The Marketing of Legal but Potentially Harmful Products and Corporate Social Responsibility: The Gaming Industry View

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Abstract: A number of industries sell products (or services) such as tobacco, alcohol and gambling that, although legal, are considered potentially harmful to some members of society. Unlike other products that attract no attention when using strategies to increase market share, many of these potentially harmful products attract criticism from concerned members of society and often governments when their markets increase. Corporate scandals in recent times have led to greater calls for social responsibility to be embraced by all businesses, but the call is most pronounced towards organisations providing products that are detrimental to certain members of society. This paper investigates gaming industry perceptions of compliance with the precepts of corporate social responsibility (CSR) in the marketing of electronic gaming machines (EGMs). Thirty-eight face-to-face and/or telephone interviews were undertaken with EGM manufacturers, gaming consultants, managers of gaming establishments and casino operators in Nevada (USA) and New South Wales (Australia), along with management of the gaming regulatory authority in New South Wales (NSW). In spite of a much tighter regulatory environment in NSW, it was found that the major gaming operators in Nevada appear to be aware of, and practice, CSR to a noticeably greater extent than do gaming operators in NSW. Notwithstanding this however, EGM operators both in Nevada and NSW need to implement socially responsible marketing strategies and tactics to a significantly higher degree than is currently practiced in order to enhance their reputation, decrease criticism from key stakeholders and minimise the potential threat of increased regulatory constraints.

Keywords: Corporate Social Responsibility (CSR) Marketing, Potentially Harmful Products, Gaming, Electronic Gaming Machines (EGMs)

Introduction

Marketing managers are responsible for increasing profits through customer satisfaction as a result of offering quality products at the right price, in the right place, providing pertinent information and, in the case of services, in an appealing environment (also referred to as the ‘servicescape’). When these products are legal but potentially harmful however, that is often accompanied by criticism from the community, government and other concerned stakeholders, particularly when company profits rise. Increased pressure on all organisations to operate in a socially responsible manner has arisen during the past ten years as a result of such infamous operations as Enron, Tyco, WorldCom and Parmalat. It is even more important, therefore, for industries that market legal but potentially harmful products to adopt socially responsible processes.
and practices that go beyond legal requirements only. These respective organisations need to be seen to be genuinely responsible rather than using corporate social responsibility (CSR) for the purposes of public relations (PR) or window dressing.

Well-documented evidence on the potentially harmful effects of tobacco, alcohol and gaming products, raises the question of: “why are they legal?”. One could argue that, in addition to the substantial fiscal contribution these industries make to government coffers, cultural factors also play a part. Australia for example has traditionally been a nation where ‘a drink, a smoke and a bet’ is part of the national psyche. Although over-consumption of any of these products invariably results in harmful effects, Doughney (2007a) argues that the gaming industry is less ethical than the tobacco industry because the victims of the former can be more readily identified. The purpose of this paper is to extend the predominant focus on the tobacco and alcohol industries to consider another potentially harmful product, namely electronic gaming machines (EGMs), from within the gaming industry itself. Although there is a substantial body of research into EGMs, this paper will specifically examine the views of the gaming industry in terms of EGMs, marketing and CSR.

Increasing concern exists about the negative social costs associated with those who over-indulge and over-spend their own budgetary limitations as a result of becoming addicted to playing EGMs. Although Australia has only 0.3 per cent of the world’s population (and almost 14.5 million adults aged 18 and over (ABS 2008) - the legal age for gambling in Australia), it has more than 20 per cent of the world’s ‘high intensity gaming machines’ (Productivity Commission 1999), increasingly referred to as EGMs but also known colloquially as ‘pokies’ in Australia and ‘slots’ or ‘video poker machines’ in the USA. New South Wales (NSW) has half the number of EGMs in Australia and “has the highest number of gaming machines per 10,000 people anywhere – including Las Vegas” (Miserable Odds, 13 February 2006, p.22). Recent figures (Australian Gambling Statistics 2006) show that total Australian gambling turnover for 2005-06 was almost $108 billion (with NSW at almost $57 billion). Gambling expenditure (gamblers losses) was more than $10 billion for Australia and $5 billion for NSW. Australia has 200,850 gaming machines, of which NSW has 100,034 (Australian Gambling Statistics 2006). Star City is the only legal casino in NSW and has 1,500 EGMs. Other EGMs are in NSW registered clubs and ‘pubs’. Much negative perception exists regarding not only access issues and the high prevalence of EGMs in Australia, but also controversies regarding their placement in low socio-economic areas where customers can least afford it (Doughney 2007b; McMillen et al. 2004; Marshall and Baker 2002; Mellor 2005). Others (Livingstone and Woolley 2007) criticise the lack of effective legislation in protecting problem and at risk gamblers and accuse the government and the gaming industry of being collaborators in the obfuscating, rhetorical discourse of ‘business as usual’.

