

Loyalty Programs: THE GOOD AND THE BAD AND THE UGLY



Carleton
UNIVERSITY

Michael J. A. WOHL
Professor
Department of Psychology

@michaelJawohl
michael.wohl@carleton.ca



Disclosure of Conflicts of Interest

Grants/Research Support:

Alberta Gambling Research Institute; Carleton University; Gambling Research Exchange Ontario; Manitoba Gambling Research Program, National Center for Responsible Gaming; Ontario Ministry of Health and Long-Term Care; Ontario Problem Gambling Research Centre

Speakers Bureau/Honoraria:

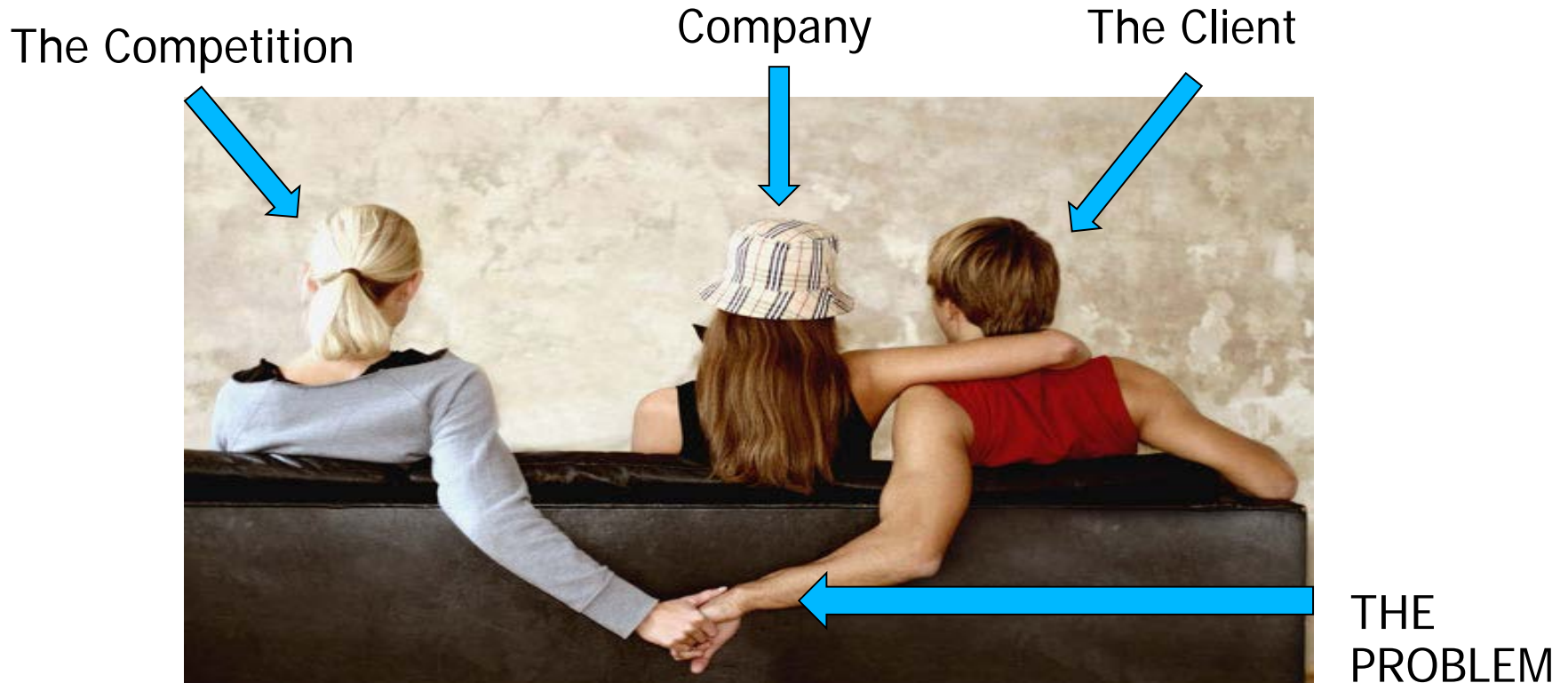
Alberta Gaming and Liquor Commission; Atlantic Lottery and Gaming Corporation; British Columbia Lottery Corporation; Nova Scotia Gaming Corporation; Ontario Lottery and Gaming

Consulting Fees:

Atlantic Lottery and Gaming Corporation; British Columbia Lottery Corporation; Gambling Research Exchange Ontario; Nova Scotia Gaming Corporation; Ontario Lottery and Gaming; Svenska Spel (via GamRes)

*Funding for a rapid evidence assessment on which this presentation is based was provided by Gambling Research Exchange Ontario

Loyalty in Context: Industry Perspective



Collective Angst: The Rise of Loyalty Programs

(*definition*): Emotional response to a perceived *potential harm* to future vitality of one's group



“In 1978, American was in deep trouble”
- Bob Crandall, CFO/CEO American Airline

For a review see Wohl, Squires, Caouette, 2012

Loyalty Programs: A Brief History

Trading stamps (e.g., S&H Green Stamps)

- Accumulate stamps every time you shop for groceries, gas, etc
- Redeem them for “free” gifts

Airline Frequent Flyer Programs

- Earn points for future flight
- Used reservation system to track



Plethora of loyalty programs in different forms across industries

- Hotel, financial institutions, coffee shops, grocery stores, casinos...

