

Loyalty Programs: Potential for harm and Harm Minimization

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Dr. Chris Davis

The team
at
Carleton University



Samantha Hollingshead

— ★ ★ ★ ★ ★ —
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Loyalty: The utilitarian perspective

PROS

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

CONS

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

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					√



Loyalty is about feelings (not necessarily the reward)

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

- Lures players to a casino, but does not influence their loyalty (Lucas et al., 2005)
-

Intangible rewards (e.g., status)

- Status → identification (van Prooijen and Van Knippenberg, 2000)
- Most satisfying for elite members of casino loyalty programs (Barksy & Tzolov, 2010).

Rewarding the loyal?

Basic Marketing Philosophy: 80/20 Rule

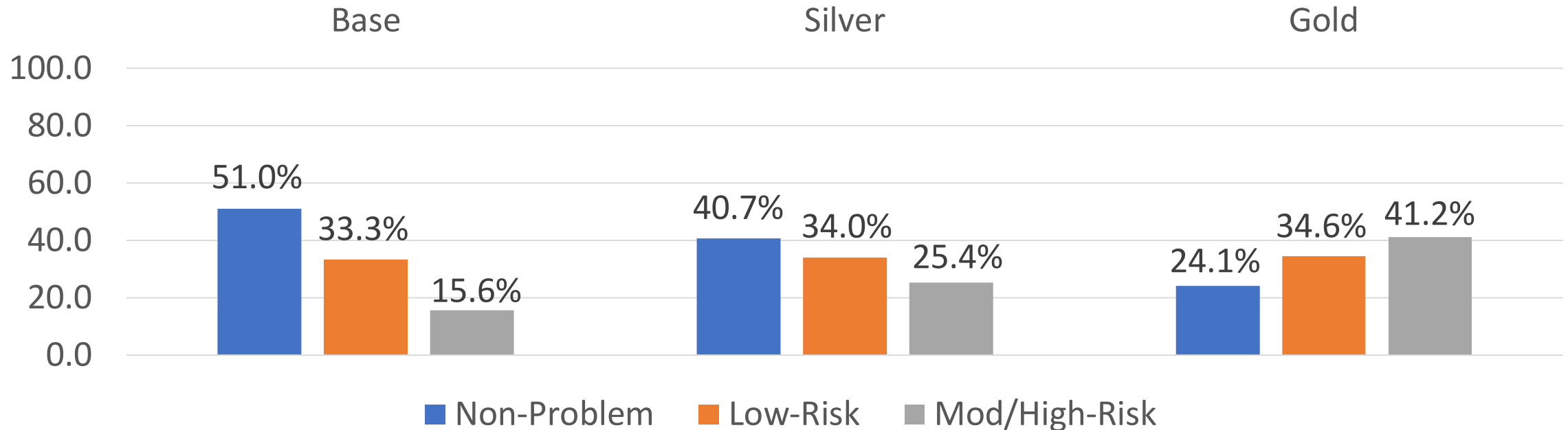
For most firms, 80 percent of *profit* comes from 20 percent of customers

Some customers are more profitable than others

Problem Gambling Severity and Tier Membership



Winners Circle Reward members (N=649)
completed the Problem Gambling Severity Index



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).

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

Coffee Shop Rewards (Kivetz et al., 2006)

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

What effect does tier and disordered gambling status have on attitudinal and behavioural loyalty?

