loyalty trends for the twenty-first century. *Journal of Consumer Marketing*, 22, 72-80.
- Cuthbertson, R. & Laine, A. (2004). The role of CRM within retail loyalty marketing. *Journal of Targeting, Measurement and Analysis for Marketing*, 12, 290-304.
- Davies, G. (1998). Loyalty cards can erode loyalty; only customer relationship programmes can build it. *European Retail Digest*, 20, 8-13.
- Griffiths, M.D. (2007). Brand psychology: Social acceptability and familiarity that breeds trust and loyalty. *Casino and Gaming International*, 3(3), 69-72.
- Griffiths, M.D. & Wood, R.T.A. (2008). Responsible gaming and best practice: How can academics help? *Casino and Gaming International*, 4(1), 107-112.
- McIlroy, A. & Barnett, S. (2000). Building customer relationships: do discount cards work? *Managing Service Quality*, 10, 347-355.
- Morais, D.B., Dorsch, M.J. & Backman, S.J. (2004). Can tourism providers buy their customers' loyalty? Examining the influence of customer-provider investments on loyalty. *Journal of Travel Research*, 42, 235-243.
- Nielsen, J., Molich, R., Snyder, C. & Farrell, S. (2000). *E-commerce user Experience: Trust*. Nielsen
- Noordhoff, C., Pauwells, P. & Odekerken-Schroder, G. (2004). The effect of customer card programs; a comparative study in Singapore and The Netherlands. *International Journal of Service Industry Management*, 15, 351-364.
- O'Brien, L. & Charles, J. (1995). Do rewards really create loyalty? *Harvard Business Review* (May - June), 75-82.
- Oliver, R.L. (1999). Whence customer loyalty? *Journal of Marketing*, 63, 33-44.

Palmer, A., McMahon-Beattie, U. & Beggs, R. (2000). A structured analysis of hotel sector loyalty programmes. *International Journal of Contemporary Hospitality Management*, 12, 54-60.

Passingham, J. (1998). Grocery retailing and the loyalty card. *Journal of the Market Research Society*, 40, 55-63.

Rothschild, M. L. & W.C. Gaidis (1981). Behavioral Learning Theory: It's Relevance to Marketing and Promotions, *Journal of Marketing*, 45, 2, 70-78.

Rowley, J. (in press). Re-conceptualising the strategic role of loyalty schemes. *Journal of Consumer Marketing*.

Sharp, B. & Sharp, A. (1997). Loyalty programs and their impact on repeat-purchase loyalty patterns, *International Journal of Research in Marketing*, 14, 473-486.

Stone, M., Bearman, D., Butscher, S., Gilbert, D., Crick, P., & Moffett, T. (2004). The effect of retail customer loyalty schemes detailed measurement or transforming marketing? *Journal of Targeting, Measurement and Analysis for Marketing*, 12, 305-318.

Wood, R.T.A. & Griffiths, M.D. (2007a). A qualitative investigation of Swedish online poker players' attitudes and perceptions toward online poker playing, trust of websites, and responsible gaming policies. Report prepared for Svenska Spel

Yi, Y. & Jeon, M. (2003). Effects of loyalty programs on value perceptions, program loyalty, and brand loyalty. *Journal of the Academy of Marketing Science*, 31, 229-240.

**MARK GRIFFITHS & RICHARD WOOD**



Dr Mark Griffiths is a Chartered Psychologist and Europe's only Professor of Gambling Studies (Nottingham Trent University). He has won many awards for his work including the *John Rosecrance Research Prize* (1994), *CELEJ Prize* (1998), *International Excellence Award For Gambling Research* (2003), *Joseph Lister Prize* (2004), and the *Lifetime Achievement Award For Contributions To The Field Of Youth Gambling* (2006). He has published over 185 refereed research papers in journals, a number of books, over 35 book chapters and has over 550 other publications to his name. He has served as a member on a number of national/international committees (e.g. *European Association for the Study of Gambling*, *Society for the Study of Gambling*, *Gamblers Anonymous General Services Board*, *National Council on Gambling* etc.) and was former National Chair of *Gamcare* (1997-2003). He also does some freelance journalism with over 120 articles published in *The Guardian*, *Independent*, *The Sun*, *Sunday Post*, *Daily Mirror*, as well as *Arcade* and *Inside Edge*.



Dr Richard Wood is a Chartered Psychologist and has been studying gaming behaviour for over 12 years, mostly at the International Gaming Research Unit (IGRU) at Nottingham Trent University where he is still an associate member. He also worked as a Post Doctoral Research Fellow at The International Centre for Youth Gambling Problems and High-Risk Behaviours at McGill University in Montreal. Dr Wood has published numerous gambling related articles, presented his findings at conferences and seminars around the world, and undertaken many responsible gaming consultations for both the gaming industry and regulatory sectors. His research focuses on both the individual causes of problem gambling, as well as the structural characteristics of games that can influence the gambling behaviour of vulnerable players (info@GamRes.org www.GamRes.org)



## Subscription Order Form

Please tick relevant box:

	1 Yr	2 Yrs (10% Disc)	3 Yrs (20% Disc)
UK	<input type="checkbox"/> £107	<input type="checkbox"/> £193	<input type="checkbox"/> £257
Europe & Middle East	<input type="checkbox"/> £117	<input type="checkbox"/> £211	<input type="checkbox"/> £281
USA & Canada	<input type="checkbox"/> £127	<input type="checkbox"/> £229	<input type="checkbox"/> £305
Rest of the World	<input type="checkbox"/> £137	<input type="checkbox"/> £247	<input type="checkbox"/> £329

**YES! Please start my subscription to CGI with the next edition.**

No of Subscriptions Required: \_\_\_\_\_

I enclose a cheque made payable to 'CGI' for \_\_\_\_\_

I wish to pay by bank transfer.  
Please email/fax your bank details to: \_\_\_\_\_

**Please send my copies of CGI to:**

*If you are ordering more than one subscription, please supply address/contact details of other readers on a separate sheet.*

Mr/Mrs/Miss/Other \_\_\_\_\_ First Name: \_\_\_\_\_

Surname: \_\_\_\_\_

Job Title: \_\_\_\_\_

Email: \_\_\_\_\_

Company Name: \_\_\_\_\_

Address: \_\_\_\_\_

Town/City: \_\_\_\_\_

County/State: \_\_\_\_\_

Postcode: \_\_\_\_\_

Country: \_\_\_\_\_

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

Type of Business: \_\_\_\_\_

Signed \_\_\_\_\_ Date: \_\_\_\_\_

**Once completed, send to:**

Casino & Gaming International, Subscriptions Dept., Woodland Place, Hurricane Way, Wickford Business Park, Wickford, Essex SS11 8YB. United Kingdom. Or Fax to: +44 (0) 1268 766 516

**ALTERNATIVELY, VISIT [WWW.CASINOANDGAMING.NET](http://WWW.CASINOANDGAMING.NET) FOR MORE INFORMATION**