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Changing the stakes: A content analysis of Internet gambling advertising in TV poker programs between 2006 and 2010

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ABSTRACT

Given societal and public health concerns about Internet gambling, this study examines how prevalent Internet gambling advertising is during TV poker programs and how Internet gambling companies employed alternative strategies to promote Internet gambling on TV in response to government regulations in 2006 and 2010. Despite legislation to prohibit Internet gambling in 2006, the results reveal that the extent of Internet gambling advertising during TV poker programs slightly increased in 2010 versus 2006. In terms of ad message appeals and strategy, the findings of this study suggest that there were some similarities and differences between 2006 and 2010 in the use of dominant appeals, as well as the proportion of Internet gambling ads featuring references to an educational purpose, a legal disclaimer, and a big payout.

1. Introduction

Internet gambling industry continues growing rapidly after its launch in 1994. There are over 2500 worldwide gambling websites in 2011 (Casino City Online, 2011), and Internet gambling revenue is predicted to rise from $16.6 billion in 2008 to $26.2 billion in 2012 (Miller & Washington, 2009). Nearly 23 million people gambled on the Internet worldwide in 2008, and 8 million of those gamblers were from the U.S. with approximately $5.4 billion in spending (American Gaming Association, 2010). One-fourth of the total online gambling revenue came from North America in 2008 (Viaden Media, 2009).

As more people spend money in Internet gambling, public concerns over its negative social and public health consequences are growing (Cotte & Latour, 2009; Watson, Liddell, Moore, & Eshee, 2004). Most concerns include financial difficulties, fraud over the Internet, pathological addiction, and crime (National Gambling Impact Study Commission, 1999). With the increases of gambling accessibility, two consumer groups, youths and problem gamblers, are particularly susceptible to the problems associated with Internet gambling (Kelley, Todosichuk, & Azmier, 2001; National Gambling Impact Study Commission, 1999; Smeaton & Griffiths, 2004; Watson et al., 2004). Internet gambling may be appealing to young people because of their familiarity with and access to computer-based technologies, and loose age verification checks (Girwood, 2002; Messerlian & Derevensky, 2006). Also, Internet gambling provides problem gamblers a safe haven, without scrutiny or surveillance, to gamble anonymously in the privacy of their own homes (Scharf & Melanie, 2002).

Given these, the U.S. government and legislators have adopted several regulations to strengthen consumer protections. Their primary goal is to reduce the possibility of individuals becoming pathological gamblers and prevent youth's access to gambling websites (American Gaming Association, 2010). In 2006, the U.S. Congress passed the Unlawful Internet Gambling Enforcement Act. This act prohibits Internet gambling by targeting the financial instruments used to fund offshore online gambling websites. On the day this new legislation was passed, stocks of the two biggest Internet gambling companies Party Gaming and 888 Holdings plummeted by 57% and 37% respectively (Olson, 2006). Although some major Internet gambling companies such as Partypoker.com pulled out of the U.S., many still continue to conduct their business (Humphrey, 2006).

Internet gambling companies, in response to government regulations, have continued their operations by finding alternative means to reach their target consumers. For instance, many gambling companies have established free companion websites (.net) to their real money-making gambling websites (.com) that are located in offshore locations. Subsequently, these companion websites (.net) advertise themselves on television as legal educational services such as “play-for-free online poker schools.” This alternative strategy of Internet gambling advertising is often used in concert with the skyrocketing popularity of televised poker programs such as the World Series of Poker (WSOP) on ESPN (Humphrey, 2006). For example, the world's largest poker tournament, the WSOP enjoyed its popularity with 1.3 million viewers in 2009, up by 16% from 2005 (Cypra, 2009; Tse, 2005).

With the rapid growth of Internet gambling and increasing concerns over its negative impact, a few systematic studies investigate

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Internet gambling including the legal issues of Internet gambling (Watson et al., 2004), advertising messages of Internet gambling (Binde, 2007; McMullan & Miller, 2008; Monaghan, Derevensky, & Sklar, 2008), habitual effects on Internet gambling retention (Jolley, Mizerski, & Olaru, 2006), meaning of Internet gambling consumption to consumers (Cotte & Latour, 2008), and comparative perspective of Internet gambling policy in Australia and Canada (Gainsbury & Wood, 2011). However, little research has directly examined the current practices of advertising for Internet gambling associated with popular poker television shows in the U.S.

The goal of this research is, therefore, to examine the extent and characteristics of Internet gambling advertising in televised poker programs in the U.S. This research takes a longitudinal approach to explore if any changes in Internet gambling advertising had occurred between 2006, when the Unlawful Internet Gambling Enforcement Act was enacted, and 2010. Specifically, this research seeks to answer the following questions: (a) Are there differences in the extent of Internet gambling ads during televised poker programs between 2006 and 2010? and, (b) Are there differences between ads in 2006 and those in 2010 in terms of content characteristics?

A content analysis of Internet gambling ads in all poker programs aired on television networks (ESPN, ESPN2, the Travel Channel, NBC, and CNBC) during a one-week period in October 2006 and again in October 2010 was carried out. In light of the speculation that Internet gambling companies have found an alternative way to advertise their websites in response to governmental regulation, the systematic examination of Internet gambling ads will provide the much needed objective baseline evidence for future public policy considerations.