Traditional Understanding

Gamblers high in disordered gambling severity in the highest tier will have the highest level of attitudinal and behavioural loyalty

Alternative Possibility

Gamblers low in disordered gambling severity in the highest tier will have the highest level of attitudinal and behavioural loyalty

The influence of
loyalty program
membership:
Attitudinal loyalty

Hollingshead,
Wohl, & Davis,
invited revision

Participants:

N=396 (49.7% female) loyalty program members (via
Mturk), 71% from Ceasars Rewards

Non-problem: n=74

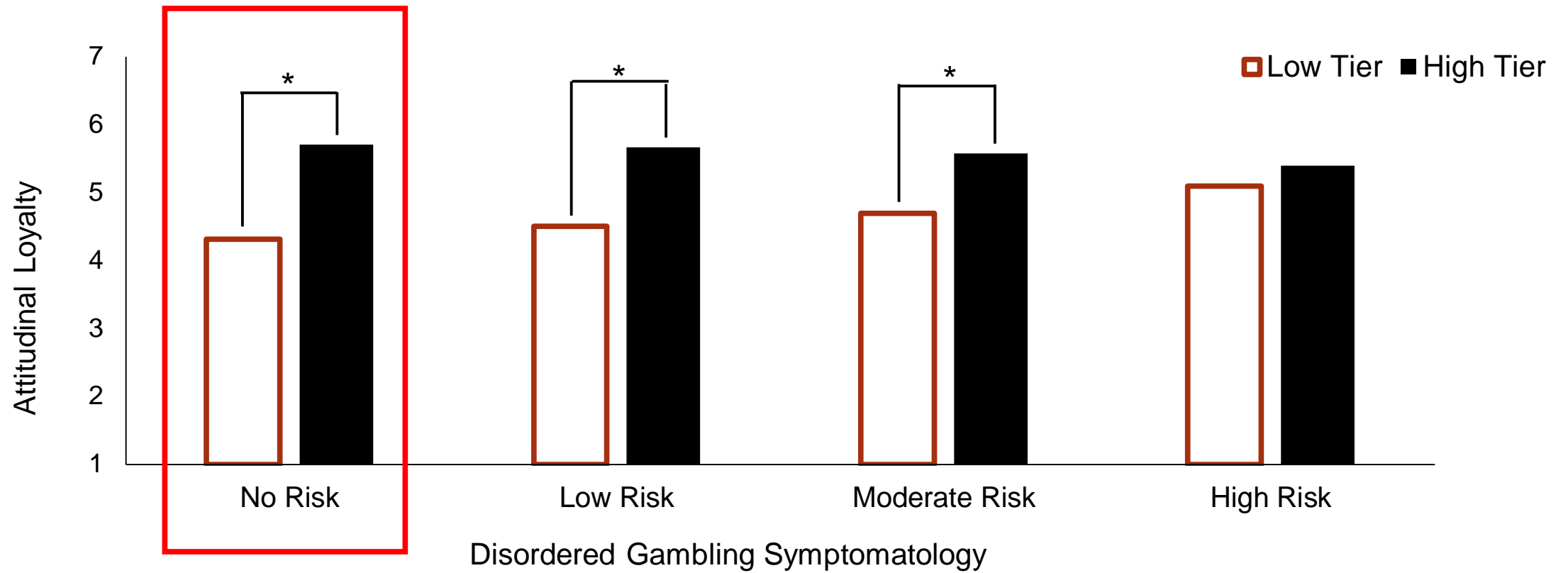
Low risk: 113

Moderate risk: n=90

High risk: n=111

DV:

Attitudinal loyalty: Identification with the casino
(7-items); Satisfaction with loyalty program (8-items)



The influence of
loyalty program
membership:
*Behavioural
loyalty*

Hollingshead,
Wohl, & Davis,
invited revision

Participants:

N=649 (60.6% female) loyalty program members
from (now discontinued) OLG's Winner's Circle
Rewards