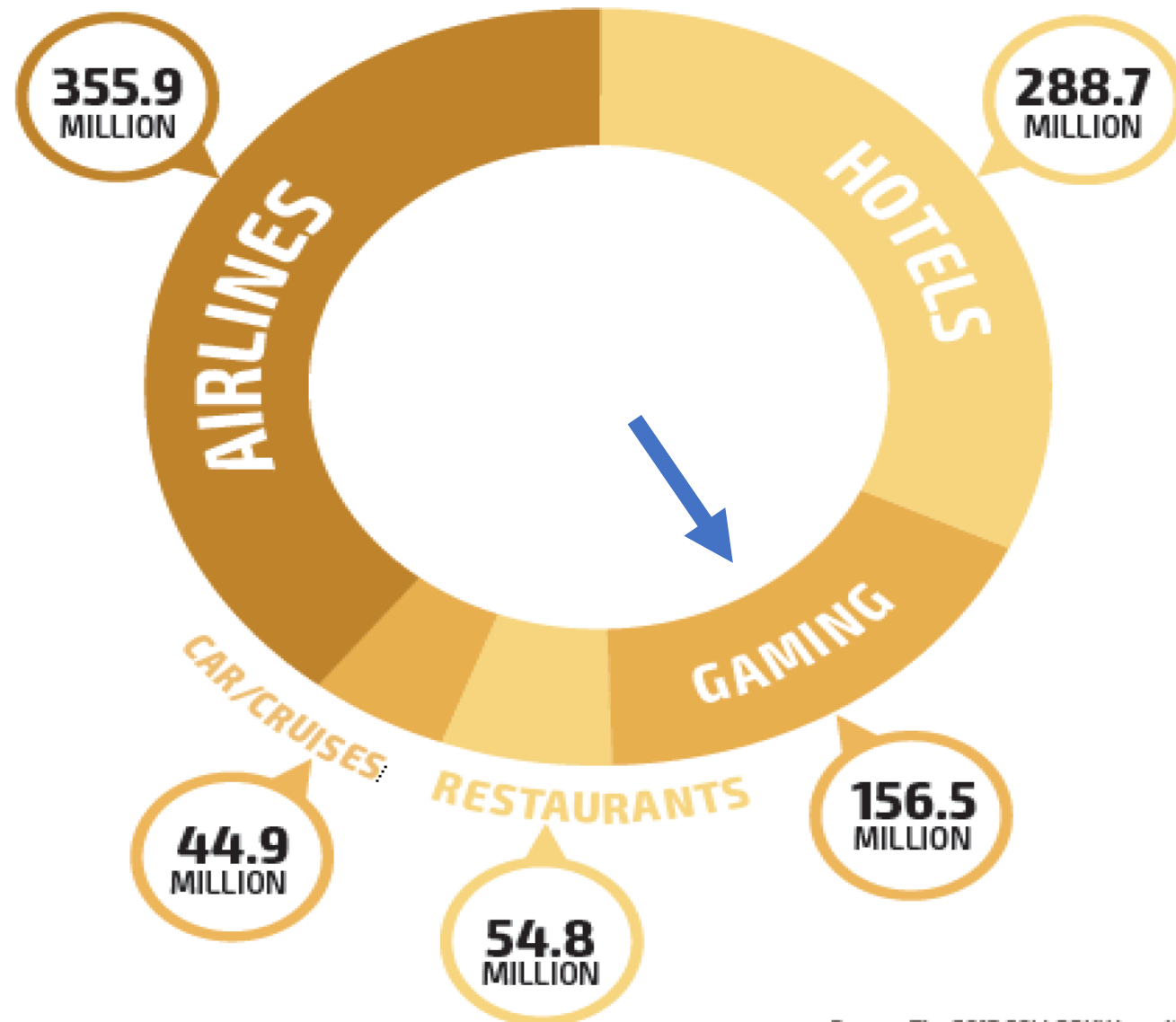


What's in Your Wallet?

Membership Growth in Canada



Travel/Hospitality Memberships

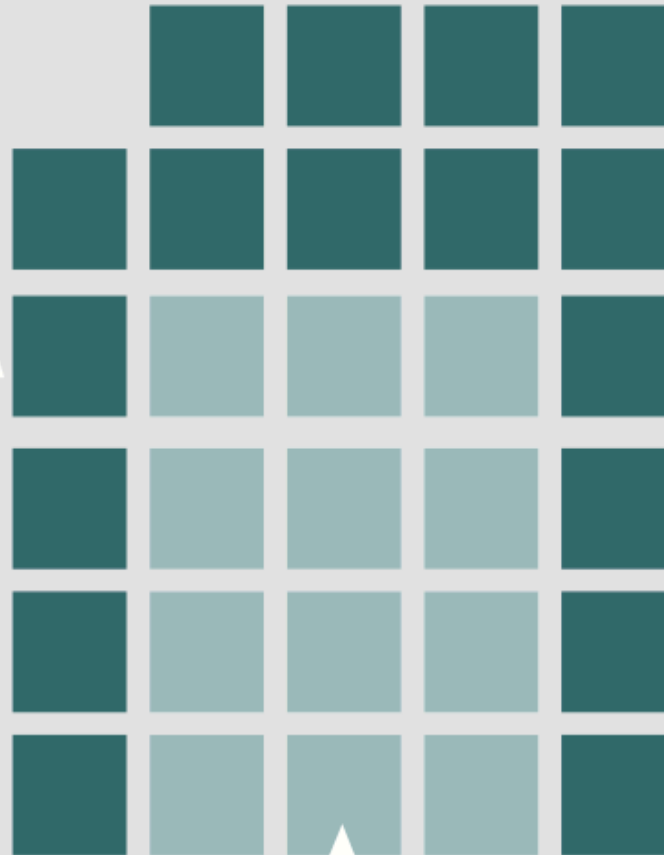


Do Loyalty
Programs
Create Loyalty?

Loy·al·ty
[loi-uhl-tee] *noun*
the *state* or quality, or an instance
of being **loyal**; FAITHFULNESS to
commitments or **obligations**.

Average Household Memberships

29
LOYALTY
PROGRAMS



ACTIVE IN **12**



-50%





**JOIN THE FASTEST
GROWING AFFILIATE
PROGRAMME**

Who Joins and Stays Loyal?

