

Poker Machine Wars: Social Responsibility and Marketing

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The paper discusses the “business” of poker machines in Australian clubs and hotels, and the role that marketing has played in this controversial issue. In particular, the paper focuses on the current public debate surrounding poker machines, their social impact and the role of the Federal Government in regulating poker machine gambling. First, the paper discusses the role of marketing in promoting poker machine gambling. Then the paper moves to analyse the role of key stakeholders, including gambling venues, sporting associations and the gamblers themselves. Finally the paper raises relevant questions that need to be addressed in order for an informed debate to occur.

1. Introduction

Known as slot machines elsewhere in the world, poker machine gambling is a business that continues to grow and generate public debate in Australia. The regulatory framework for poker machines is state-based; hence the legislation varies between states. Most of this regulation covers aspects such as suitability of the premises, the layout of gaming machines, and the adequacy of security of the premises and the gaming area. The first state to legalise poker machines (in registered clubs only) was NSW in 1956 (Hing, 2006). It wasn't until 1984 that card machines were first permitted in hotels in NSW, and poker machines were introduced in 1997 (Tinning, 2011). The introduction of poker machines into hotels in Australia (in addition to clubs and casinos) has resulted in, arguably, the most visible form of gambling today and the most controversial.

The Australian Government Productivity Commission (2010), (Productivity Commission), reports that there is one poker machine for every 110 people in Australia, one of the highest ratios anywhere in the world. It has been claimed that the focus on poker machines has reduced the rich social interaction that used to happen in pubs and clubs, and that they have also pushed out other forms of entertainment such as live music and quiz nights (OnlinePokies.com, 2010). In the 2008-2009 financial year Australian gamblers lost over \$10.5 billion on poker machines in clubs and hotels (Productivity Commission, 2010). In the 1999-2000 financial year the amount gambled through poker machines was \$7.65 billion (Livingstone & Woolley, 2007). Major corporations, such as Woolworths/Safeway and Coles/Wesfarmers, have a large stake in this business as they are increasingly purchasing Australian hotels and poker machine licences. For instance, Woolworths owns about 11,000 of the 186,344 Australian poker machines (News.com.au, 2011). The Productivity Commission estimated that 600,000 adults “play the pokies” each week and between 80,000 and 160,000 of these people suffer severe problems from

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their gambling and, in addition, a further 230,000 – 350,000 people experience lower levels of harm and may be at risk of developing into problem gamblers (Productivity Commission, 2010).

Past research has dealt with different issues related to the negative impacts of problem gambling. This paper contributes to this discussion by focusing on the current public debate surrounding poker machines, their social impact and the role of the Federal Government in regulating poker machine gambling. The importance of this research is that it brings together the diverse perspectives of the major stakeholders and draws attention to the complexity of the issues in the context of a political agenda that is being promoted.

In the following sections we consider the role of marketing in promoting poker machine gambling and the current debate that is taking place around the proposed legislation that would require gamblers to identify the amount they are prepared to lose each day. The key stakeholders are then discussed and, in the final section, some conclusions are drawn and a set of questions is suggested that need to be addressed in order for an informed debate to occur.

2. The Role of Marketing

There has been plenty of criticism from anti-poker machine activists who argue that pubs, particularly those owned by large corporations, are using their marketing resources to build the perception that they are family-oriented when, in reality, they are trying to entice the next generation to spend more money on poker machine gambling (Herald Sun, 2011).

The marketing of poker machines starts with the machines themselves. They are cleverly designed and include music, sounds and visual effects intended to entertain. This sophisticated technology promotes continued gambling. The “bells and whistles” lead to the loss of control on a sensory level. The machines ‘have a narcotic effect on players, cultivating an addiction likened to that of crack cocaine’ (Kruger, 2011). The location of these poker machines is also very relevant as clubs and pubs try to cater for different cohorts of customers, such as smokers and non-smokers. For instance, some venues have poker machines in outdoor areas so smokers can gamble while smoking. Some clubs and pubs are laid out in such a manner that customers must pass the poker machine area to enter another part of the club or pub.