Given the negative perception of EGMs by many in Australian society and the increased interest in CSR globally (see for example de Bakker et al. 2005), the focus of this research is on the question: ‘to what extent do operators of EGMs consider that they incorporate CSR into their marketing strategies?’. Accordingly the perspective in this paper is on how gaming operators view themselves in terms of being socially responsible, as opposed to the identified existing literature that predominantly looks from the ‘outside in’.
Corporate Social Responsibility (CSR)

Definition

Widespread consensus that the concept of CSR is fraught with a multitude of terms and definitions appears to exist (Aupperle et al. 1985; Campbell 2007; Carroll 1998; de Bakker et al. 2005; Lantos 2001; McWilliams et al. 2006; Valor 2005). Some feel that this should not be an impediment however, with Dahlsrud (2006) stating that, although there is still confusion about how CSR should be defined, the existing definitions “are to a large degree congruent” (p. 1). Further, he considers that it is not the lack of a universally accepted definition so much as it is “about how CSR is socially constructed in a specific context” (ibid). Nevertheless, others consider the many “paradoxes inherent in the phrase ‘corporate social responsibility’” and that, “until these paradoxes are properly addressed, corporate social responsibility can legitimately be branded an invention of PR” (Frankental 2001, p.18; Campbell 2007; Friedman 1970; Roberts 2003). An extensive review of the CSR literature by de Bakker et al. (2005) finds that McWilliams and Siegel’s (2001:117) definition of CSR, being “actions that appear to further some social good, beyond the interests of the firm and that which is required by law”, has gained prominence in the management literature (pp. 383-384). This definition is also supported in kind by much of the existing CSR literature and is the one adopted by the authors of this paper.

What is CSR?

In accord with the above definition, many writers now consider that, although being profitable is in a sense socially responsible (providing jobs, paying taxes etc.) and adhering to the law is paramount (unlike the aforementioned disgraced corporations), firms cannot be considered to be adopting the tenets of CSR unless they act beyond these components – i.e. to also include the ethical and discretionary/philanthropic components of Carroll’s CSR Pyramid (1991). It is now widely accepted that, whilst the core function of a business is to make a profit within legal boundaries, firms also need to be socially aware and responsible.

Gaming

A large body of academic and public policy literature on gambling exists, but the majority of it focuses on issues relating to problem gambling. Work by Hing and others (Hing 2000; Hing 2001; Hing and McMillen 2002; Hing 2003; Hing and Mackellar 2004) examines problem gambling as a social issue in the context of NSW registered clubs, however, no literature has been identified that deals specifically with the issue of how gaming operators market, or should market, EGMs, particularly with the legal impediments that are in place in Australia to restrict such promotion. Our paper builds on Hing’s work by including hotels (colloquially known as pubs in Australia) and the casino in NSW as well as casinos in Nevada. Given that controversy continues to exist in the NSW media regarding EGM operations in NSW, it appears that many of the issues raised by Hing in terms of social responsibility in the late 1990s, still exist today. Accordingly, given increasing EGM turnover, their widespread availability in pubs (since 1997 in NSW) in addition to registered clubs and the casino along with continued controversy, this research would appear to be pertinent and timely.
**CSR and Marketing**

Many scholars appear to agree that the ethical and altruistic components of CSR should be strategic in nature (The Asia-Pacific Centre for Philanthropy & Social Investment 2006; Dentlich 2004, Haigh and Jones 2006; Lantos 2001; Salia et al. 2003; Wulfson 2001) whereby both the firm’s bottom line and its stakeholders benefit. Marketing scholars such as Asongu (2007) specifically view CSR as a powerful marketing tool, if used strategically. Many others (such as Luo and Bhattacharya 2006; Maignan and Ferrell 2004) endorse the important role that marketing can play in CSR, with others developing a stakeholder model specifically for implementing social responsibility in marketing (Maignan et al. 2005). In addition to the increasing awareness of the importance of including stakeholders in social responsibility theory and practice, the seminal article by Vargo and Lusch (2004) has had a paradigmatic shift effect in marketing meta-theory by viewing marketing as a service function whereby all stakeholders benefit. A conceptual paper developed by El-Ansary and Cerne (2005) integrates CSR into a marketing strategy framework, which includes the role that pressure from the media, NGOs, regulators and other stakeholders exerts on the firm to be socially responsible.

