Chapter XII

Case of Monopolies at Stake: Strategies for Gambling Market

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Abstract

In this chapter, our purpose is to illustrate the complexity of the outcomes of technological change and the concerns of regulators in the European gambling markets. In 2002, the Finnish Betting and Tipping Company, Veikkaus, estimated, that Finns’ Internet gambling decreased its turnover of betting by 10%. Such leakage is a reason why politicians in different states are considering imposing restrictions of online gambling to other parties of the gambling process, such as Internet service providers, banks, and credit card companies. On the other hand, one possible way to caulk the leakage could be to improve the returns of the players, but this has an adverse effect on the social and political objectives of preventing excessive gambling. The recent Gambelli case further indicates that such restrictions might not be considered proportionate and, thus, are against EU law. The diffusion of the Internet also changes the strategies of the industry.
stakeholders as the interests of potential market entrants, exclusive license holders, regulators, and legislators are now contradictory with the advent of increased gambling possibilities.

**Background: Why is Gambling a Monopoly Industry?**

Gambling is an industry with high growth potential and payoff for private companies, and it is also a major fiscal factor in the nation states’ budgets. The turnover and profit of gambling has increased constantly in recent years, and the gambling industry is expected to continue to grow in the near future. Gambling is correlated with increased wealth (e.g., in the United States, more money is spent on gambling than on groceries) (IGWB, 1998; NGISC, 1999) with estimates ranging between $500-$1,000 billion U.S. per year. There is a general belief that the rest of the world, including Europe, is following in the footsteps of the U.S.. With good prospects for growth and profit, gambling is becoming a major economic factor in the economy. Equally, the importance of revenue from the gambling industry into state financing has increased. This indicates that nation states have an interest in maintaining the monopoly structure of the gambling industry and in banning cross-border supply mainly for fiscal reasons, although it is often argued that state monopolies are necessary to prevent crime and to protect the players.

The increase in gambling is also due to technological convergence, which makes possible the creation of more attractive games (Griffiths, 1999; Järvinen & Sotamaa, 2002). Gambling is increasingly targeted to specific customer segments (e.g., women) via emerging electronic channels.1

Gambling can be seen as entertainment, but it also has special negative characteristics compared to other entertainment activities. Some studies explain that gambling is a very tempting means for people to experience excitement, avoid frustration, test limits, or break loose from routines (Kiefer, 1994; Murto & Niemelä, 1993; Zuckerman, 1979). The gambler may behave irrationally, spending money and devoting time to using tricks, inducements, or baits (Jacobs, 1989; Skinner, 1969).

Gambling-related studies generally compare problem situations and pathological gambling with alcohol and drug abuse (Kessler et al., 1994; Shaffer et al., 1997). According to these studies, pathological gambling is just a tiny fraction of other forms of abuse, but it is still considered a significant societal problem, the importance of which is growing (Ilkas & Turja, 2003; NRC, 1999).
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