When looking at the marketing strategies used by clubs and pubs to entice customers to gamble, it is very clear that the additional P “physical evidence” is one of the most important ones. Despite regulations and responsible gambling signs, the set-up of many venues is such that they are designed to make the client feel they are in a casino or on a cruise ship, with access to drinks and staff coming to the client to take their order while they are playing. Some pubs have gone one step further and created a children's play area with free video games and comfortable furniture. One could see how this would be great for families having dinner, but it also allows parents to go and play the poker machines. Some venues even plan to have these rooms in full-view of the poker machines so parents or carers can check on their children while gambling.

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With regards to other marketing strategies used by pubs, those with gambling facilities have increased their expenditure on marketing activities such as advertising and promotion. Many pubs promote a 'family' atmosphere which may have helped in enticing current customers to start spending more money on poker machines but it has also attracted new customers to these businesses, and hence to the gambling industry. In terms of the impact of gambling advertising on the gambling problems, an investigation conducted by Binde (2007) showed that gambling advertising does add to problem gambling. The impact on youth is even greater because they have high levels of recalls (Amey, 2001; Derevensky et al., 2007; Felsher et al., 2004). These studies have shown that individuals who recall gambling commercials are more likely to engage in gambling activities.

This issue seems to be that on the one hand, gambling venues try to make playing poker machines as attractive as possible, while on the other hand they acknowledge they have at least some social responsibility to those gamblers who are unable to control the amount they spend on this activity.

3. The Recent Debate

The debate focusing on poker machines and so-called problem gamblers has intensified in the past months. This is because the Australian Federal Government agreed to implement the legislation requiring mandatory pre-commitment as part of the negotiations it entered into with independent members of parliament and the Greens which enabled them to form a government after the 2010 election. In particular, Andrew Wilkie (a Federal Independent member of parliament from Tasmania) made his support for the Labor government dependent upon them introducing legislation for mandatory pre-commitment technology for poker machines. His position is supported by Independent Senator Nick Xenophon who argues that mandatory pre-commitment technology will decrease the number of problem gamblers and reduce some of the negative effects of gambling on families and society in general.

Mandatory pre-commitment means that every poker machine player must provide identification and nominate the daily limit they wish to set (which can be any amount or unlimited) (Krelle, 2011). In a radio interview Wilkie made the following claim: 'Having a mandatory pre-commitment...by 2014 will make a real difference in the realm of problem gambling in this country' (ABC Radio Breakfast, 11 April 2011).

The proposed legislation has support from those groups who are concerned about the welfare of problem gamblers since trials of voluntary pre-commitment have not proven effective. The findings of a trial in South Australia of 268 people using a mandatory pre-commitment system (PlaySmart) were released in September, 2010. This trial found a 56% reduction in net turnover on poker machines by problem gamblers while there was no significant impact on the spending behaviours of recreational gamblers (only 5%) (Macklin, 2010).

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3.1 Gambling Venues and Sporting Associations

In response to the proposed legislation, gambling venues and sporting associations are claiming that a significant proportion of the profits that come from poker machines are donated back to the community via support provided to sporting activities and charity organisations. In addition it is argued that with the introduction of the legislation and the cost of modifying poker machines to comply, there would be a significant reduction in revenue and this would result in job losses within clubs and hotels with a flow-on impact to communities. Moreover, it has been claimed that this new law would not solve the gambling problem because it would just encourage people to switch to another form of gambling.

There are three main claims that the gambling venues make. First, the cost of converting the poker machines to comply with the legislation; second, the predicted loss of revenue of up to 40%; and third, they claim the reform won't assist problem gamblers.