**Legal but Potentially Harmful Products**

Normal free-market pressures such as competition, consumer fickleness and financial considerations affect all businesses; however marketers of legal but potentially harmful products have additional challenges of political, regulatory and social opposition (Davidson 2003). The tobacco, alcohol and gambling industries have enjoyed substantial profits for many decades, achieved in part by the employment of marketing strategies and tactics that encourage ever-greater consumption of their products.

In the past, these powerful industries have successfully lobbied governments in order to avoid legislation designed to inhibit their marketing activities. Because of outcry from various stakeholders however, these industries have become heavily regulated, particularly in Australia. Davidson (2003, pp. 141-143) presents three caveats that concern marketers of legal but potentially harmful products at all points in time, namely (1) marketers must never target their products to vulnerable groups; (2) product management decisions must never be aimed at increasing overall usage, either from new users or from existing users, and (3) marketers dare not offer ‘bigger, better, more efficient, more exciting’ products without expecting substantial backlash from concerned members of society. Certainly, the degree of backlash from many in Australian society towards the availability and marketing of EGMs, along with the disproportionately high amount of money spend on EGMs by problem gamblers, is substantial and enough to warrant serious concern by EGM manufacturers and operators.

The perception by many in society is that CSR is either being ignored or, if it is being claimed at all, is window dressing only (Campbell 2007; Frankental 2001, Friedman 1970, Roberts 2003). This scepticism has led to lobbying efforts by concerned community groups against the tobacco, alcohol and gambling industries. In addition, the three caveats referred to earlier (Davidson 2003) appear to be flouted to varying degrees by these industries. This further endorses the vital importance of marketing legal but potentially harmful products with a strong adoption of socially responsible principles, processes and practices.
The Present Study

Research Objective

Against the background of the discussion of the general principles of CSR along with gaming and its potentially harmful consequences and other socially harmful products, this study sets out to explore and document the phenomenon of EGMs and the marketing practices of gaming operators against the prescriptions of CSR (based on Carroll’s CSR Pyramid components).

Methodology

Qualitative research was conducted due to the “large volumes of exceedingly rich data obtained from a limited number of individuals” (Walker 1985, p.3) and the fact that such data are “a source of well-grounded, rich descriptions and explanations of processes occurring in local contexts” (Miles and Huberman 1984, p.15). Furthermore, given the lack of publicly available information relating specifically to the marketing of EGMs in a socially responsible manner, in-depth interviews were considered to be the most effective way of obtaining information and understanding in this area. Accordingly, a purposeful sample was chosen.

Interviews, observational and secondary data were collected intermittently over a two-year period (2005 and 2006), with secondary data continuing to be collected. Semi-structured interviews were conducted during May-July 2005 and May 2006 in Nevada and during 2005 and 2006 in NSW. These two jurisdictions were chosen because Las Vegas has long been considered the ‘gambling capital of the world’ and NSW has more EGMs than any other state or territory in Australia, has more than double the turnover from EGMs than the next highest state, Victoria (Australian Gambling Statistics 2006) and has the highest number of EGMs per head of population in the world (Miserable Odds, 13 February 2006, p.22 2006).

Respondents

A series of one to two hour in-depth interviews was undertaken with thirty-eight gaming consultants, gaming machine manufacturers and gaming operators in NSW and Nevada and gaming legislators in NSW, as can be seen in Table One. The gaming operator venues ranged in size from the large ‘super casino’ conglomerates on the Las Vegas Strip and the large ‘locals’ casino operators in Nevada, to the smaller not-for-profit registered clubs and privately owned ‘pubs’ in NSW. Respondents consisted of business owners, senior government personnel and senior managers. Access to respondents was through introductions from personal contacts.
Table One: Respondent Classification