The Utilitarian Perspective

Enrollment increased when membership is perceived to have a positive expected value:

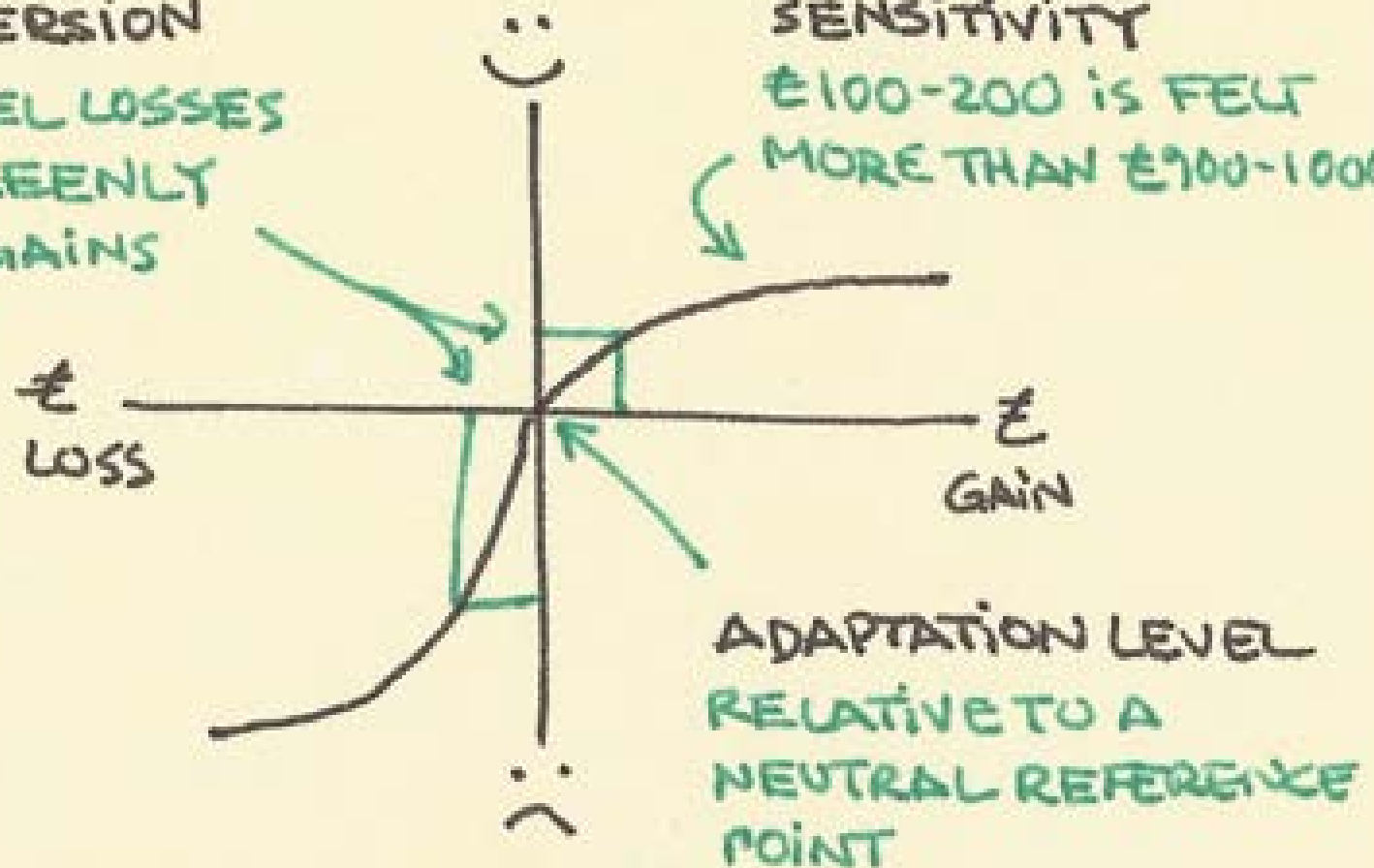
- I will get free spins
- I will get cash back
- I will have access to new games

- The length of time it takes to enroll
- Compromised privacy
- Will I get rewarded (i.e., do I play enough)?

PROSPECT THEORY

LOSS AVERSION
WE FEEL LOSSES
MORE KEENLY
THAN GAINS

DIMINISHING
SENSITIVITY
£100-200 is FELT
MORE THAN £900-1000



Not All Rewards are Created Equal

To increase loyalty, it is necessary to heighten customer satisfaction (see Guenzi and Pelloni, 2004; Heitmann, Lehmann, & Herrmann, 2007) and deal with diminishing sensitivity.

Potential routes:

1. Tangible Rewards: Cash back, swag (i.e., free stuff)
2. Intangible Rewards: Status

Benefits	Bronze	Silver	Gold	Platinum	Diamond
Tier Credits Required	<1,000	1,000	5,000	25,000	60,000
Earn and redeem points for free play, food, entertainment and cash back	✓	✓	✓	✓	✓
Free parking* when you earn 10 Players Club Points	✓	✓	✓	✓	✓
Dining discounts	✓	✓	✓	✓	✓
Partner discounts	✓	✓	✓	✓	✓
Presale ticket purchases	Presale	Presale Elite**			
Access to exclusive 'Players Club only' promotions	Select	✓	✓	✓	✓
Tiered coupon offers		Select	✓	✓	✓
Annual Players Club Bonus Points			5,000	25,000	50,000
Monthly food & beverage credit***				\$25	\$150
Diamond Lounge access, preferred parking, and invitations to Diamond only events					✓

The Power of Status/Tiers

Tangible, immediate rewards (e.g., \$10 in free play):

- Lucas et al. (2005): Lure players to a casino, but do not influence their loyalty or length of play in the session in which the free play was used

Intangible rewards (e.g., status)

- Barsky and Tzolov (2010): Gambling industry programs were most satisfying for elite members.
- van Prooijen and Van Knippenberg (2000): Status → identification.

How Does One Achieve Top Tier Status?



Disordered Gambling and Loyalty Programs

Disordered gamblers are more likely to be members of a loyalty program than are non-disordered gamblers (Prentice & Wong, 2015)



Rewarding the Disordered Gambler?

