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Responsible Gambling – Government Agency, Regulator & Casino Operator Alignment

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ABSTRACT

Responsible gambling programs are the standard for government agencies, regulators and casino operators. They provide social license to operate and help to ensure an economically sustainable industry. Each of the parties has different reasons for embracing responsible gambling, which sometimes creates conflict. Alignment between the partners is necessary to ensure programs are effective and factor in both the business and social realities that drive them. At the core, responsible gambling programming is about educating and informing the players. Through consideration of all sides of this complex business issue, based on personal experience, the authors make recommendations about the most effective means of creating and implementing responsible gambling programs.



Issue:

Is it possible to align government agencies, regulators and casino operators when it comes to the development and implementation of responsible gambling¹ programs that are customer-centric?

Context:

Canada has been a global leader in developing and implementing responsible gambling (RG) programming. Nova Scotia was an early adopter and other provinces soon saw the importance of building responsible gambling into their expectations of operators.

Government agencies, regulators and casino operators all agree: responsible gambling helps to ensure an economically sustainable industry. RG speaks to the integrity of the operator and of the business as a whole. Problem gambling is not good for business. Socially responsible operators and government agencies work to expand the player base instead of relying on revenue from a smaller group of players.

Successful RG programs:

- Represent the intention of casinos as entertainment providers;
- Are customer-centric as they educate and inform players about how to enjoy the entertainment responsibly and understand the risks – RG keeps the fun in the game;
- Demonstrate commitment by the casino operator to players;
- Provide support for those few people who take it too far²;
- Provide casino customers with a sense of safety and security;³
- Help create a socially responsible and economically sustainable gambling industry;
- Meet the public's high expectations by demonstrating that gambling revenues support good causes and are responsibly sourced. This confidence is directly linked to the social license to operate in the industry;
- Protect the operators by helping them to identify and exclude problem gamblers who put the business at risk and potentially compromise the experience for other players.

There is no contradiction between promoting gambling and ensuring players know how to gamble responsibly. In fact, these two ideas are complementary. RG programs are

¹ The authors have chosen to use the term “gambling” rather than “gaming” although the terms are used interchangeably by government agencies, regulators and operators.

² The incidence of Canadians with moderate or severe problems is reported to be 3.2% according to https://www.problemgambling.ca/EN/Documents/FA_GamblingProblemGamblinginCanada.pdf

³ Several studies in Canada have found safety and security to be key considerations of casino customers when choosing casinos as entertainment destinations, including a study by Ipsos Reid from 2013.

inherently customer-centric so they serve the best interest of players and the public. Operators, regulators and government agencies all benefit from RG programs as they protect revenues and win public support; however, there can be tension between the partners.

1. Government agencies and regulators can feel like operators perceive them as antagonistic when they create policy or push additional diligence, which can delay, change or add unforeseen costs to the operator's business plans.
2. Government agencies and regulators can feel pressure from elected officials, lobby groups, health departments, and the operators. These groups have different priorities and it is challenging for the government agencies and regulators to oversee gambling operations in this multi-stakeholder context.
3. Casino operators need to respond to emerging business opportunities in real time and government agencies and regulators are sometimes not able to facilitate this in a timely fashion. Business and government move at different speeds. There can be an uncomfortable dance between the two before a balance is found.
4. Casino operators can feel government agencies and regulators are more focused on public health concerns around problem gambling than they are on promoting responsible gambling in the jurisdiction. In some cases, government (driven by the elected branch) must promote *problem* gambling programs that speak to a minority of players. This focus on problem gambling can undermine the work of RG initiatives that target the majority of players, who play responsibly. The general public can confuse *problem* gambling and *responsible* gambling when too much emphasis is placed on problem gambling messaging. This confusion negatively impacts responsible players who do not see themselves in the problem gambling segment may question their choice to gamble. In some markets, governments are not willing to publically recognize the contributions of gambling revenues further marginalizing the legitimacy of gambling responsibly.
5. RG is a high cost endeavor. Staff training, capital costs, reporting and approval times all have an impact on the casino operator's bottom line. The costs associated with RG programs can be challenging for operators to accept as they are not directly aligned with revenue. In high tax markets in particular, the intangible but critical benefits of RG are difficult to rationalize on a P&L or when presenting quarterly results to shareholders.
6. Governments often receive gambling revenue through several streams including casinos, as well as video and ticket lottery. Casinos are the highest cost, lowest return of

all the options and they are also the most highly regulated. Casino operators perceive that they are held to a higher standard than other gambling operations.