<table>
<thead>
<tr>
<th>Location</th>
<th>Category</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reno (Nevada)</td>
<td>Gaming consultant and gaming conference organiser</td>
<td>1</td>
</tr>
<tr>
<td>Las Vegas (Nevada)</td>
<td>Gaming consultant</td>
<td>1</td>
</tr>
<tr>
<td>Las Vegas (Nevada)</td>
<td>Gaming Machine Manufacturers</td>
<td>4</td>
</tr>
<tr>
<td>Las Vegas (Nevada)</td>
<td>Management of International Casinos</td>
<td>7</td>
</tr>
<tr>
<td>Las Vegas (Nevada)</td>
<td>Management of ‘Locals’ Casinos</td>
<td>2</td>
</tr>
<tr>
<td>Lake Tahoe (Nevada)</td>
<td>Gaming Machine Manufacturer</td>
<td>1</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Gaming Legislators</td>
<td>3</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Gaming consultants</td>
<td>6</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Gaming Machine Manufacturers</td>
<td>2</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Casino</td>
<td>1</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Owners and Managers of Hotels (Pubs)</td>
<td>6</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Management of Registered Clubs</td>
<td>4</td>
</tr>
</tbody>
</table>

Instrument

The semi-structured interviews covered nine topic areas: (1) Reputation; (2) Supply Chain; (3) Purchase of new and/or second-hand EGMs; (4) Financial considerations (ability to offer incentives); (5) Social considerations; (6 – for casinos only) Percentage of revenue from EGMs vis à vis table games; (7) Percentage of revenue from EGMs vis à vis rooms and restaurants etc.; (8) Allocation of promotional budget; (9) Target market. Many of these were sensitive questions on which not much is known and it was felt that the results would enable the authors to become the first to make comparisons and develop conclusions in this area. The following convention will be used for referencing, as all respondents have been assured of utmost confidentiality: NSW respondents will be referred to as NSW1, NSW2, etc. and respondents from Nevada will appear as NEV1, NEV2, etc.

Results/Findings

Our research indicates that the corporately owned large casinos in Las Vegas report a much stronger awareness of, and focus on, social responsibility than does the gambling industry in NSW. The large Nevada casino corporate owners actively monitor the smaller casinos to ensure that they do not attract the attention of the gaming regulators by acting in a socially irresponsible manner. These large corporations realise if any of the smaller casinos ‘step out
of line’, the entire gaming industry will receive increased regulation. Explicit evidence of the heightened focus on socially responsible operations is the expense and professionalism with which the social responsibility statements and brochures of some of the largest corporations are presented. Some respondents seem to be proactive in terms of social responsibility, with one from a large gaming corporation stating that there is a “very strong focus on social responsibility” by them (NEV2). This would appear to be endorsed by having a full-time ‘Responsible Gaming’ staff member in their organisation. Another respondent stated that one of the largest EGM manufacturers in the USA has “a fantastic program in terms of responsible gaming” (NEV5). If this is the case, it may explain why there appears to be a lot less legislation in the Nevada gambling market than in the NSW jurisdiction.

CSR is vital to having a good reputation. One respondent stated that the EGM manufacturers and operators “have to have a good reputation with regulators in Nevada, much more so than in Australia” (NEV3). This was explained during an interview whereby the respondent had informally attended a certain casino some months earlier and was advised a few days later by the regulators not to go there any more due to the presence of certain criminal identities, or, following that, the respondent’s organisation would lose its licence. Perhaps this adherence to observing the regulations and presenting the appearance of strict ethical conduct is why the Nevada regulatory gambling environment is substantially more relaxed than in NSW in terms of advertising, promotion and self-regulation. This might also be the reason why the popular press in Nevada does not extensively report on the ‘social evils of EGMs’ as happens in NSW. An alternative interpretation might also be that Nevada is much more tolerant of gambling because of its greater economic dependence on gambling than in the more economically diversified economy of New South Wales.

In spite of the seemingly stronger awareness of, and adherence to, CSR in Nevada than in NSW, there is no room for complacency in either jurisdiction. The Strip casinos are potentially in a time bomb, with one respondent (NEV17) stating that the management of the various casinos are very concerned about potential litigation from either an individual, or class action against them for unethical practices, such as continuing to send out marketing materials to people who have requested self-exclusion. Given the watershed situation in the tobacco industry with multiple class and individual actions resulting in billions of dollars in payouts, gaming operators have much to be concerned about.