In order to gain support from the Australian community as a whole, gambling venues and sporting associations have launched an aggressive publicity campaign estimated to have cost \$20 million (Macklin, 2011). The current media campaign against the proposed new legislation demonstrates the expense to which the industry is prepared to go to protect their poker machine business. Their argument is that it is 'unAustralian' to require pre-commitment and it amounts to a requirement to have a license to play the machines. They point to the cost of modifying the poker machines and predicted loss of revenue from this source which, in turn, will result in a loss of employment; and reduced support of sporting and other community groups. In a brochure distributed to letterboxes the following statement is made:

Australian pubs and clubs, along with our State Governments, recognise that problem gambling is an important issue and we will continue to support policies that work and help problem gamblers. Our evidence-based approach has seen problem gambling in NSW halved over the past four years to 0.4% (Krelle, 2011).

It is interesting to note that the website related to this campaign does not provide any details of this 'evidence-based approach' except to provide selected 'expert opinions' from various individuals.

On a dedicated website, Won't Work, Will Hurt.com.au (sponsored by Clubs Australia, the Australian Hotels Association, the Australasian Casino Association and the Gaming Technologies Association) the following claims are made:

- The cost to introduce [the required] technology on all poker machines by Mr Wilkie's timetable of 2014 has been estimated at \$3 billion. Most venues will not be able to afford this.
- Recreational gamblers will not bother to register for a card to play. The lost revenue from recreational gamblers will devastate clubs and pubs.
- Many will have difficulties maintaining employees and servicing debt, and some will shut their doors.

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- The thousands of community groups, charities and sporting teams clubs and pubs support will also be affected. Current funding will be cut dramatically.
- Small businesses and contractors that rely on clubs will also hurt. The impact of these reforms will reverberate in local communities.

Some sporting associations have also participated in the discussion arguing that they would be negatively affected by this proposed legislation because it would mean a reduction in the amount of donations they receive from clubs and/or pubs. For instance, the National Rugby League and Australian Football League have campaigned to pressure the Federal Government into dumping plans for a cap on daily poker machine gambling. Clubs Australia chairman Peter Newell claims the cap would starve rugby league of the financial support it relies on from the clubs (ABC News, 2011a).

While most of the media coverage of the debate focuses on the proposed legislation and the reaction to it, there is another key stakeholder group that needs to be considered – those who play the poker machines. We will consider this group in the following section.

3.2 Poker Machine Gamblers

This group is made up of two distinct cohorts – those who enjoy playing poker machines and who regard it as entertainment – let's refer to these people as 'social gamblers', and those who are 'problem gamblers' spending more than they can afford to, and, in some cases, being addicted to playing poker machines (Productivity Commission, 2010).

1. Social Gamblers

Many people who enjoy playing poker machines from time to time, or those who play regularly and are able to monitor their playing and stop when they reach their self-imposed limit may be resistant to the proposed legislation. They may feel their freedom to choose how they spend their leisure time and cash is being interfered with. It might be thought of as 'big brother' overseeing behaviour. Occasional gamblers may decide that they are not prepared to obtain the required card and would be forced to give up this leisure activity.

2. Problem Gamblers

According to the Productivity Commission inquiry (2010), one third of regular poker machine gamblers are either problem gamblers or face moderate risks, and they account for somewhere between 42% and 75% of all poker machine revenue. Currently, around 280,000 Australians are categorised as having 'moderate risk' gambling problems and 115,000 are categorised as 'problem gamblers'.

Looking at the issue from the problem gambler's point of view, it could be argued that the financial hardship due to poker machines is substantial. In relation to demographics, data shows that people who are most affected come from lower income areas and socially disadvantaged minority groups. For example, people from the Bankstown area spend 33% of their spare money every year on poker machines (\$1,500 average per adult). Other studies have identified the vulnerability of poor people and particular ethnic groups (Elia & Jacobs, 1993). These groups have been

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described as experiencing 'multiple addictive behaviours', including alcoholism and gambling problems. One study concluded that there is a strong link between alcohol consumption and gambling (Orford et al., 1996). Other research has shown that a third of the revenue of poker machines come from people who cannot control how much they spend. Moreover, gambling on poker machines is favoured by around 85% of problem gamblers (Livingstone & Woolley, 2007). The issues faced by problem gamblers are not just financial. Some gamblers experience emotional difficulties and some of them have even considered suicide because of gambling. There is also potential for a significant impact on families, other relationships and employment. The issues therefore are both economic and social (Doughney, 2002).