Most loyalty program member (~ 80%) were already loyalty customers prior to the program's introduction (see Ferguson, 2006; Meyer-Waarden & Benavent, 2006; Leenheer et al., 2007)

Basic Marketing Philosophy:

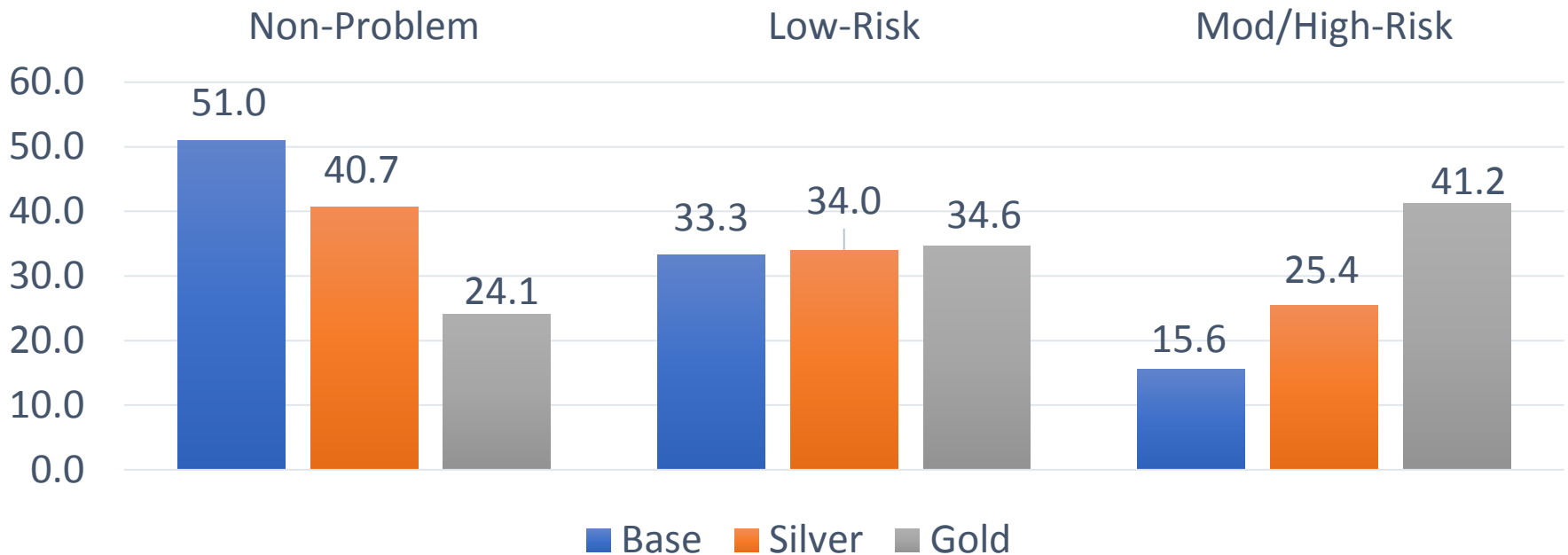
Some customers are more profitable than others

- The “80/20” rule: For most firms, 80 percent of *profit* comes from 20 percent of customers

Problem Gambling Severity and Tier Membership



649 Winner's Circle Reward members completed the Problem Gambling Severity Index





Loy·al·ty
[loi-uhl-tee] *noun*
the *state* or quality, or an instance
of being **loyal**; FAITHFULNESS to
commitments or **obligations**.

Do Loyalty Programs Increase Spending?

Does Membership Increase Spend: Verdict Pending?

Null findings:

Gambling industry (Mägi, 2003; Waarden & Benavent, 2006)

Other industries (Cigliano et al., 2000; Lui & Yang, 2009)

Spending Goes up:

Increased coin-in (Min et al., 2016).

At the very least, as the customer accumulates points, the cost of switching increases, which maintains behavioural loyalty

The Influence of Tiers: The Goal-Gradient Hypothesis

Definition: As a customer/player gets closer to a reward, they become more likely to accelerate their spending to achieve that reward (see Hull, 1932).

Kivetz and colleagues (2006): Coffee shop rewards

- Purchase acceleration as customers approached the final purchase prior to the free coffee reward.
- Purchase deceleration immediately following the reward. They