Non-problem: n=230

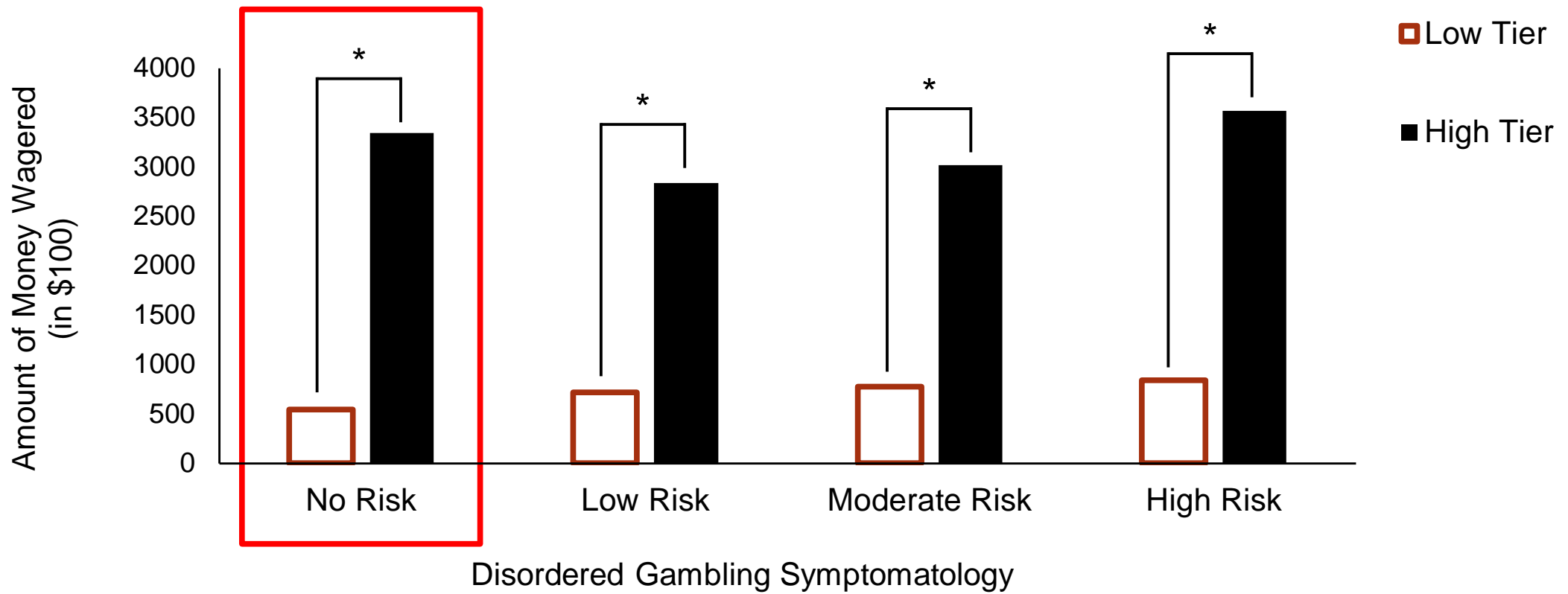
Low risk: n=268

Moderate risk: n=95


High risk: n=50

DV:

Spend over a three months period



High tier (vs low tier) membership had a larger influence on the spend among players reporting no symptoms of disordered gambling.

A decorative graphic consisting of a grid of blue dots on the left side of the slide, transitioning into a solid blue horizontal bar at the bottom.

Rewarding RG tool use as a harm minimization strategy

Loyalty points for:

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

Rewarding RG: Player Perceptions

Wohl,
Hollingshead, &
Davis, in progress

Participants:

Casino loyalty program members who:

