

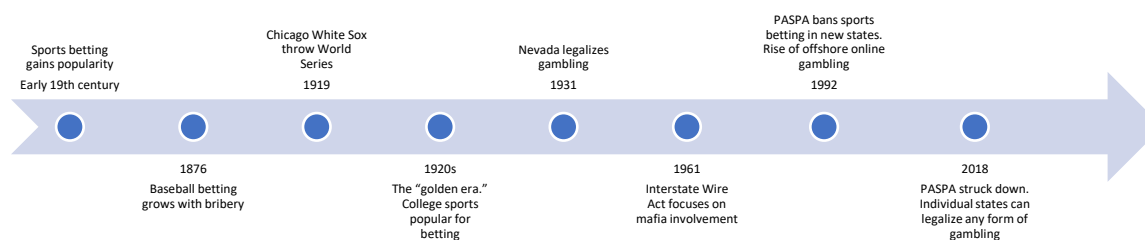
Online Gambling: How Easy Should It Be?

A Brief History of Gambling

Gambling featured in the laws of ancient Rome and China, appears in ancient texts like the Bible and Jewish Talmud, as well as in Islamic and Buddhist texts.ⁱ In the US, betting on horse races gained popularity in the early 19th century. This was followed by betting on baseball games, and by the early 1900s, teams were bribed to throw games. The most notable of these was in 1919, when eight White Sox players were bribed to throw the World Seriesⁱⁱ. Gambling was illegal at the time, but few laws covered it and there was even less enforcement of those laws.ⁱⁱⁱ

The involvement of New York crime families in gambling eventually spurred the Interstate Wire Act of 1961, which forced most sports gambling underground. Other laws followed, the most important of these being PASPA, the 1992 federal ban on commercial sports betting. Despite this, US consumers could still place bets online through offshore “sportsbooks” (i.e., sports betting companies).^{iv} When the federal ban was lifted by the Supreme Court in 2018,^v states were free to adopt their own policies. Today, over 30 states have some form of legal sports betting, and the vast majority of those allow online gambling^{vi}. Some are likely to legalize it within the next few years.

Figure 1. Timeline of Sports Gambling in the US



Overview of the Online Gambling Market

Although the federal ban on gambling wasn't struck down until 2018, many of today's leading online gambling sites existed years before that. FanDuel and DraftKings, founded in 2009 and 2013 respectively, both started out as daily fantasy sports sites. This was legal because, among other factors, outcomes were not based on a single game or performance.^{vii} Most other companies that quickly caught the legal online gambling wave were already established casinos, like MGM, Caesar's, and PENN Entertainment.

Different people use different terms when talking about the online gambling industry. The most common terms are sports betting and iGaming, which mean slightly different things.

Within sports betting, FanDuel is by far the most dominant gambling company, with a 42% market share. This is followed by DraftKings, with a 24% market share. FanDuel has grown from \$300 million in revenue in 2018 to over \$3 billion in 2022. Forecasts suggest that the US online gambling market will reach \$40.5 billion by 2030.^{viii}

iGaming is a broader term which includes sports betting along with online poker games, casino games, and basically any other online gambling game. This is led by BetMGM and DraftKings, with both of those combining for over 50% of the market share. FanDuel is the only other company with a double-digit market share, at 16% (driven by the company's strength in sports betting).^{ix}

Gambling companies are increasingly aware of the value of offering unique services to their customers. Many new gambling sites have popped up over the last few years, even while the industry is still in its infancy.

As these companies mature, they are primarily competing by adding more-specific gambling options and games, as well as offering incentives for new users and those who are currently playing or may have lapsed. A 2020 study of UK online gamblers found that online gamblers held an average of 2.1 accounts over the past year, while another that was not exclusively for online gamblers found that almost 60% had used five or more operators.^x This suggests that, at

least for now, there is little brand loyalty to specific gambling companies. Moderate and heavy gamblers are much more concerned about getting the best odds and promotions.

Regulation of the Gambling Industry

Online gambling's rapid growth has caused some to wonder whether the industry has too much freedom to operate and advertise. Ultimately, it is the states that decide whether to allow gambling. While states want their residents to be protected, they also have a financial incentive to support gambling companies. They heavily tax gambling companies and therefore gain from their success.