The Perceived Impact of Loyalty Program Membership on Spend

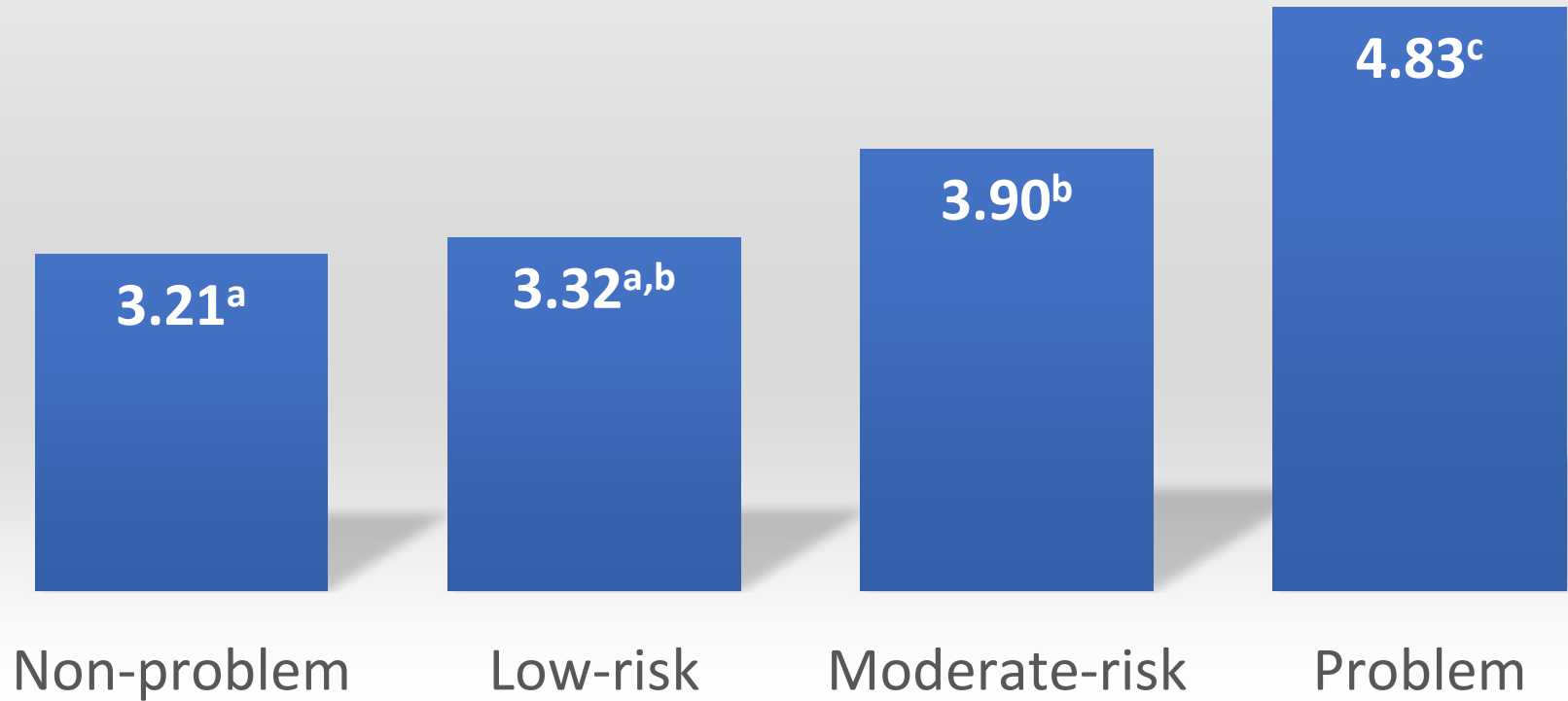
Participants:

Two-hundred and twenty (118 male, 102 female) casino loyalty program members (via Mturk).

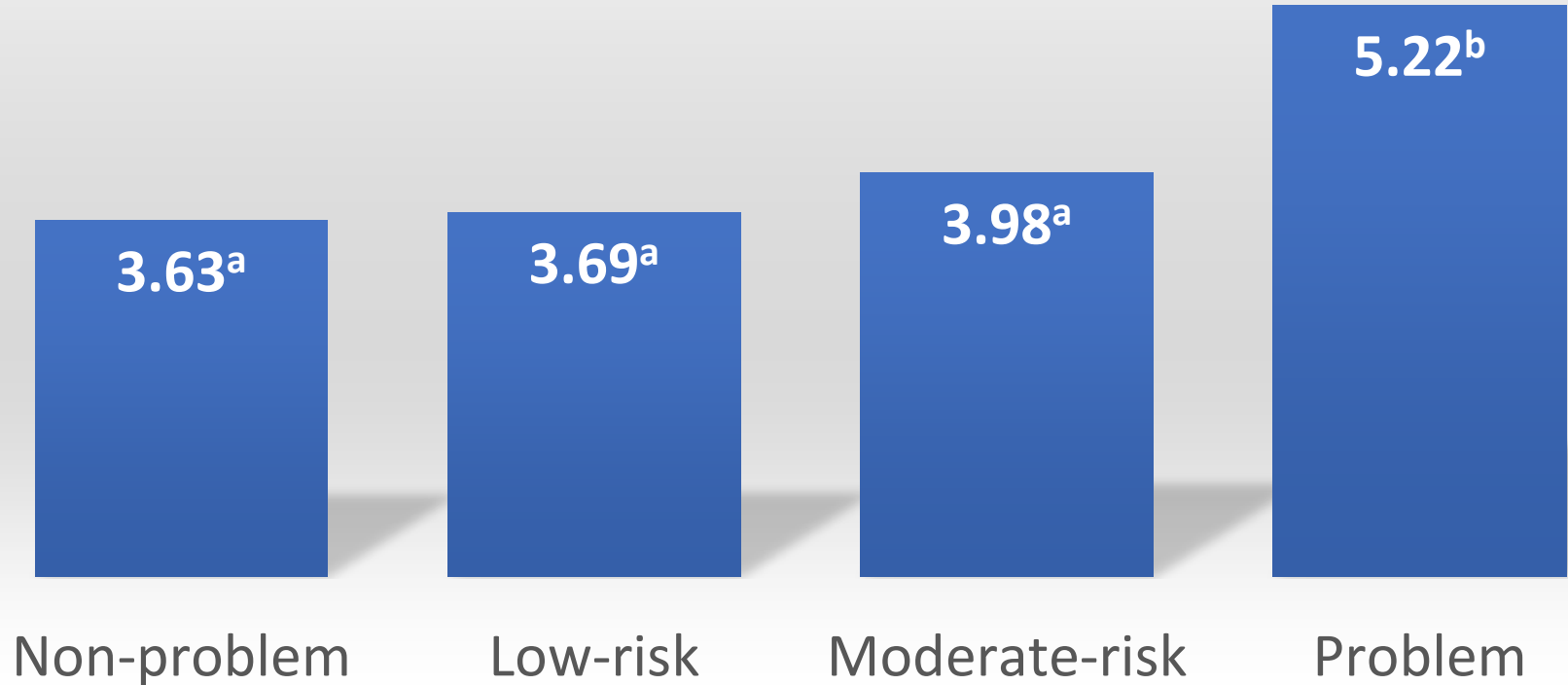
PGSI: non-problem (n=66), low-risk (n= 57), moderate-risk (n=50), problem (N=44).

Key Asks: Why did you join? Does loyalty program membership influence your play? Do you spend more as you approach a new tier?

■ Does Membership Increase Your Spending?



■ Does Your Spending Increase as you Approach a New Tier?



