Should gamblers be worried?

The ability to collect data on online gamblers can be a powerful marketing weapon. This article looks at the threats as well as the opportunities such profiling can pose.

Whether we like it or not, commercial operators know more about their customers than ever before - particularly since the introduction of loyalty cards. For instance, supermarket loyalty cards track every purchase a person has made over a three-year period including the store they shopped at, the date and time, and the price paid. The three-year period allows for monitoring of trends in purchasing. Supermarkets may also record the method of payment, whether the card was swiped or keyed into the till, and the checkout that was used. The supermarkets use the data to categorise customers. Apart from data volunteered when the loyalty card was issued, they can draw conclusions from the person's address using the Acorn categorisation system. An increasing number of companies are using customer relationship marketing software to trawl through their information. As a consequence, sinister uses of loyalty cards have been mooted. In 1999, the Ministry of Agriculture suggested cross-checking purchases of genetically modified food with health records, effectively making the cards part of a huge medical experiment. The supermarkets declined to take part[1].

In addition to loyalty cards, internet service providers can also do similar things. They can record when a person logged on and off, how many seconds the connection lasted, the internet protocol address allocated during the session, and which phone number phoned which. They can also compile a detailed e-mail history. This contains the header information from every e-mail received by the account in the period, the return address provided by the sender, the ISP from which the e-mail originated, the date and the time of the sending, an ID code, and the title of the e-mail[1]. This raises serious questions about companies who use the internet to do business including internet gambling sites.

One of the most worrying concerns over internet gambling is the way online casinos and other gambling sites can collect data about the gambler[2]. Customer data is the lifeblood of any company. Internet gamblers can provide tracking data that can be used to compile customer profiles. Such data can tell commercial enterprises (such as those in the gambling industry) exactly how customers are spending their time in any given financial transaction (i.e., which games they are gambling on, for how long, and how much money they are spending etc.). This can then be put into a data bank of the person's gambling history along with the personal information (gender, age, nationality etc.) that the person provided when they registered on the site. The data bank may also hold other optional personal information that the person has provided. In effect, gambling operators know who the gambler is, their gambling habits and a bit about their lifestyle. This gives operators the chance to interact with the gambler more engagingly. The ideal from a marketeer's perspective is to move customers along a relationship chain. Operators want disloyal and casual consumers to become brand loyalists who spend frequently and respond to constant offers. This is the operator's ultimate level of profitability. From a gambling perspective, the operator could try to establish from their databases which gamblers have the potential to become bigger spenders.

The technology to sift and assess vast amounts of customer information already exists. Using sophisticated software, gaming companies can tailor its service to the customer's known interests. When it comes to gambling, there is a very fine line between providing what the customer wants and exploitation. The gaming industry sell products in much the same way that any other business sells things. They are now in the business of brand marketing, direct marketing (via mail with personalised and customised offers) and introducing loyalty schemes (which create the illusion of awareness, recognition and loyalty). If a supermarket has a loyal contingent that buys a very particular product it will attempt to expand its range with high-profit products (e.g., brand diversification, higher quality packaging etc.) by mailing the customers with discount offers to try the new product.

The same tactic can be applied to any sector (including gambling). For instance, internet gambling operators send the gambler offers and redemption vouchers, complimentary accounts, etc. Supposedly, all of these things are introduced to enhance customer experience. To offline customers, other benefits and rewards include money, food and beverages, entertainment and general retail. However, more unscrupulous operators will be able to entice known problem gamblers back onto their premises with tailored freebies (such as the inducement of "free" bets in the case of internet gambling). The introduction of internet gambling has come at a price. Every gamble made can be scrutinised and analysed in detail

by gambling operators. Many gamblers are unknowingly passing on information about themselves. Basically this is another form of surveillance technology at the disposal of operators and can be perceived as an invasion of the gambler's privacy.

One of the major advantages of tracking internet use is that instead of spending huge advertising budgets in the hope of attracting custom, operators have an avenue for direct marketing and can target the individual rather than the generic mass. This information can help in the retention of customers, and can also link up with existing customer databases and operating loyalty schemes. The information can also be used to identify new markets by building up player profiles. Companies who have one central repository for all their customer data have an advantage. It can also be accessed by different parts of the business. In some cases, the information may also be sold onto other companies.

Customers are being profiled according to how they transact with service providers. Linked loyalty schemes can then track the account from the opening established date. One of the possible end points of such a process is segregation. In most sectors, the top 20% of customers provide 80% of the profits[3]. This is likely to be the case in the gambling sector too. Furthermore, the top 20% of customers will almost certainly include problem gamblers. Ultimately, operators will want to sell their most profitable games to their best customers. There is also the possibility that operators will exploit the internet's equivalent of high rollers by including high minimum stakes on some games (the equivalent of a price hike in supermarkets). Once punters become loyal to a particular site, they may also

> One of the major advantages of tracking internet use is that instead of spending huge advertising budgets in the hope of attracting custom, operators have an avenue for direct marketing

become insensitive to price.

One of the most worrying potential dangers concerns legal and political bodies overriding privacy agreements. In the US, loyalty card data have been used in personal injury and family law cases. In one divorce case, a man was forced to pay higher alimony after it was discovered through his loyalty card that he regularly bought expensive wine[3]. In another case, a supermarket who were being sued by a man who tripped over spilt yoghurt in their store, produced till receipts to show he was an alcoholic[3]. The data protection laws allow courts to disclose such information if it is requested. The Government's view on customer tracking in relation to gambling is that it has both potential consumer benefits and potential downsides[4]. In the UK it will be for the Gaming Board (and subsequently the Gambling Commission) to keep this issue under review. If it appears that action is necessary to control it, the Commission will, under the Government's plans, be able to take effective action without resort to legislation.

Much of this article has discussed the potential downside of technological innovation in customer tracking. However, technology also needs to be used in the prevention, intervention and treatment of problem gambling. For instance, technology could be used for health promotion using both the Web and video games/CD-ROMs. Internet gambling sites could feature links to relevant gambling awareness sites. Furthermore, online therapy may be an option for some problem gamblers[5]. Finally, it is worth noting that online tracking data actually could be a useful means of research into gambling trends and used to identify problem gamblers and help them

rather than exploit them. This is certainly an area that gambling operators and researchers could combine forces to minimise the potential for problem gambling.

Professor Mark Griffiths
Psychology Division
Nottingham Trent University
mark.griffiths@ntu.ac.uk

1. Mathieson, S.A. (2002). Track your every move. Guardian Online, May 16, pp.1-3.
2. Griffiths, M.D. & Parke, J. (2002). The social impact of internet gambling. Social Science Computer Review, 20, 312-320.
3. Shabi, R. (2003). The card up their sleeve. The Guardian Weekend, July 19, pp.15-21.
4. Department for Culture, Media and Sport (2003). The Regulatory Reform (Gaming Machines) Order 2003. Explanatory memo.
5. Griffiths, M.D. & Cooper, G. (2003). Online therapy: Implications for problem gamblers and clinicians, British Journal of Guidance and Counselling, 13, 113-135.