Views differ on the benefits and costs of gambling. Some argue that it is a form of entertainment and does not need heavy regulation. They note that betting firms already adopt policies to encourage responsible gambling. Others argue that consumer protections are limited and that states have largely left the gambling industry to police itself, with enforcements and punishments often light or ignored.^{xi}

Gambling is a potentially addictive activity that can lead to serious psychological and physical symptoms. It activates the same reward circuits in the brain as drugs, and the clinical characteristics are strikingly similar to those of drug addictions and alcoholism.^{xii} Gambling is designed so that the expected value of the game is favorable to the company that is managing the game. (Expected value is the size of the win or loss multiplied by the chance of each outcome happening.) This means that over time, gamblers are mathematically expected to lose, and if large sums are lost, it can lead to a spiral of losses that are increasingly harmful to the economic and emotional well-being of the player. This is commonly known as "chasing" losses and is one of the most recognizable symptoms of gambling addiction.^{xiii}

To counter this, restrictions have been passed. Several US states have outlawed the use of credit cards when making deposits to discourage gambling debts. Unfortunately, some companies have ignored this and other limitations. New York betting companies have accepted bets on lower-division football and basketball games, which are supposed to be off limits. In Indiana, people who enrolled in a voluntary state program to block themselves from gambling sites were still

able to place significant bets online.^{xiv} Restrictions could, in principle, limit the problems created by gambling, but they mean nothing if they are ignored.

There are many regulatory restrictions on the marketing and advertising of harmful products like alcohol and tobacco, including limits on sponsorships, free samples, and requirements for warnings and labels.^{xv} Gambling problems can cause serious harm to players. Despite this, ad spend in the US for online gambling is projected to jump to \$1.9 billion in 2023 after passing \$1 billion just two years prior.^{xvi} Scott Anderson, a problem gambling specialist with the Department of Mental Health and Addiction Services in Ohio, noted, “Gambling is the only mood-altering thing that has hope involved.” No one sitting at home drinking or smoking hopes that the behavior will help pay for rent or child support, whereas problem gamblers can believe that just one or two good bets will make everything right.^{xvii} Should gambling companies be allowed free reign over their marketing and framing practices?

Rules for Marketing Gambling Products

As gambling has become more prominent in digital advertising and on television through commercials and placements within sports broadcasts, some have begun to question the use of celebrities and athletes for promoting gambling and the promotion of gambling to underage consumers.

Europe

In Europe, some countries have already taken steps to limit gambling advertising. Italy banned all forms of gambling advertising in 2019, Spain quickly followed with similar restrictions, and Belgium did the same in 2023. Other countries, like Germany and the Netherlands, have banned gambling advertising during sporting events, on television and radio, and have limited sponsorships by gambling companies. They still allow late night ads, targeted ads, and some other forms of advertising, with restrictions.^{xviii}

The UK has had a mixed relationship with gambling and is now changing many of its regulations. In 2022, the country passed a law that bans gambling companies from using sports stars, celebrities, and social media influencers in advertisements. This is intended to protect

minors from a bombardment of gambling ads and bans companies from using anyone with a “strong appeal” to minors. References to any content, like video games, are also banned if it is “likely to be of strong appeal to children or young people.”^{xxix}

The pressure to do something about gambling advertising is affecting the UK’s most popular and successful sports league, the English Premier League. After two decades of sponsorship from gambling companies, rules have been approved to prohibit betting companies from appearing on the front of jerseys. This means that eight clubs will be forced to find new sponsors by 2026. While the “Big Six” clubs can easily gain new sponsors, the new rules will more greatly effect the mid- to lower-end clubs, which have relied on betting companies for years. There are still exceptions to the ban, like sleeve sponsorships, which the league is hoping can offset some of their lost revenue. Even this may fall foul of new laws being introduced by the government. Campaigners still hope for a blanket advertising and sponsorship ban to avoid exposing young and vulnerable people to gambling.^{xx}

The United States

In the US, none of these restrictions exist. However, consumers, lawmakers, and the industry itself are attuned to the quantity of gambling-related advertisements. In March 2023, the American Gaming Association, which represents the U.S. casino industry, passed a new “Responsible Marketing Code for Sports Wagering”, which prohibits sportsbooks from partnering with universities. It also bars name, image and likeness (NIL) partnerships with college and amateur athletes, and bans use of the terms “free” and “risk-free” when describing promotional bets. After facing criticism from both regulators and pressure groups, this may be an attempt to pre-empt new restrictions.^{xxi}

Some states have already begun to consider legally enforceable restrictions. A New York representative introduced a bill to ban all sports betting advertisements, and other states have begun fining companies for using the term “risk-free” in promotions.^{xxii}

Consumer Protection

The term “risk-free” and associated ways of framing betting have become especially controversial. Common new-user promotions include a bonus and/or a “risk-free bet” (if a new player signs up, they are guaranteed one bet that is refunded if they lose). The catch is that players typically get refunded in sportsbook cash that is not withdrawable and must be bet again. Many of these rules are written only in the fine print of ads, emails, and on their websites, and new gamblers may not fully understand what the terms mean.^{xxiii}

States all have their own unique laws. Enforcement is complex and few states have sufficient resources to dedicate to the task. Differences across states also makes complying with these laws more challenging for the gambling companies themselves.