Loyalty Programs: The Bad and The Ugly

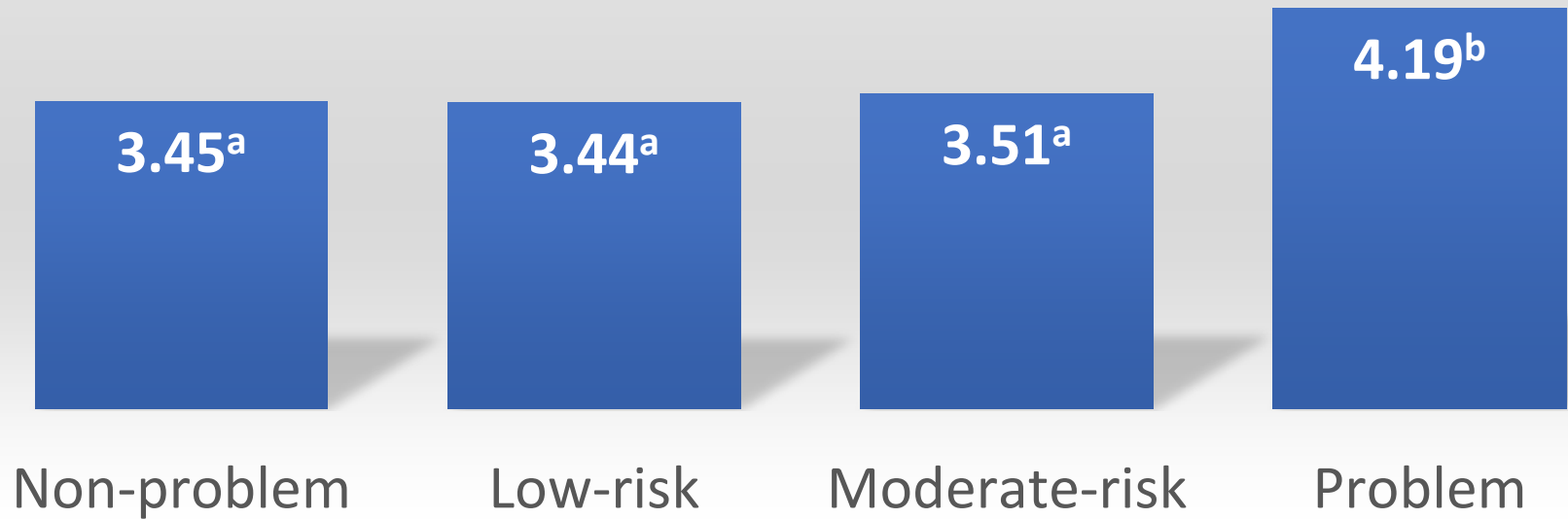
Influence on spending/play?

- Some indication they do, particularly as reward/new tier gets closer.

Influence on disordered gamblers?

- Indication disordered gamblers populate highest tiers and thus benefit disproportionately.

■ Does the Loyalty Program Help you Gamble More Responsibly?





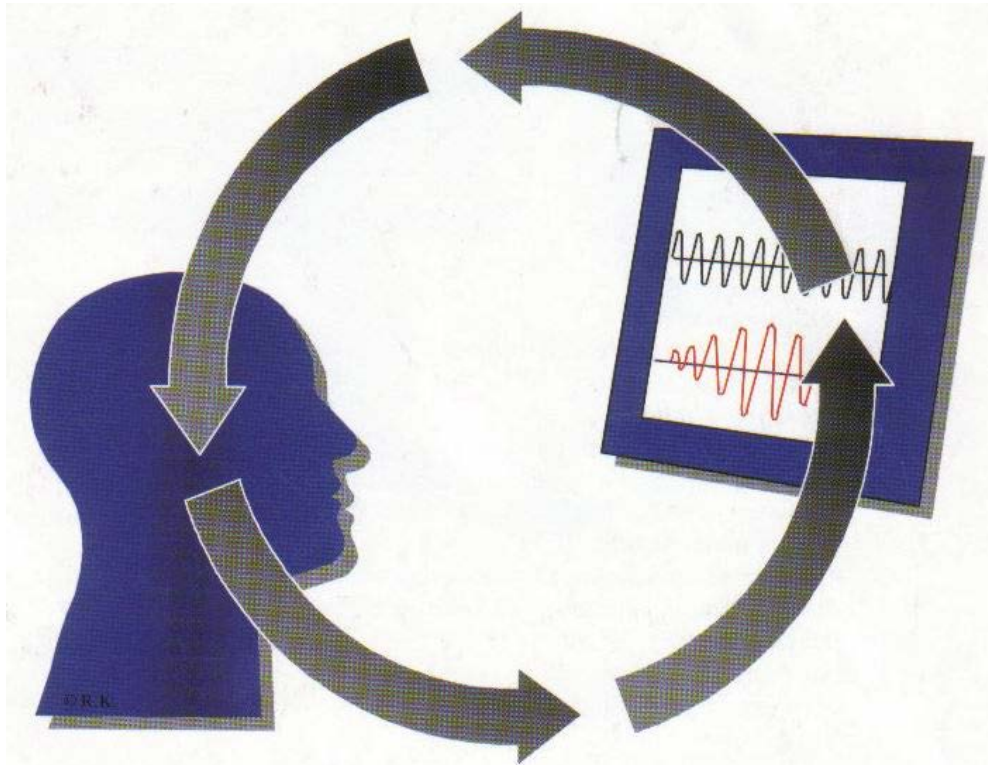
Loy·al·ty

[loi-uhl-tee] *noun*

the *state* or quality, or an instance of being **loyal**; FAITHFULNESS to commitments or **obligations**.

