

Exploring the Unintended Consequences of Loyalty programs in the Gambling Sector

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Abstract : this paper explores the prevalence of loyalty programs in the UK gambling industry and their association with unintended consequences and harm amongst program members. The use of loyalty programs within the UK gambling industry has risen significantly with over 40 million cards in circulation. Some research suggests that as of 2013-2014, nearly 95% of UK consumers have at least one loyalty card with 78% being members of two or more programs, and the average household possesses '22 loyalty programs', nearly half of which tend to be used actively. The core design of loyalty programs is to create a relational 'win-win' approach where value is jointly created between the parties involved through repetitive engagement. However, main concern about the diffusion of gambling organisations' loyalty programs amongst consumers, might be the use by the organisations within the gambling industry to over influence customer engagement and potentially cause unintended harm. To help understand the complex phenomena of the diffusions and adaptation of the use of loyalty programs in the gambling industry, and the potential unintended outcomes, this study is theoretically underpinned by the social exchange theory of relationships entrenched in the processes of social exchanges of resources, rewards, and costs for long-term interactions and mutual benefits. Qualitative data were collected via in-depth interviews from 14 customers and 12 employees within the UK land-based gambling firms. Data were analysed using a combination of thematic and clustering analysis to help reveal and discover the emerging themes regarding the use of loyalty cards for gambling companies and exploration of subgroups within the sample. The study's results indicate that there are different unintended consequences and harm of loyalty program engagement and usage such as maladaptive gambling behaviours, risk of compulsiveness, and loyalty programs promoting gambling from home. Furthermore, there is a strong indication of a rite of passage among loyalty program members. There is also strong evidence to support other unfavorable behaviors such as amplified gambling habits and risk-taking practices. Additionally, in pursuit of rewards, loyalty program incentives effectuate overconsumption and heighten expenditure. Overall, the primary findings of this study show that loyalty programs in the gambling industry should be designed with an ethical perspective and practice.

Keywords : gambling, loyalty programs, social exchange theory, unintended harm

Conference Title : ICMACP 2023 : International Conference on Marketing, Advertising and Consumer Psychology

Conference Location : Athens, Greece

Conference Dates : October 16-17, 2023