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Exploring the Buying Behaviour of "Good" and "Bad" Gambling Products

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ABSTRACT

Betting on Electronic Gaming Machines (EGMs, slots, fruit machines, pokies) is portrayed as being a highly addictive form of entertainment, and is often cited as having the highest rate of "problem gambling" among its users. Lottery products, on the other hand, are viewed as "low risk forms of gambling". However, both Lotto and EGM play fit a normal pattern of repeat purchase found in many repeat consumer and business goods. An empirical analysis of data on Australians' gambling shows that most forms of gambling (Bingo, wagering) actually have a higher proportion of "problem gamblers" among their players than EGMs. This coupled with the high co-morbidity of problem gambling with other problems questions the validity of present perceptions about the addictive labeling of EGMs.

ARTICLE

Introduction

In countries where it is allowed, gambling has long been a popular product category. In the US and Australia, more people report personally purchasing a gambling product than any other consumer product (Simmons, 1997; Roy Morgan, 2000). The most recent Australian Government survey on gambling found that 80% of Australians reported they had gambled in the last 12 months. About 60% of these gamblers had purchased a Lotto game and 44% had bought instant scratch tickets (Productivity Commission, 1999). Poker ("Pokies") and other electronic gaming machines (EGMs) have the next highest penetration of reported play with 36% of the gambling population that gambled in the past year.

Australia has had legal EGM play in most states for over 10 years, and is alleged to have the largest number of EGMs in the world. On a per capita basis, Australia has about five times more EGMs than the US. Although the share of the Australian population playing Lotto far exceeds that of EGMs, Lotto products account for only 11% of the total gambling revenue in Australia. On the other hand, the 36% of the Australian population that played EGMs generated 52% of total gambling revenue (Productivity Commission 1999), or five times more than lottery products. In addition, a relatively small proportion of EGM players account for most of the revenue. But is this unusual behaviour?

Although EGM play doesn't have the highest penetration of either the population or of "problem gamblers" (Bingo and wagering are much higher), it has been labeled the "distilled essence of gambling" or "crack cocaine of gambling" (National Gambling Impact Study Commission, 1999), with much political pressure focused on limiting its expansion in land based venues and barring it from an online presence. This study provides an examination of Australians' reported play of EGMs, and compares it to other "acceptable" forms of gambling and non-gambling products. The comparison portrays a more objective evaluation of EGM play and challenges the leading perspective used to explain its buyers' behaviour.

The Nature of Gambler Decision-Making

Most of the literature on gambler decision-making portrays a rationale, thinking individual who occasionally (about 1 to 3% of gamblers) exhibits compulsive behaviour . These compulsive gamblers are usually called "problem" or "pathological" gamblers because of the financial, legal and social costs associated with their level of gambling (Collins and Lepsley 2003).

Another view of consumer gambling behaviour involves the concept of habit. Although there are numerous views of the role of habit, it is generally accepted that habits are behavioural tendencies that will re-occur in the context of a stable environment. In an analysis of many studies that compared the effects of cognitions and habit on everyday behaviour, Ouellette and Wood (1998) found that habit provided a better explanation and prediction of frequent activities (those done daily or weekly). Therefore, the cognitive based view may not be the best paradigm to understand a frequently repeated behaviour like gambling.

Patterns of EGM Purchasing

The November 1999 Productivity Commission report on "Australia's Gambling Industry" notes the disproportionate amount of game purchase from a small number of players. However, the tendency for a few buyers to account for a large proportion of sales is a well known and accepted phenomenon in marketing and is often referred to as the "80-20 rule of thumb". The "80-20 rule of thumb" means that eighty percent of the purchases are accounted for by twenty percent of the buyers. In actual use, the proportion purchasing and amounts they account for varies based on the brand's penetration of use in the population and the average frequency of its purchase by buyers over time. The phenomenon where a small number of purchasers make most of the product's purchases appears quite normal in repeat purchase consumer goods and services.

Just as deviations from the expected pattern of sales can measure marketing activity, deviations from an expected distribution may also offer a means to establish where buying behaviour is abnormal. For example, if the proportion of heavy gamblers (buyers) for a gaming category like EGMs was larger than expected, compared to other products, then this may be an indicator of pathological purchase behaviour in a market of users (Mizerski, Mizerski and Miller, 2000).