In order to identify views regarding the proposed legislation, the Australian Broadcasting Corporation has run a series of forums discussing different gambling issues and the potential new law in particular (ABC News, 2011b). First, participants viewed an interview with different participants in the gambling industry and then they were invited to give their opinions. The participants were mostly experienced gamblers and held very negative opinions towards gambling and the role of pubs in particular because of their own experiences. Of course, this means that the views expressed were not representative of 'public opinion' broadly construed.

In order to determine the most important themes mentioned by participants in the forums, we undertook a content analysis of the opinions. Most of the comments indicated that participants were in favour of making significant changes in order to reduce the amount of money gamblers spend on poker machines and the social impact of problem gambling. The most frequent suggestions were:

- a) Controlling who gamble and by how much,
- b) Advertising reminders,
- c) Easily visible and accessible exits
- d) A clock with timer should be added
- e) Stop the free games and credits
- f) Stop the ability to load machines with money
- g) Make the payments "fall out" as they are won
- h) Fill the clubs with daylight
- i) Register wins in dollar and cents, not in credits
- j) Make the machines silent
- k) Make the machines black and white
- l) Ban the serving of food and drink to poker machine players
- m) Ban smoking anywhere near poker machines

The vast majority of the respondents were of the opinion that something must be done to reduce gambling problems. They also expressed the view that pubs and clubs should behave more responsibly towards gambling.

4. Conclusions and Directions for Future Research

Past research has demonstrated the negative effects of poker machine gambling. However, there is no consensus on how to address this issue. The main aim of this paper was to discuss the current debate regarding proposed legislation that aims at reducing the amount of money problem gamblers spend on poker machines,

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including the role that marketing has played in promoting poker machine gambling and the views and opinions of the key stakeholders.

According to Smith and Rubenstein (2011), governments, organizations and gambling venues should aim at responsible gambling, which would mean among other things:

- a) Social harm minimization taking precedence over profit-seeking
- b) Keep informing customers about the details of different types of gambling, how they work and their negative effects
- c) Legal framework that establishes the duty of care of providers
- d) The provision of therapies to assist those at risk

Pubs and clubs in particular should think about how to implement socially responsible strategies that would help problem gamblers. This could have a direct impact on their own employees because studies have shown that gaming venue staff are more likely to have a gambling problem compared to rest of the population (Hing and Gainsbury, 2011). Marketers should also consider the role they have played in the past and the role they should play in future, so they can develop marketing strategies that will satisfy the needs of those who want to gamble, but at the same time making sure that organizations they represent and work for behave ethically and socially responsibly.

In terms of the role of marketing, organizations should determine customers' needs and wants and offer products that satisfy those needs and wants in a more effective and efficient way than competitors (Kotler and Keller, forthcoming, 2012). Organizations should do so by maintaining or improving the wellbeing of customers and society. This means that organizations cannot simply argue that customers are free and responsible to make their own decisions, they have a social responsibility to address the negative impacts of products.

With the changes to smoking laws, and the pressure for responsible gambling, venues needed to create new marketing ideas to protect and increase their revenue from poker machines. At the same time, though, they need to comply with the law and fulfil their social responsibilities. This has led to the current debate which has seen, on the one hand, activism by gambling venues and sporting associations against the proposed legislation to protect their poker machine revenue (without which they claim many clubs would become unviable, with a flow-on effect to local communities) and, on the other hand, the demands of the anti-gambling lobby for a more socially responsible approach to the issue of problem gambling.

The following questions highlight the ethical and social issues related to poker machine gambling that have to be addressed by stakeholders.

- What role should governments play in regulating poker machine gambling?
- Should clubs and pubs accept that they have a social responsibility to actively address the negative effects of gambling on individuals and society?
- Should venues do more to support organizations that help problem gamblers?
- What other measures should venues take to fulfil their social responsibilities?

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In order to move the debate forward, these questions need to be the focus of further research. Such research should involve hypotheses and an appropriate research design.

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