There are many of areas for conflict and misunderstanding. Government agencies and regulators may have been the initial drivers of RG but now operators can appreciate the purpose of RG, even if they do not always agree with the way in which their partners require it to be implemented.

Operators understand RG, but many do not necessarily value it. Often RG is perceived as a requirement but not operationalized to engage the customer and grow the business. The way in which RG programs are operationalized at casino properties varies widely. When RG requirements are outlined in the operating contract or in the regulations, operators take it more seriously.

Conclusions:

Casinos are already the safest place for players to gamble. The focus on security and game integrity that is the backbone of casino operations also provides context for RG and offers an important differentiator that is valued by players. As entertainment destinations, casinos offer players an inherently social experience, which is very different from other gambling options currently available.

Government agencies, regulators and casino operators need to work collaboratively to maximize the benefits of RG programs for all parties – including the customers. RG is crucial for all concerned but the underlying reasons are different. Understanding the industry from each other's perspective, communicating regularly and working together can help overcome this tension. Regulators need to help operators understand the importance of RG in building social equity. Similarly, operators need to help government agencies and regulators understand how the RG policies will impact business – not just from a financial perspective but from an operations perspective and through the lens of the guest experience.

When operators are involved or consulted throughout the process of developing the RG programs, the opportunity for success is higher as conflicts or challenges can be worked out and agreed to in advance. Difficult issues such as the costs of developing, implementing and maintaining programs need to be addressed and identified up front. Calculations should be made over the term of the operating contract whenever possible. A conflict resolution process should be identified. Operationally, government agencies, regulators and casino operators need to ensure they are meeting regularly at the right organizational decision-making level to identify and address any issues as they arise.

RG must be part of the operator's organizational culture. Casinos need to reinforce that RG is an integral part of doing business, it is not another regulation where you check the

box. It needs to be operationalized, understood and valued by all employees from the executive to the front line. Activating RG programs within casino operations is an education and alignment process.

In casinos, RG programs must be operationalized as part of the overall customer experience so that the cost of the program is not seen to take away from investments in customer-facing amenities and staffing levels. RG programs ensure casino environments provide the safety and security so highly valued by players and other casino customers.

Nova Scotia is considered a leader in responsible gambling and was one of the first two jurisdictions in the world to earn the highest level of certification in responsible gambling from the World Lottery Association (Quebec was also awarded Level 4). Much of the responsible gambling programming that is in place in Canada grew out of initiatives that were undertaken in Nova Scotia.

Globally, Canada is ahead of the curve in responsible gambling. Through research, implementation and evaluation, Canadian government agencies, regulators and casino operators have learned how to develop and implement responsible gambling programming and foster good relationships between the partners. The lessons Canadians have learned can save other jurisdictions that are starting the journey both time and money.

Specifically, lessons from Canada's experience that can be applied in other markets include the industry model itself, developing and implementing responsible gambling programs, stakeholder relationships, research and evaluation, and incorporating social responsibility into the decision-making process. Promoting gambling and informing players of potential risk go hand-in-hand – you cannot separate the two and have an economically sustainable industry. Government agencies, regulators and casino operators must collectively commit to the success of these programs.

About the Authors:

Helen MacMillan is Founder and Principal Advisor of All-In Gaming & Hospitality Advisory Group. Prior to launching All-In Helen spent 15 years working in senior marketing and operational roles with Caesar's Entertainment, Great Canadian Gaming Corporation, and at Casino Nova Scotia and Hotel. Helen was the first female Regional Vice President & General Manager in Great Canadian's history.

Robyn McIsaac, BPR, MPR, owns and operates Infuse PR. She has recently joined All-In Gaming & Hospitality Advisory Group as an advisor leveraging her expertise working as Vice President, Responsible Gaming & Communications at the Nova Scotia Gaming Corporation. Robyn has more than 20 years of professional experience in a variety of sectors, including gaming and health, and a special understanding of Corporate Social Responsibility.

Kara Holm is an independent business consultant who specializes in helping clients to identify opportunities through enhanced understanding of their customer leveraging research, and converting consumer insights into actionable business strategies. Kara is now part of the All-In Gaming & Hospitality Advisory Group and curates the online publication "It Is A Dirty Job! Reflections on the Customer Experience & More."