Online Social Gambling and Its Implications for the Study of Marketing Communications

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ABSTRACT

Gambling has been a part of humanity for a long time, and references to it have been found in some of the earliest dated records. Literature on the topic has been accumulating since ancient times. The advent of Internet technology along with its typical subsets provides a new approach to how gambling is conducted in postmodern times. Drawing on qualitative research and utilising a single case study strategy, this study examines online social gambling and real money gambling marketing communication practices as well as offers some insights into the development and implementation of effective marketing communication programmes. In contrast to existing studies, the paper, in part, proposes integrative and higher levels of marketing communication programmes between online social gambling and real money gambling environments.

Keywords: Consumer Behaviour, Marketing Strategies, New Business Models, Online Gaming, Social Gaming

1. INTRODUCTION

As profit-driven entities, Internet gambling companies (also referred to as ‘online gambling’ and ‘real money gambling online’ in this study) are seeking to expand into a rapidly growing online social gambling industry (Yakuel, 2013; Chang and Zhang, 2008). A few of the major Internet gambling companies and social gambling companies have already started to spend millions of dollars trying to fight for market share, while other gambling companies and social gambling companies have begun building strategic alliances (Johnson, 2013). These actions have sparked controversy within the industry in terms of how companies should handle both markets (Schneider, 2012; Goode, 2013; Morgan Stanley, 2012). This controversy, combined with limited research within the social gambling industry, has left industry leaders and scholars with different ideas about how to understand the business models of the social gambling and Internet gambling industries, and more specifically, whether or not to merge them or keep them separate (Schneider, 2012; Goode, 2013; Collson, 2012a; Rogers, 2012).
This issue has spawned debate amongst government officials about whether or not social gambling online can actually be considered ‘gambling’ and whether or not they should step in and regulate the online social gambling market (Alaeddini, 2013; Cohen, 2013). Furthermore, authors have different perspectives about online gaming, and there appears to be no clear definition of what online gaming entails (Yee, 2006; Raylu and Oei, 2002; Jieun et al., 2011; Schneider, 2012). More specifically, Yee (2006) and Kaye (2012) claim that online gaming involves playing traditional video type games online; Owens (2010) and Alaeddini (2013) suggest that Internet gambling games are forms of online gaming; and Jieun et al. (2011), Roche (2012) and Odobo (2013a) suggest that the definition also includes the relatively new industry social gaming (including social gambling).

The advantage for Internet gambling companies is they can exploit marketing opportunities within the unregulated social gambling industry, which they can no longer do within the regulated Internet gambling industry. The social gambling industry is unregulated in over 99% of countries primarily because it is currently not considered gambling (Morgan Stanley, 2012). More specifically, some social gambling sites do not assign real-life monetary value to their virtual currency (fake gambling chips), while other social sites do not accept payments (wagers) from players for prizes won. Either way, both strategies eliminate one of the three key elements for something to be considered gambling (UK Gambling Act, 2005). This situation provides real money gambling sites direct access to players who are located in places where local governments have placed legal restrictions on Internet gambling marketing communication programmes and consumer buying.

At a recent gambling conference in London, some industry experts stated that social gambling and real money gambling businesses should not be viewed as identical entities but should be viewed separately as each has a unique business model (Goode, 2013) and social gamblers and real money gamblers have different motives for playing (Choi and Kim, 2004). In addition, 98% of social gamblers are unwilling to spend any money at all and therefore cannot be converted into profitable real money gamblers (iGaming Business, 2013). This data is consistent with Chang’s (2010) case study, which states that 98% of social players online are unwilling to spend any money.

Other industry leaders feel differently and view both business models as a perfect fit for each other. For example, Zynga, the global market leader for social games and social gambling games online, has teamed up with BWin.Party, currently one of the largest real money gambling companies online, and entered the UK real money gambling industry in April 2013 through the social gambling brand Zynga Poker (Collson, 2012a; Pitt, 2013). Other recent examples of convergence between real money companies and social gambling companies include (1) Facebook teaming up with 888 Holdings PLC, another one of the world’s largest online gambling companies, to offer a real money gambling platform on Facebook in 2013 (Collson, 2012b) and also teaming up with Gamesys Software to launch a real money bingo platform (Church-Sanders, 2012) on the Facebook platform; (2) the US$500 million acquisition of the third largest social casino site, Double Down Interactive, by International Game Technology (IGT), which is the largest deal of its kind to date (Wall Street Journal, 2012); and (3) Caesars Entertainment, one of the largest casino companies in the US, is currently ranked number two in social gambling market share after it purchased the social gambling software company Playtika in 2011 (Tsipori, 2011; Morgan Stanley, 2012). Forming these strategic alliances (the merging of a social network/gambling company with a real money gambling company) ensures that core competencies and economies of scale can be shared to increase the chance of success while minimising risks (Rogers, 2013).

These latter beliefs of industry experts are in parallel with data found in a recent report by MorganStanley (2012). The report suggests that both the online gambling and social gambling
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