Marketing Mix for Gaming Services

Unlike less ‘controversial’ businesses, if gaming operators try to increase consumption of EGMs, they tend to face a backlash by concerned community groups. The manager of a gaming venue in NSW stated, “There is hysteria around EGMs.” (NSW6). This appears to be borne out by the regular number of media articles highlighting the ‘evil’ effects of EGMs, along with the strong focus on problem gambling in the academic literature.

Product

In services marketing, it refers to the intangible elements offered on top of the core product. In terms of gaming venues, the core product is the EGM, which the customer is essentially leasing for the duration of time spent playing the machine. This core product is subject to certain mandatory restrictions, such as restrictions on reel speed and limits on note acceptors.
In spite of this however, controversy remains in Australia as to the effectiveness of existing regulatory restrictions and current EGM features.

An important issue regarding EGMs and CSR is that many consider that the choice of EGMs compared with other gambling products is the most addictive to the player (see for example Becoňa 1996), making the marketing of EGMs the most financially lucrative. Most gambling revenue in Australia comes from EGMs (Australian Gambling Statistics 2006), with a small percentage of players providing most of the profits. In spite of this, controversy exists over the accusation that EGMs are the ‘crack cocaine of gambling’ (Barker and Britz 2000, p. 164) with Dowling et al. (2005) finding that

“Despite overwhelming acceptance that gaming machines are associated with the highest level of problem gambling, the empirical literature provides inconclusive evidence to support the analogy likening electronic gaming to ‘crack-cocaine’.” (p. 33)

A concern expressed by one of the respondents relates to the technology of gaming machines, with a much higher amount of money going through EGMs due to the increased number of bets compared to the previous mechanical reels. This lends support to Sharpe et al.’s (2005) study showing that a reduction in maximum bet levels is an effective harm minimisation strategy. This same respondent stated, “EGMs are basically selling time (for entertainment). They’re terrible instruments for stealing people’s money. All complaints from players were not in terms of losing money, but losing it too quickly. Even problem gamblers appear to realise, by and large, that they’re not going to win big time” (NSW7). This highlights the need for EGM service providers to act in a socially responsible manner by focusing on the entertainment aspect for the player, rather than solely on profits. This could be achieved by offering ‘more bang for the buck’ “, i.e. greater time spent on the EGM for the same amount of money input by the player, than is currently offered.

In addition to being concerned about the ‘value for money’ aspect, another respondent stated that: “Managers don’t want to offer EGMs that are harmful to players, any more than people selling cars want to sell death traps, otherwise they’d soon go out of business. That’s the last thing the club would want to do.” (NSW6).

Customer relationships are an integral part of business success. One of the respondents stated that in the past there was a much stronger focus on the relationship with the customer, whereas now the focus is on maximising profits (NSW11). Support is offered by Hing’s (2000) findings that NSW Registered Clubs (with their not-for-profit status) had subsumed their community-based charter for an economic imperative. One of the tenets of corporate social responsibility is to develop strong relationships with customers, suppliers and other pertinent stakeholders, in addition to broader societal considerations. As important as the economic component of CSR is, EGM marketing managers would be well advised to develop stronger relationships with key stakeholders, including their customers, in order to close expectational gaps.

**Price**

The price paid by the EGM customer and the benefits returned to them helps determine the ‘value for money’ and hence customer satisfaction. In NSW, the legislated minimum return to player (RTP) from EGMs is 85 percent, whereas in Nevada, the minimum is 75 per cent.
Gaming venues in both jurisdictions are able to offer a RTP above this level if they choose. “NSW clubs have always set RTP around 90%, both before and after legislation” [NSW 2001 Gaming Machines Act and subsequent legislation] (NSW7). Respondents in Las Vegas stated that operators set their RTPs higher (90% plus) than the legislated minimum, in order to be competitive (NEV1; NEV7).

A NSW respondent, in an attempt to demonstrate the value-for-money aspect of EGMs, stated “RTP is about 90% overall in any one venue compared to 50% for scratchies.” (NSW8). Whilst EGMs may well return almost double the RTP vis a vis scratch-off lottery cards, the overall amount spent on EGMs is significantly higher. An alternative and perhaps cynical perspective to this view of price would be to ask, “How fast does the average customer lose money”?

**Place**

Distribution channels ensure that the product is available at the right time, in the right quantity and at the right place for the final customer.