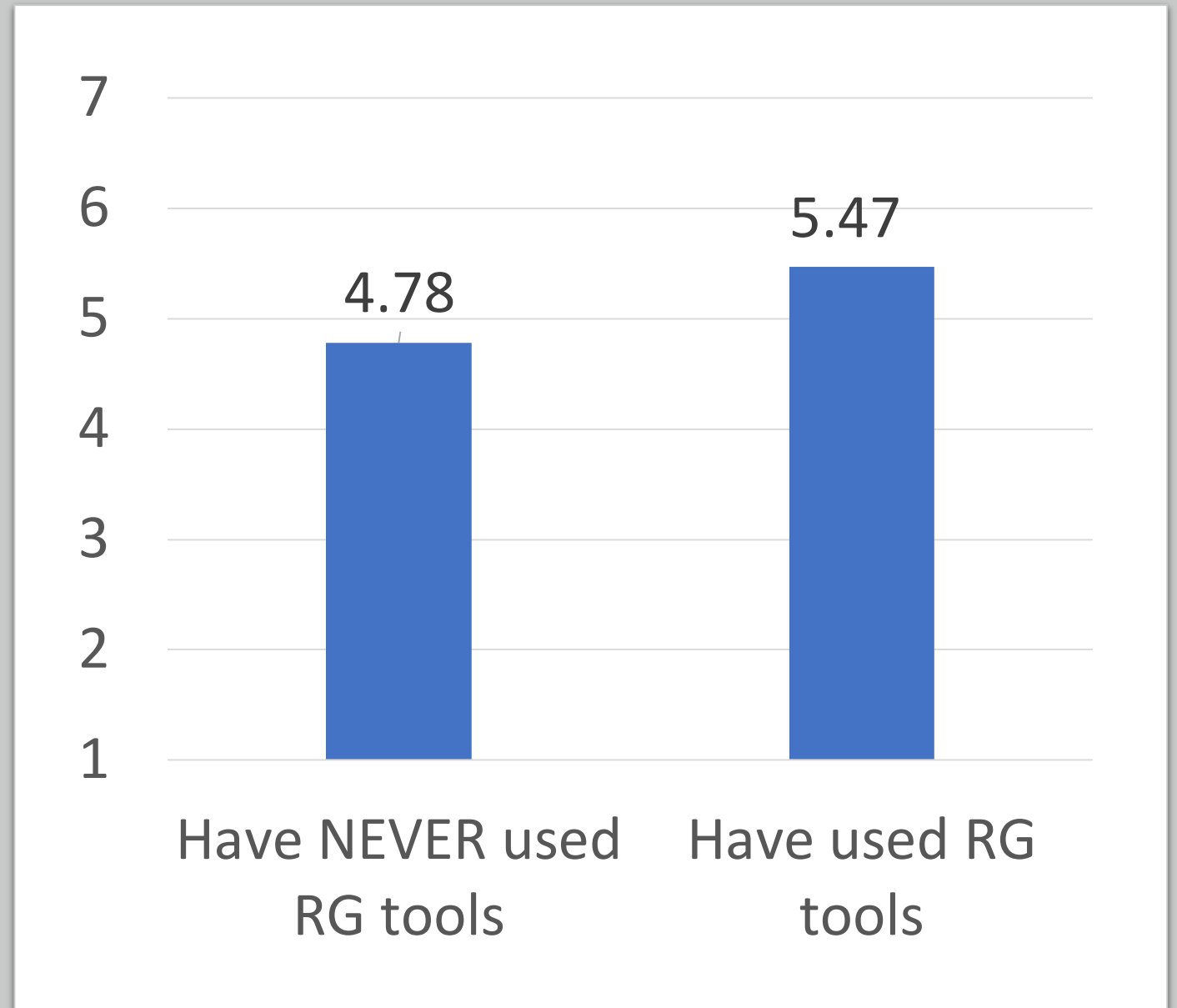
- 1) have used RG tools on occasion (n=98)
- 2) Have NEVER used RG tools (n=96)

Measure:

