



Advertising overload leads to US backlash

The Game Safety Institute Co-Founders Simo Dragicevic and Sarah Ramanauskas say operators need more than a responsible gambling ad campaign to avoid a regulatory clampdown

With the legalization of online sports betting (OSB) in 38 of 50 US states and the growth of an online gambling market that is expected to reach \$40bn by 2028, there are growing concerns about the negative impacts of gambling.

This is not unique to gambling. Most industries have what economists refer to as negative externalities. For the gambling industry, these negative impacts are recognised as gambling-related harms.

While the data has yet to reveal how much gambling-related harm has increased since PASPA was repealed, one thing is certain - there has been a huge increase in the visibility of gambling in the US through widespread advertising and marketing.

With this increased visibility comes increased scrutiny and concern. We have seen a regulatory backlash against gambling play out in European markets when gambling advertising spiralled out of control and created a negative image of the industry with the media, public, politicians and wider stakeholders.

ROGA is a good start, but...

The US industry recently responded to stakeholder concerns by launching the Responsible Operators Gaming Association (ROGA). This mirrors UK bookmakers' efforts to fend off increased regulatory pressure in 2015 when they launched the Senet Group of operators, with the aim of driving higher standards in RG and with a specific emphasis on increasing the visibility of RG advertising on the UK high street.

The intent of the ROGA initiative should be lauded, and so should any extra dollars committed to raising standards in responsible gambling. Its stated mission does not provide any new concepts, but has broad goals that are very difficult for anyone to argue against: rigorous research, education, and data sharing among operators.

ROGA has just launched so we would expect there to be several months before it can develop a more focused strategy on the priorities and timelines within each of these areas. However, we wouldn't be surprised if the first major action is an operator-wide responsible marketing campaign planned before the launch of the NFL season in September.

Product safety can lead the way

History suggests that increasing RG advertising will only get you so far with consumers and regulators. While it can take the pressure off the industry in the short-term, that pressure will continue to increase if more integrated RG strategies are not initiated to improve standards further. And while we wait for action, innovation is continuing with the industry pushing ever newer and more exotic products.

For example, single game parlays are rising to roughly 25 percent of total handle in the US sports betting market. Operators in other countries have also pushed higher margin and higher volatility products into the market to make higher returns.

In the UK we're seeing a trend of higher volatility and lower RTP slots, meaning shortened slots sessions and increased GGR.

With OSB and the increasing choice of bet types, no limits on stakes, and betting on a vast array of emerging sports, it makes us wonder if these increasing varieties of exotic bets are actually 'good' bets for the consumer. For example, do they supplement the entertainment value of watching sports? Or are they an overlay of a slot machine on a sports event that encourages people to 'take a spin', while overestimating their skill, knowledge and chances of success.

There needs to be a far better understanding of the risks of these new products and bet types in order to educate players effectively, and reduce the risk of harm.

Storms are on the horizon

While most regulatory and industry responsible gambling investments in the past decade have been focused on the player, there is an emerging need for the industry to start proactively ensuring gambling products are focused on customers' entertainment needs.

Recently, the Dutch parliament proposed banning online slots. The short space of time between legalization of online gambling and political backlash is unprecedented. Such developments show the direction of travel regulation will take if the gambling industry drags its heels on meaningful, integrated product-focused responsible gambling initiatives.

When the backlash took hold in Italy and the UK, Europe's two largest gambling markets, GGR took a dip, impacting the longer term prospects of the industry. Major regulatory decisions that impacted the industry included an advertising ban in Italy, and restrictions on gambling products that were considered faster and more continuous in the UK. The regulatory picture continues to evolve in the UK with stake limits and affordability checks in the offing.

US gaming operators, which are positioned for the long haul and genuinely want to build a sustainable industry, should heed these warning signs and start proactively addressing these issues before the next wave of scrutiny and regulation rolls in.