Community members who are on social benefits and/or on a very low income appear to have a propensity to play EGMs. Typically, these are the people who also have ‘time on their hands’. As a result, controversy exists regarding availability of EGMs in lower socio-economic areas. (Breen et al. 2002; Doughney and Kelleher 1999; Marshall and Baker 2002; O’Neil and Whetton 2002). Others however question (a) the validity of methodological approaches, (b) whether or not problem gambling is more prevalent amongst lower socio-economic groups and/or (c) the effectiveness of the introduction of reduced caps of EGMs in lower socio-economical areas (AC Neilsen 2007; Doran et al. 2007; McMillen and Doran 2006; S.A Centre for Economic Studies 2005). Nevertheless, the NSW Government has recognised the very real threat posed to those on welfare benefits in low socio-economic areas in terms of spending their payments on EGMs instead of basic necessities such as rent, food and clothing.

In order to act in a socially responsible manner, EGM operators in low socio-economic areas need to ensure that their clients are not spending all, or most, of their welfare payments on EGMs. Marketing managers should take extra care on known times when welfare payments are made to ensure that the message to ‘gamble responsibly’ is particularly emphasised. Staff also need to observe the length of time spent playing, and the amount of money put into, EGMs by their customers on these days and, where deemed excessive based on certain criteria, management should limit and control for this. A number of instruments exist through which to ascertain whether or not gambling is excessive to the point where the player could be classified as a problem gambler (for example the 4 Es by Rockloff et al. (2007) and the well known South Oaks Gambling Screen (SOGS) test and Canadian Problem Gambling Index (CPGI)). A perhaps more practical test (eight questions taking less than a minute to complete), namely the EIGHT (Early Intervention Gambling Health Test) screen, has recently been validated for use by untrained personnel to successfully identify Level 2 (moderate) and Level 3 (severe) problem gamblers in a variety of settings and cultures (Sullivan 2007). One way to protect EGM players from over-spending would be in the form of a signed agreement where, on entering the venue, customers would be asked in set a pre-determined limit on the amount spent during their time there in the form of a signed document. Expendit-
ure could be monitored through the use of a tracking card, such as TITO (ticket-in, ticket-out). Obviously, EGMs would need to be set to only accept TITO cards, not cash.

**Promotion**

Marketers aim to communicate the benefits of the service offering to their existing, and potential, customers. Normally, this is achieved through a variety of promotional tools, such as advertising, sales promotion, personal selling, direct mail, internet advertising, telemarketing and public relations.

EGM marketing managers in NSW face limitations through which they can communicate their service offering. A blanket ban on all external advertising of gaming machines by hotels, registered clubs and to a large extent the casino, has existed since the introduction of the 2001 NSW Gaming Machines Act. EGMs can however, be advertised internally (jackpots, links etc.) (NSW3). EGM manufacturers are allowed to advertise in trade magazines and at trade exhibitions.

Whilst there has not been any banning of gaming machine advertising in Nevada, there are rules regarding ‘truth in advertising’, where any claim in the advertisement needs to be substantiated. A restriction on advertising to children, or including them in any advertising message, also exists and there is an expectation of good taste in advertising, with the Hard Rock Casino (Las Vegas) having been fined in the past for unacceptable advertising.

Interestingly, the emphasis of the majority of casinos in Nevada and the majority of registered clubs and pubs in NSW is on the promotion of the non-gaming aspects of the venue. In NSW, this is due to the outright ban of all external advertising of EGMs, which means that gaming venues can only advertise food, entertainment and facilities (apart from Star City Casino which can show table games, but not EGMs, in their advertisements). In Nevada, the tourist casinos on the Las Vegas Strip now obtain more revenue from their rooms, beverage and entertainment than from their gaming floor, in spite of there being no advertising ban other than adhering to the principle of ‘truth in advertising’. The local casinos in Nevada also advertise the facilities they offer in addition to advertising their gaming machines. In NSW, the marketing of the facilities and entertainment provided within the pubs and registered clubs is designed to attract patrons to the premises. NSW hotel proprietors (albeit a small number) have been known to attempt to circumvent some of the regulations relating to the blanket ban of the external advertising of EGMs.

Given the blanket ban on all external advertising of EGMs in NSW, it may be tempting for some operators to try and ‘skirt around’ the restrictions by adhering to the law in a literal sense, but perhaps not spirit. It is vital therefore that EGM service providers go beyond legal requirements and adhere to the principles of transparency and honesty in their communication efforts in order to develop a good reputation and hence be thought of as acting in a socially responsible manner.