In an attempt to determine if EGM play fits "normal" purchase patterns, data from the largest study of Australians' gambling was analysed. The proportion of problem gamblers by game type was also compared.

The Study

Of the total sample (n=10,632) of Australians responses collected by the Productivity Commission (1999 Report appendices), only those who had reported gambling in the last 12 months were used for further analyses. Using those who have shown a willingness to gamble (reported they gambled at least once in last year) provided a sample (n=8554) of the potential EGM purchasing population. Of this number (n=3088), 36.1% had reported playing an EGM for money in the last 12 months.

Results

EGM players make up 36.1% of this "gambling" population and reported "playing Poker machines or gaming machines" an average of 15.04 times in the last 12 months. Using the categorisation of no play (non-players), 1 to 5 (light players) and 6+ (heavy players) playing occasions used in previous gambling studies (Mizerski and Mizerski, 2001; Mizerski, Miller and Mizerski, 2001) the reported

and expected distributions for EGM play were determined. The data suggest that approximately 19.7% of the population (who have gambled in the last 12 months) account for 91.2% of all EGM gambling. But is this disproportionate purchase behaviour, often reported as evidence of EGM danger, different from what one would expect from any often repeated purchase or behaviour with the penetration and average frequency of activity reported?

To determine if there were any differences between reported and expected play, the distributions (proportion of players and proportion of sales by player group) were compared. There were no significant differences in either comparison. Therefore, EGM play was not significantly different from the behaviour of consumers of other product categories.

Comparing Problem Play of Games

The Productivity Commission Report (1999) uses several methods to evaluate the extent of potential problem gambling by game. As noted earlier, the overall penetration of Lotto in the population, whether adjusted for potential gamblers or not, is approximately 60%, while EGM play is 36.1% (see table). The penetration of other games in the population of gamblers, and the penetration of "problem gamblers" among that game's players is also reported in the table.

Table - Indicants of Possible Problem Gambling

Game	*All Gamblers*	*Problem Gamblers**
Lotto	60.6%	5.6%
Scratch	44.0%	5.8%
EGM	36.1%	8.9%
Racing	22.7%	8.3%
Keno	15.2%	9.6%
Casino	7.7%	11.1%
Sports	5.5%	11.0%
Bingo	4.8%	12.0%

* Problem gambling = 5+ on SOGS measure of problem gambling

Compared to reported EGM play, the Lotto and scratch games have a much higher overall penetration and continuous adoption rate (4.4 times higher). This is dismissed by the Productivity Commission because they feel the Lottery products are a "low risk form of gambling" (Vol. 1, p. 6.53). Racing and sport wagering

show an equal or higher percentage of "problem gamblers" compared to EGM play, while the continuous adoption rate for racing is higher or allegedly more dangerous.

Summary and Conclusions

The results of the study suggest that the pattern of EGM play is similar to other forms of gambling such as Lotto and instant or "scratchie" games. This expected (for the penetration and frequency of activity) pattern is also similar to that seen in frequently purchased consumer package goods and services. The disproportionate distribution of users accounting for most of the sales appears quite normal and expected.

Comparing reported EGM play to other games that are judged to be less of a problem by the Productivity Commission (Lotto, racing, wagering) shows EGM play to have proportionally fewer problem gamblers and thus may be less of a threat than portrayed.

That does not mean that EGM play does not have its expected share of players that bet at compulsive levels. Those problem gamblers generate large psychological, social and financial costs for their families, employers, society and themselves (Productivity Commission 1999). Nonetheless, all product categories may have a proportion of players, buyers or users that can't participate without lapsing into compulsive and problem use. Unfortunately, gambling extracts a particularly heavy toll on compulsive use.

Although some research has suggested gambling behaviour is driven by the misconceptions of the likelihood of winning (e.g., Miyazaki et al. 2001), that may happen only in the initial stages of game play. It may be that once a habit develops, there is very little cognitive control over continuing the activity. That doesn't mean that thinking doesn't take place. It just means that the consumers' thinking appears to have little affect on their participation.

Notes

1. "Compulsive", rather than "addictive", behaviour is normally the term used when discussing gambling. Many researchers believe that gambling does not fit the medical model of addiction (Productivity Commission 1999, p.14.42).

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