The Responsible Gambling Utility of Loyalty Programs

Personalized Behavioural Feedback

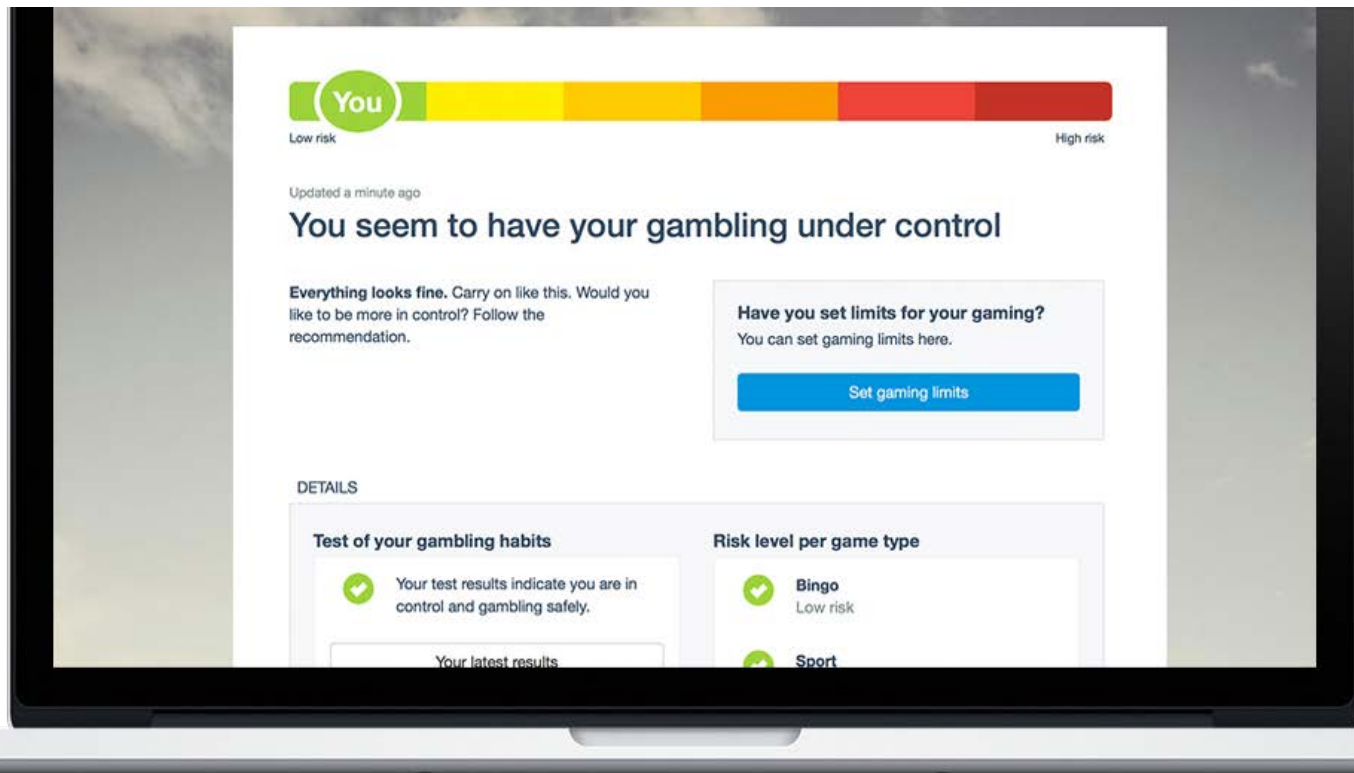


People really like getting feedback on their own play (as well as the play of others).

Loyalty programs are uniquely positioned to provide such feedback because of player-account data.



Can Player-Account Data Down-Regulate Spending?



Can Player-Account Data Downregulate Spend?

Participants:

779 players (694=male; 85=female) who gambled online with Svenska Spel (the Swedish gambling operator)

Matched sample: Players who opted to receive behavioural feedback via an RG tool (Playscan)

Behavioural Data:

Gambling expenditure data was gathered for the week in which players enrolled and 24 weeks later

Note: \$1 CAN = 6.5 Swedish Krona

Post Feedback Wager Change (in Swedish Kroner)



Outcome: Prevention

At-risk players (i.e., Yellow): Assists them to regain control over their playing behaviour.

Problematic players (i.e., Red): May already be at the point where RG efforts will be less helpful than more serious interventions such as treatment referral and self-exclusion.

Subjective Spend vs Objective Records

Self-reported avg. gambling expenditures is below the per person avg. according to actual revenue (Access Economics, 2002; Statistics New Zealand, 1999; Statistics Canada, 2003).

Using Loyalty Membership Data...
Players systematically underestimate their losses or overestimate their wins (Auer & Griffith, 2017).



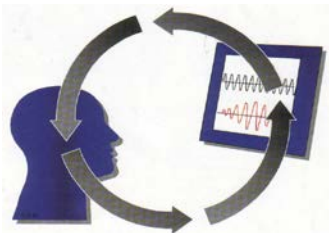
Informed Decision Making: How Off Am I?

1500 Winners Circle Rewards (i.e., OLG's Loyalty Program) members who had:

- Gambled at OLG Slots and Casinos at least 3 times within the past 3 months
- Had won or lost at least \$100 during that time

649 completed the initial survey

- received a \$30 visa gift card for participating.





from OLG's Responsible Gambling Program



Question 9

In the past 3 months, how much money do you think you've wagered playing slots at OLG Slots and Casinos (dollar value of total bets made)?

Answer

\$ (please enter numbers only)

Do you feel that you have won or lost money?

- ☒ Won money
☐ Lost money
☐ Broke even

How much more?

\$ (please enter a whole number)

How confident are you with this estimate?

- ☐ Very confident
☐ Somewhat confident
☐ Not confident

< Back

Skip

Next >

[Terms & Conditions](#)



THIS IS A
SECURED SITE.



from OLG's Responsible Gambling Program



And the survey says...

We've compared your answers to your Winner's Circle Rewards carded play history over the last 3 months and here are the results.

