Gambling Over the Internet

Clare Brindley
University of Central Lancashire, UK

INTRODUCTION

Gambling providers have begun to exploit the Internet as a vehicle for marketing their products and services. This article discusses the increase in *Internet gambling* and how the gambling industry has exploited technology to make market gains. Gambling on the Internet is a billion-dollar industry, with online lotteries and pools generating more than half of the total market value (i.e., $1.66 billion). There is a plethora of gambling opportunities, such as casino games and online games, and horse and event betting, although inevitably some of the rules of the games have had to be adapted to operate via the new medium. The home-based nature of *interactive* gambling means that consumers are no longer restricted by opening hours, social status, or membership requirements, and are able to choose from a wide selection of gambling sites. The nature of the response by gambling organizations to the changes in consumer behavior has depended on the willingness of providers to become online providers, domestic and/or international *legislation*, and of course Internet service provision, all of which will differ depending on the gambling products offered.

BACKGROUND

Recently, van't Veer (1998, p. 4) provided a definition of interactive gaming that encapsulates its attributes:

...the player can participate at any time and at any pace without the intervention of a third party, not completely free of charge, which are provided with the aid of information technology and means of telecommunication beyond the scope of the traditional supply structure and which give the player, at the discretion of the provider, the opportunity to perform all actions necessary for participation such that he [or she] is able to win prizes.

A recent report suggests a surge in online gambling, mostly in the form of electronic sales of lottery and pool tickets. Forrester Research (as cited in Wall, 2000) estimated that more than 1 million Internet users visit gambling sites. Datamonitor estimates that Europeans gamble $55 million a year via the Internet (http://www.e-web.com). In global terms, Balestra (2004) estimated that by the end of 2004, the Internet gambling industry would be a $7.4 billion industry.

Cyber gambling is possible via two technologies: the Internet and digital television. Interactive services are possible because of digital television's utilization of a new bandwidth that allows interactive services. It is anticipated that digital TV will create between 120 and 200 new channels, allowing target marketing to become more directed. Further developments in the use of *WAP* (wireless application protocol) technology create opportunities for gambling via the telephone. Indeed, Eurobet in the Summer of 2000 gave away WAP phones on its UK Web site (http://www.eurobet.co.uk) after identifying a synergy between betting and WAP (Revolution, 2000). Such technological innovations will increase the penetration of access to the Internet, and thus the development of gambling sites becomes a potentially more lucrative opportunity. As the National Gambling Impact Study Commission (1999, p. 5.3) reported, "the rapid increase in sites is likely the result of the financial success of existing operations." Technological capability coupled with credible gambling sites appearing in more regulated environments will rapidly increase the proportion of gambling transacted over the Internet (Michener, Gregory, & Swatman, 1999).

Interactive Gaming and Communications (USA) was the first company to accept a wager over the Net on May 11, 1995, with 18 different casino games, online access to the National Indian Lottery, and plans to launch an Internet sports book. The Yahoo! search engine in January 2005 revealed 100 casino categories, containing 9.46 million casino sites (http://yahoo.com). The Internet Gaming Commission identifies 850 Internet gaming establishments operating in more than 30 countries, 125 of which are not licensed (http://www.internet.commission.com). Rolling Good Times (http://www.rgtonline.com) offers links to approximately 1,000 Internet sites that offer some sort of betting. These varying estimates of the number of online gambling sites supports the National Gambling Impact Study Commission (1999) finding that the lack of a central register of Internet gambling sites makes calculating the number of sites virtually impossible.

Gambling via interactive technology is underpinned by two recent changes in consumer behavior. First, access to and familiarity with interactive technology is becoming increasingly commonplace, for example, through

the use of ATMs (automated teller machines) and telephone bank transactions, and the growth of Internet service providers (ISPs). The National Gambling Impact Study Commission (1999) argued that the increasing use of the Internet and growing consumer confidence in conducting online financial transactions have led to a greater number of people willing to engage in Internet gambling.