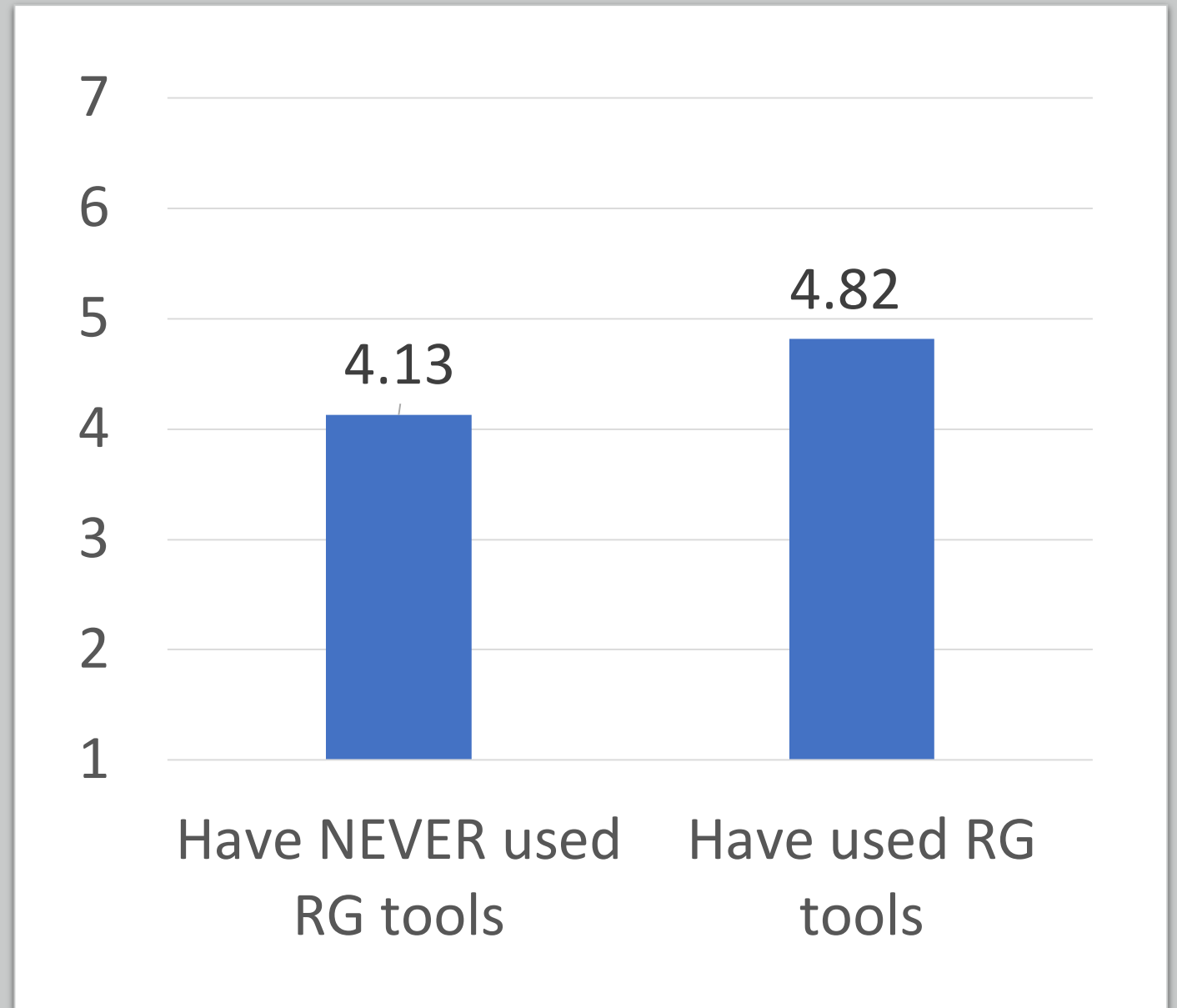
Willing to use RG tools if rewarded

Attitudinal loyalty if reward (e.g., “I would have an increased sense of belonging to this casino”)

“I would be more willing to use RG tools if rewarded”



“Attitudinal
loyalty”



To Reward, or not to Reward

Disadvantages

- Reward chasing (and thus increased gambling)
- Extrinsic motivation of RG

Advantages

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

A way forward for loyalty program



1. Use them to prevent harm: Provide RG tools and have people use them!
2. Take risks, be innovative, you may be rewarded!
3. Evidence-based decision making: Arms-length research to validate efforts; access to player-account data

Loyalty Programs: Potential for harm and Harm Minimization

Wohl, M. J. A. (2018). Loyalty programs in the gambling industry: Potentials for harm and possibilities for harm minimization. *International Gambling Studies*, 8, 495-511.