Finally, there are ethical questions about advertising. Is it ethical for celebrities and athletes, who typically are much wealthier than the average gambler, to promote and frame gambling with keywords such as “games,” “luck,” and “winning”? After all, it is statistically likely that gamblers will lose the money they bet.

Gambling companies also have a clear conflict of interest between protecting their users and making a profit. Some practices, like offering special bets that can be considered “easy wins” (e.g., LeBron James to score one point in a game), are obvious attempts to help users feel the thrill of winning to get them hooked. Studies have found that anywhere from 15% to 40% of gambling revenue comes from problem gamblers.^{xxiv} Can the companies police themselves if a significant portion of their revenue comes from people who have an issue with gambling, and arguably should not be betting at all?

“Bachmann never had problems with drinking or drugs or overeating. She was a normal mom, with the same highs and lows as everyone else. So the compulsion she felt to gamble, the insistent pull that made her feel distracted or irritable on days when she didn’t visit the casino, the way she found herself thinking about it all the time, the rush she felt on a good run, caught her completely off guard.”

— Charles Duhigg, The Power of Habit, page 274^{xxv}

How to Encourage Safer Gambling Practices

Studying Safer Gambling

The Behavioural Insights Team (BIT), a group that was once part of the UK government but is now owned by the charity Nesta, recently completed a series of studies on gambling. Reports from the studies look at industry transparency, lower-risk gambling guidelines, and how to redesign gambling websites to reduce harm.

One of the clearest observations from these studies was that gamblers care about price and value more than customer service, safer gambling support, or product features. Most gamblers, from low risk to high risk, use multiple operators, typically five or more within the span of six months. This suggests that while respondents might say that customer service, product features, and safer gambling support are important to them, none of those factors keep consistent gamblers from jumping to other betting sites for a new deal or promotion. This could lead gambling companies to be slow to improve customer service and safer gambling support, since the customers who bring in the most money, moderate-risk and problem gamblers, do not seem to care as much about those services.^{xxvi}

To understand consumer preferences for lower-risk gambling guidelines, the BIT tested three different public messaging campaigns: the “Take Time to Think” campaign (managed by the UK Gambling and Gaming Council), an adapted version of the Canadian lower-risk gambling guidelines, and a tobacco-style warning. While no difference was found between the campaigns for reducing money spent on gambling, the Take Time to Think campaign was slightly more effective for reducing time spent gambling. All of the guidelines were effective at increasing gamblers’ confidence in ways to reduce gambling activity and how to access support.^{xxvii}

When asked for feedback on the campaigns, some respondents thought the statements could have been worded more strongly or urgently, while others mentioned the need to stay positive and not criticize. Many mentioned the use of statistics, with some suggesting that campaigns and warnings should cite statistics on gambling-related suicides, bankruptcies, and the gambling companies’ profits. When asked where they wanted to see these guidelines, the majority of

respondents were against email reminders. The top choices for displaying these guidelines were on gambling websites and at betting shops, in addition to gambling regulator websites.^{xxviii}

Recommendations for Immediate Action

Finally, the BIT came up with five recommendations for immediate action.

1. Customers should be able to unsubscribe from all marketing communications in one click and should not be signed up for information on additional products or sister companies.
2. Customers should be kept informed of their account activity to reduce the risk of fraud and could help problem gamblers better track their spending.
3. Gambling management tools should be easy to locate and set up. People who set lower deposit limits should not be exposed to higher-value dropdown options, which are often provided by companies.
4. It should be as easy to close an account as it is to open it. Minimum withdrawal requirements or no option to permanently close accounts increases the chances of those trying to stop gambling returning.
5. Require operators to run experiments and monitor data to identify beneficial changes and evaluate the impact of potential remedies to reduce gambling harm.^{xxix}

While many operators already have the tools to do many of these things, such tools are rarely intuitive, and their defaults are generally chosen by the company. A common tool, a “reality check,” notifies users when they spend a certain amount of time or money in a session.

Companies typically choose a high limit for the default and many consumers never change it. Encouraging spending and time caps could help users limit their gambling.

Questions to Consider for the Future of Gambling

Can companies differentiate themselves in the market by educating users on the value of healthy gambling practices? Standardizing regulations across jurisdictions could help companies know exactly what is and isn’t allowed, while also making enforcement of such policies much easier. However, this leads to the same question many governments and industries must face: Where should we draw the line?

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