	Your answers	Your card history
Number of visits to OLG Slots and Casinos playing slot machines	12	20
Money wagered playing slots at OLG Slots and Casinos	\$67	\$345
Money won or lost playing slot machines at OLG Slots and Casinos	+ \$60	- \$204

< Back

Next >

[Terms & Conditions](#)



THIS IS A
SECURED SITE.

Know your limit
Play within it

knowyourlimit.ca

[Help](#) | [Contact Us](#) | [Privacy Policy](#) | [Français](#)

*Some restrictions apply. To receive the gift card you must be eligible and complete at least 14 out of the 19 survey questions.

**MyPlay Survey only provides feedback on activity where your Winner's Circle Rewards card was inserted during your slot machine play.

Must be 19 years of age or older. For Winner's Circle Rewards members only.

© 2015 Ontario Lottery & Gaming Corporation (OLG).

[OLG CONTESTS & PROMOTIONS](#) | [OLG ENTERTAINMENT](#) | [OLG POKER](#) | [LOTTERY WINNING NUMBERS](#) | [LOTTO 6/49](#) | [LOTTO MAX](#)
[CHARITABLE GAMING](#) | [RESPONSIBLE GAMING](#) | [OLG CORPORATE RESPONSIBILITY](#)

olg.ca



Player Perception: Net Win/Loss

Players who thought they lost (n=463):

- 94% correctly lost \$ according to WCR data

Players who thought they won (n=34):

- 35.3% correctly won \$ according to WCR data.

Regardless, people poorly estimated net win or loss by an avg. of \$656.52 (SD = \$2,415.92).

Feedback and Intention to Change

Almost all participants — 98% (639/649) — indicated an intention to reduce or maintain their gambling behaviour.



Three-month Follow-up: Intention → Action

Players who indicated an intention to cut down:

- Visited the casino less at T2 than at T1
- Decreased their wagers from Time 1 to Time 2
- Decreased their losses from Time 1 to Time 2

Players who indicated an intention to maintain or increase their gambling:

- visited more often at T2 than at T1
- increased their wager from Time 1 to Time 2
- increased their losses from Time 1 to Time 2

Perceived Change in Play

Players who underestimated their losses at Time 1:

- Thought they had increased their wagering between Time 1 and Time 2
- Thought they had increases their losses between Time 1 and Time 2

Players who overestimated their losses at Time 1:

- Thought that they had decreased their wager between Time 1 and Time 2
- Thought they had decreased their losses between Time 1 and Times 2

Actual Change in Play

Players who underestimated their losses at Time 1:

- **Reduced** the amount they wagered at Time 2
- **Lost less money** at Time 2 relative to Time 1.

Players who overestimated their losses at Time 1:

- **Increased** the amount they wagered at Time 2
- **Lost more money** at Time 2 relative to Time 1.

Does Providing Loyalty Data Downregulate Play?

Perceptions:

The tool does not appear to have much of an impact on how much people *think* they gamble (in terms of visits, wagers, and wins/losses)

Reality:

It does appear to have a significant effect on how much they gamble (according to WCR data).

- When people realize that they have lost more than they thought, play subsequently decreases

Good, Bad, or Ugly?



AT ISSUE...

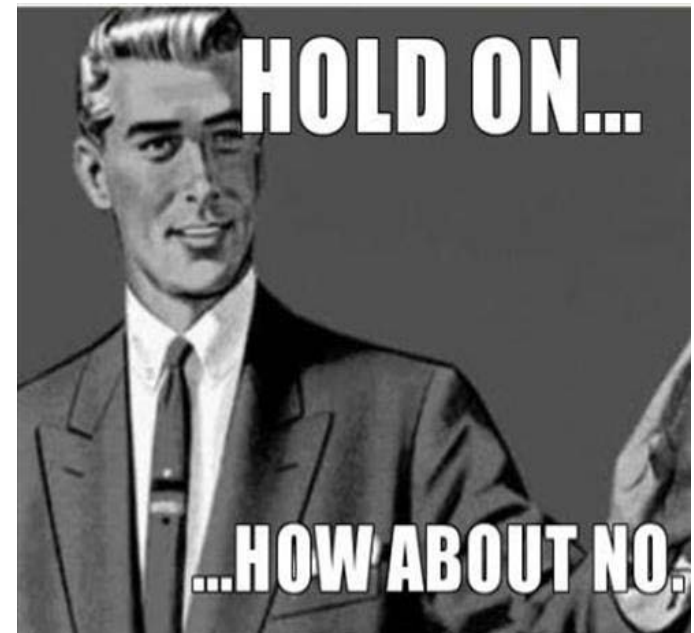
RG tools work (Wohl et al., 2010, Stewart & Wohl, 2013, Wohl et al., in press)

Most players think tools advance RG, but desire to use it is low

Only 10% of people choose to receive player-account data
(Griffiths, Wood, & Parke, 2009)



PlaySmart Tools



REWARDING TOOL USE

Loyalty points for:

- Limit setting
- Limit adherence
- Watching educational material
- Attending RG workshop/lectures
- Visits to RGICs



PlaySmart Tools



Veikkaus Points

Collect points by:

1. Getting to know the self-monitoring services
2. Taking a self-assessment test
3. Familiarization with how gaming revenue is used.

The program also includes videos, fun questionnaires, and information about game reforms.

VEIKKAUS



POINT

Reward RG tool Use: Player Perceptions



Discussion: To Reward, or not to Reward

Advantages

- Perceived added value
- Exposure to RG tools
- Increased RG tool use
- Increased RG

Disadvantages

- Message confusion
- Increased gambling
- Reward chasing
- Extrinsic motivation of RG

A Way forward for Operators

Establish defensible track record:

1. Prevent harm: Provide RG tools, player-account feedback
2. Intervene when harm is identified: Player-account feedback
3. Arms-length research to validate efforts; access to player-account data

Loyalty Programs:

THE GOOD
AND THE BAD
AND THE UGLY



Carleton
UNIVERSITY

Michael J. A. WOHL
Professor
Department of Psychology

@michaelJawohl
michael.wohl@carleton.ca