**People**

Customers’ perceptions of service quality are strongly influenced by their interaction with the firm’s personnel (Lovelock et al. 2004). One NSW respondent stated that their club puts a lot of emphasis on staff training and on the culture of the organisation, which flows on to the way people (customers) are treated by staff. Their club has a strong ‘customer is king’
philosophy. The club tries to look after customers by providing good service, such as tray service to players. They have 380 staff on the lookout for problem gamblers (NSW6). NSW legislation states that venues must provide the same tray service to all patrons in their venue, not just EGM players.

Many of the super casinos in Nevada employ attractive females in eye-catching costumes (low neck-lines, short skirts, stilettos) who walk around the gaming tables and gaming machine areas offering free drinks to patrons. The authors recognise that this may act as an inducement for the patron to either gamble, or, if already doing so, spend a longer time in the venue.

The importance of strong ethical values and applied training throughout all levels of the organisation, cannot be under-estimated. This also exposes a more fundamental point regarding CSR and that is that CSR is (presumably) more than what businesses say; it’s what they do. This point also exposes the flaw in measuring CSR based solely on businesses’ self-reporting.

**Process**

Service personnel rely on efficient and accurate ‘backstage’ processes in order to function effectively and deliver a high quality service experience to the customer. When processes fail, front-line staff often bear the brunt of the customer’s anger and frustration (Lovelock et al. 2004).

The introduction of TITO technology in Nevada, and more recently in NSW, has facilitated the process by which EGM customers can insert and collect their money. Instead of having to walk over to a payout section on the gaming floor to collect larger size winnings, and instead of having to insert cash into each machine (inserting credit cards is banned in NSW), players can now have their credits transferred from machine to machine through their TITO card (with a limit of $2000 value in NSW), without having to withdraw remaining credits from one machine and re-insert the money into another. Accordingly, one could argue that one of the potentially addictive features of the EGM, that of the sound of the rush of coins falling into the EGM tray, is taken away by TITO, although the authors are also cognisant of the fact that TITO may actually facilitate the ease with which players can lose up to $2000 in one sitting.

**Physical Evidence**

Tangible cues become an important part of the overall service experience. Customers evaluate such factors as the physical layout of the premises, quality and comfort of seating and other furniture, lighting and music, dress standard of employees, quality of the food and beverages and promotional materials (Lovelock et al. 2004). “There is no difference between running a restaurant and running a gaming floor – criteria: location, ease of parking, security, what’s the food like, what’s the customer service like. The club has good décor, safety and security and the best and latest machines”. (NSW6). A variety of casinos exist in Nevada, ranging from the shabby, run-down casinos, to the mid-range ‘ordinary’ casinos through to the super luxurious, opulent, high standard casinos offering world-class restaurants, entertainment and accommodation. It should be noted that, whereas NSW legislation demands EGM venues to have clocks that are clearly visible to every EGM patron, this is not the case in Nevada.
Accordingly, the absence of clearly visible clocks and natural lighting in the Las Vegas casinos means players are shielded from any sense of time of day and even, at the extreme, how many days have passed.

A potential issue concerns the layout of the gaming floor. Gaming marketing managers need to ensure that players are not entrapped in any way. Large casinos have vast numbers of strategically placed EGMs, which can make it difficult for customers to find their way out. EGM marketing managers also need to ensure they are not providing an environment that encourages people to stay longer and play EGMs beyond their original intention.

In terms of being socially responsible, whilst it is perfectly acceptable for marketing managers to offer a pleasant environment on their gaming floor, it is important not to encourage an impulsive or compulsive response.

Conclusion and Implications

In sum, we found that operators of electronic gaming machines (EGMs) surveyed, particularly those in Nevada, considered that they operate within the tenets of corporate social responsibility. Evidence exists however to indicate that EGM operators may not be as socially responsible as they believe. Although the majority of operators satisfy legal/regulatory compliance, we found that very few go beyond this to incorporate voluntary ethical and philanthropic/discretionary principles into their marketing and other business function processes and programs.

Given the strong community backlash over the unprecedented growth in legalised gambling and the increased awareness of, and concern for, the resulting problems to a significant number of regular EGM players, operators in NSW and Nevada would be wise to adopt strategies that address and ameliorate these community concerns.