2. Background literature

2.1. The rise of Internet gambling business

The Internet gambling industry is not only sizable but also growing rapidly. Recent estimates of Internet gambling revenue range from $10 billion to $12 billion yearly, and Internet profit margins can be as high as 60% (Schwartz, 2006). The majority of Internet gambling sites are for virtual slot machines (56%), followed by casino games (33%), poker (22%), and others (Casino City Online, 2011). Table games like roulette and black jack are all available online, but the most popular game online seems to be poker (Cotte & Latour, 2009). The number of poker sites on the Internet grew from 30 in 2002 to over 400 in 2006 (Schwartz, 2006).

Two main factors contributed to Internet gambling's sudden surge in popularity. First is the ability for consumers to transfer money via the Internet. By the late 1990s, the Internet had evolved to the point where financial transactions could be securely handled online. Intermediary companies that allow people to fund "digital wallets" with electronic money (so-called "e-cash") began to spring up. Internet money transfer to digital wallets enables individuals to credit their "digital wallets" through the use of their credit cards or bank accounts (Wickert, 2007). The result of this easy money transfer to individuals' digital wallets is the ability to fund accounts at gambling websites that are located in offshore locations such as Antigua and Gibraltar, since gambling websites are illegal in the U.S. Thus, people are able to play virtual casino games and wager on sporting events with real money (Watson et al., 2004).

The second major factor that contributed to the rise of Internet gambling is the success of televised poker programs. Most poker programs on TV are sponsored by Internet gambling companies. These programs provide a convenient advertising venue for companies to feature the games and their respective .net websites for people to learn how to gamble online (Humphrey, 2006). As those poker programs become popular, evidence suggests that poker programs' audiences also start playing poker online. For example, Party Poker, the first to advertise on Travel Channel's World Poker Tour (WPT), quickly became the number one online poker room, and holds that spot. Other online gambling companies follow suit and buy advertising spots on popular poker programs (Humphrey, 2006).

Who, then, are in this mainstream of the Internet gambling craze? A nationwide survey conducted by the American Gaming Association (2006) reveals that 4% of U.S. residents have gambled online. The demographics suggest that online gamblers are more likely to be male (68%), and have at least some college education (84%). In addition, online gamblers tend to be much younger than people who visit traditional casinos. In fact, nearly 43% of Internet gamblers are at the age of 21–29 while 26% are between the ages of 30 and 39. In other words, nearly 70% of online gamblers are under the age of 40 (American Gaming Association, 2006). Results of the survey further indicate that most online gamblers considered convenience as the number one reason for playing since one does not need to physically visit the casino. While survey respondents questioned the trustworthiness of online gambling websites, they were unaware that online gambling was illegal in the U.S. In summary, technological developments that enable safe financial transactions and the success of televised poker programs lead to a sharp surge in the popularity of Internet gambling, especially among college-educated males with the median age of 31.

2.2. Social and public health concerns

The rise of Internet gambling raises public concerns such as Internet fraud and health issues (Pew Research Center, 2006). Some Internet gambling operators use questionable strategies in order to attract individuals to their websites. These include inflated payout rates and messages conveying erroneous information such as "Practice really does make perfect," and "You are one of our smartest fun players," during the "demo" period (Sevigny, Cloutier, Pelletier, & Ladouceur, 2005). Consequently, these strategies may tempt potential players to try their luck with real money games, which in turn may cause them to suffer significant financial loss. This is especially disturbing since more individuals under the age of 18 participate in the practice or trial demos on gambling websites (Derevensky & Gupta, 2007).

Given the increasing popularity of Internet gambling, Smeaton and Griffiths (2004) identify several salient factors that make such gambling potentially problematic. These include accessibility, affordability, anonymity, convenience, escape, immersion/dissociation, disinhibition, event frequency, interactivity, and simulation. They suggest that Internet gambling's 24/7 accessibility and availability could pose certain risks for vulnerable populations such as adolescents and problematic gamblers. Kelley et al. (2001) further suggest that Internet gambling has the potential to increase the social cost of gambling and the prevalence rates of problem gambling as it combines high speed and convenient access with a technology that appeals to youths.

A recent investigation in North America suggests that within the past year two-thirds of legally underage youths have gambled for money and approximately 15.3 million 12–17 year olds have been gambling, while 2.2 million are reported to be experiencing serious gambling-related problems (Derevensky & Gupta, 2007). Also, male college students seem especially susceptible to problems related to online gambling because of its easy accessibility and technological sophistication, and the students' flexible time schedule (Morahan-Martin, 1998). Studies further report that 5% of college students exhibit pathological gambling behaviors (Shaffer, Hall, & Vanderbilt, 1999). These figures are well above those in the general population of 1.6% for pathological gambling and 3.8% with troubles linked to gambling (Shaffer et al., 1999). While pathological gamblers are considered as minority (1–2%), the annual social cost of gambling-related addiction, bankruptcy and crime is about $7 billion, and they are subject to a wide range of serious problems that also affect others (Problem Gambling Awareness Week, 2012).