THE IMPACT OF INTERACTIVE GAMBLING

The ease of use of the technology and pathways through the sites are important. Providers need to recognize that an extensive effort on education is likely to be required. The National Gambling Impact Study Commission (1999, p. 53) found that "the design and pace of the online games have advanced dramatically over the past few years, as has the ease of use. Gambling sites now feature interactive games…and walk customers through a virtual tour of the site…" This finding supports the view that the effective delivery of the service will depend on participants acquiring and displaying appropriate skills (Mudie & Cottam, 1993). For example, to enhance the adoption of ATMs, "it was necessary to familiarize customers with the new technology properly, as well as aid them in overcoming the depersonalization of a formerly personal service" (Grove, Fisk, & Bitner as cited in Gabbott & Hogg, 1997, p. 139). This lack of personal contact may affect players' confidence and trust in the service. Hence, the Interactive Entertainment Group's online casino site (http://www.geishalounge.com) uses a geisha as a guide through the site to mirror the service aspects of a typical casino. The organization argues that a high level of customer service supports the customers' need for instant feedback, given the adrenaline buzz of gambling ("Casino Puts Focus on Sophistication," 1999).

The marketing of interactive gambling appears to be a classic marketing case study. The new medium of the Internet has offered providers with a different marketing channel for their gaming products. Rather than the development of new games, the familiar gambling activities of casinos, lotteries, and sports betting have been adapted to operate on this new medium. Moreover, the nature of the technology means that the providers have readily accessible databases of customer information that will enhance future product developments and aid the retention of customers by relationships with their target groups.

Internet gambling is currently largely unregulated and uncontrolled. The potential of gambling on credit, persons under 18 gambling, and criminal involvement are all areas of concern (Gaming Board for Great Britain, 1997). Under UK law (1968 Gaming Act), there is no problem with Internet betting; however, establishing an Internet casino host in the United Kingdom is illegal (http://www.gbgb.org.uk/faq). In Australia, legislation on Internet gambling (The Queensland Interactive Gambling Player Protection Act 1998) has been introduced (Michener et al., 1999). The U.S. response has been to make Internet gambling illegal under the auspices of the 1961 Federal Wire Act, which prohibits the use of the telephone to place sports betting. Indeed, the co-owner of an Antigua-based sports-betting operation has recently been found guilty in New York under the 1961 act and was sentenced to a 2-year jail term (Daneshku & Garrahan, 2000). However, the 1961 statute does not specifically deal with the Internet; hence, the Internet Gambling Prohibition Act successfully passed through the Senate in November 1999. The act was proposed by an Arizona senator, who argued:

Gambling is either heavily regulated or expressly prohibited in the States. On the Internet it is neither. Given the tremendous potential abuse, addiction and access by minors, on-line gambling should be prohibited. My bill will protect children from logging on to the family computer, "borrowing" the family credit card and losing the family home, all before their parents get home. (http://www.senate.gov/kyl)

The lack of a regulatory framework means that interactive services have the potential of supporting criminal activity through games or money laundering (Carruthers, 2004). This harks back to Ploscowe (1963, p. 654) who argued that "gambling gold" underpinned organized crime ventures and "hoodlums" had a prominent role in many forms of gambling, for example, slots, lotteries, casinos, bingo, and numbers. The Internet offers a return to criminal involvement in the gambling market.

Endler and Davis (1999), McMillan and Grabosky (1998), Michener et al. (1999), and the National Gambling Impact Study Commission (1999) have all discussed the negative criminal impacts of Internet gambling, particularly in regard to money laundering. Indeed, the need for regulatory control is important to McMillan and Grabosky because they argue that cyber gambling eclipses the notion of community control that characterized traditional gambling. For Watson, Liddell, Moore, and Eshee (2004), the legalization and regulation of Internet gambling should be through existing land-based casinos. Endler and Davis suggest that legal redress must be at an international level, and they argue for regulation based on perception and trust, with trust to be exemplified by a mechanism to distinguish reputable games. This argument provides an interesting dimension to the relationship between provider and player.