Fundamentally, the extreme ‘Pareto effect’ (also known as the 80/20 rule), which sees that the most profitable customers are the problem gamblers, exposes a serious ethical dilemma. Thus, given the extraordinarily high proportion of profits provided by problem gamblers, CSR recommendations may well be strongly resisted by the EGM industry unless there is some dramatic shift in perspective within the industry. Irrefutable statistics showing the extraordinarily high proportion of EGM profits that are derived from problem and at risk gamblers (see for example Livingstone and Woolley 2007; Symond 2007) means that any inaction on the part of the gaming industry would surely be unconscionable.

In spite of one NSW respondent’s assessment that gaming operators could not do anything in addition to the heavily regulated environment in terms of being socially responsible (a highly questionable assertion!), companies would be well advised to go beyond the mandated requirements and adopt a philosophy of proactive social responsibility that in turn is imbued within every employee. At the same time it should be recognised that many gambling operators may see such a move towards a proactive social responsibility stance as tantamount to madness, as it would be seen as fundamentally challenging their raison d’être. Nevertheless, many in the marketing community would see such a stance as far-sighted and ultimately more sustainable. Furthermore, given the increasing evidence of a positive link between CSR and profitability in much of the literature, any cries by the industry of potential loss of profit as a result of becoming more socially responsible should be treated with healthy scepticism. In marketing terms, a proactive social responsibility move would represent the adoption of the “societal marketing concept” (for example, Kotler et al. 2001), an advance...
beyond the familiar “marketing concept”. However, while the adoption of the societal marketing concept has been advocated in the marketing literature for over thirty years, any sober assessment of the gambling industry would suggest that movement to such a position is highly improbable in the short term. Nevertheless, with the potential threat of rolling back the number of EGMs in Australia by the Federal Government, along with a regular diet of negative media stories, the predominance of focus on problem gambling in the academic literature and seemingly widespread negative sentiment in society, gaming operators may well find their resistance to CSR adoption will adversely affect their business survival in the longer term.

In order to maintain or increase the legitimacy of EGM operators and to change their marketing orientation from being ‘market driven’ to that of a ‘market driver’ (see for example El-Ansary and Cerne 2005), the following recommendations for marketing in a socially responsible manner are offered:

1. **Product**: EGMs should not contain seductive sounds or graphics. Nor should they include any misleading ‘odds of winning’ signage on the machine or on electronic boards above the machines.

2. **Price**: EGM operators should ensure that their patrons are not able to feed large amounts of money through the EGMs. The ‘value for money’ and entertainment aspects need to be emphasised.

3. **Place**: Whilst it is not suggested by the authors that there should be a total ban on EGMs in low socio-economic areas, it is strongly recommended that there not be a higher than average prevalence in these areas. This might well be an issue for the regulators. It is also recommended that staff in these areas take particular note of any patrons seen to be spending their welfare payments or wages on gambling.

4. **Promotion**: Although all external promotion of EGMs is banned in NSW, operators must ensure they don’t try to ‘skirt around the edges’ of these legal restrictions. Whilst promotional mail-outs are banned in NSW, some concern exists in Nevada regarding inappropriate mail-outs with promotional inducements to patrons who have for example ‘self-excluded’. It is also recommended that EGM operators implement the philanthropic component of Carroll’s CSR Pyramid through donating a percentage of their profits to charities.

5. **People**: All gaming staff are required to undertake government mandated training in the socially responsible provision of gaming services in NSW. Anecdotal evidence suggests that many staff are told by their managers to basically ignore their training. Management need to strongly endorse and support the socially responsible delivery of service throughout all levels of the organisation.

6. **Process**: EGM operators need to monitor the impact of TITO and take action if it is seen that patrons are losing money more easily than they would without a TITO card.

7. **Physical Evidence**: Whilst all service providers have a fundamental right to provide high quality and attractive physical cues, it is incumbent on EGM operators to ensure that issues of ‘entrapment’ and ‘enticement’ are not exacerbated by the layout of the gaming floor or any other unreasonable inducements.

Having set out the above prescriptions it should also be acknowledged that these are concerned with risk mitigation, since prohibition is demonstrably unworkable and harmful consequences
in such an industry are inevitable. Ultimately the solution that emerges will be one that the casino, clubs, pubs and the community are willing to live with. As with all gambling generally, at the end of the day it is not possible to please all of the people. It’s a matter of striking a balance between (social) risk and (social) return.

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