

A New Groundwork for Gaming Habits

Last year Russell Corporate Advisory Service, the financial consulting division for ClubsConsulting, was awarded a highly prestigious Australian Research Council Linkage Grant in conjunction with the University of Sydney. The research grant will allow for an investigation into how gaming machine accessibility and memory of a gaming machine experience might affect gambling habits. So, how will research like this affect registered clubs? The key findings will assist in the preparation and evaluation of Social Impact Assessment Studies, a requirement for clubs seeking an increase in gaming machine entitlements. Story by Carol Major.

Greg Russell is someone who believes in applying science to business development. He also strongly believes that club managers need to have well researched facts when planning any new development; they cannot simply go forward while relying on hunches and hearsay. In fact, one area where there's been a shortage of solid information is recreational gambling, and in particular the social impact of increasing the number of gaming machines in a public venue. But why do clubs need it? They need to know how they can profitably and responsibly integrate this activity into their recreational mix.

Gaming machines are a sensitive topic, given the recent focus on preventing and minimising problem gambling behaviour. In 1999, a report by the Productivity Commission

stimulated much debate on the issue but like many initial research projects it raised more questions than it could answer. However, hypotheses generated by the report have gone on to inform legislative policy aimed at minimising gambling risks, and while much of it may be rational, it isn't actually based on hard science. The simple solution is that more research is required.

In 2001, the New South Wales Labor Government enacted legislation to reduce the number of gaming machines available and their concentration in particular areas. As a result, it's now a requirement that registered clubs seeking to increase the number of gaming machines in premises must now undertake a Social Impact Assessment Study. It's a process that seeks to identify how the provision of additional gaming machines and

the revenue generated will benefit the community, while also identifying the potential harm additional machines might bring. This information is then used to create a socio-economic cost/benefit analysis of the situation.

The requirement to undertake a Social Impact Assessment Study is principally aimed at ensuring that the transfer of a significant number of machines won't have an overall detrimental effect. Prior to approving an application, the Liquor Administration Board must be assured that the benefits of the transfer, in terms of increased revenue for community projects, will outweigh the potential for any harm. This strategy rests on the belief that increases in gaming machine accessibility is the trigger for problem gambling. In other words, a belief that increasing →

machines in a venue will increase the likelihood of harmful behaviour developing, and that, correspondingly, decreasing machine availability will minimise the risk. However, there's little research on how problem gambling behaviour truly develops in the first place nor little or no examination on whether changes to gaming machine accessibility has any effect whatsoever.

Greg Russell points out that regardless of legislation, any decision to invest in gaming machines requires the same careful consideration as investing in other projects. For example, if a registered club wanted to add a bowling alley or a 12-lane swimming pool to their recreational choices on offer, they would initially want to know if this was a feature both their members and the local community desired, as well as how it should be designed to maximise enjoyment and profitability, and what steps should be taken to ensure safety.

Well-researched information is the foundation of successful planning, yet solid information surrounding the safety and responsible profitability of gaming machines has been more difficult to find. Clubs need information on what drives a good gaming experience. They need to know how to maximise revenue that will support their community while simultaneously taking steps to reduce any risk. Does increasing the number of gaming machines increase customer satisfaction and profit or does it invite a less desirable crowd? How might increased gaming machine accessibility affect the likelihood of problem gambling, and by what ratio? The answers to questions such as these will help inform clubs of their roles and responsibilities under corporate governance obligations. Clubs are in the business of making money to support community projects and have never been in the business of creating community harm.

Russell Corporate Advisory's Colin Farrell became aware of the lack of evidence demonstrating how irresponsible gambling was directly related to machine accessibility

when he was preparing Social Impact Assessments on behalf of the firm. At the time he was also researching gambling behaviour as part of his post-graduate studies, where discussions with his supervisor, Associate Professor Elizabeth Cowley, led both to consider applying for an Australian Research Council Linkage Grant, as they could both see a national benefit resulting from specific research in this area. Such grants support research in an academic environment that will have a practical and applicable component while still allowing more theoretical questions to be asked. Greg Russell agreed to be part of the proposal with his firm supporting a joint funding allotment of \$188,000 over 3 years.

So, what is problem gambling? Farrell explains that nearly all past gambling research has been conducted on problem gamblers, a group that represents 2.6 per cent of the New South Wales adult population. Problem gamblers are defined as people who are totally preoccupied with gambling and who create significant harm to themselves and their family as a result. "Severe problem gamblers will gamble at any opportunity," explains Farrell. "If all gaming machines were removed from New South Wales they would be likely to gamble on something else. Concentrating on this group sheds little light on how the greater majority of recreational gamblers might develop a problem."

Farrell further highlights that for the purposes of this study he's looking at potentially irresponsible behaviour. "By this we mean when people plan to spend a particular amount and have been surprised to find they spent considerably more," he says. "They regret it yet find that the occasions when this occurs are becoming more frequent. By concentrating on this population we are trying to find out what drives a recreational gambler to move toward irresponsible behaviour. The answer will help determine how to create sustainable gaming revenue that is good for the community. Clubs are there to provide an entertainment experience; they do not want to wring money out of people who can't afford it."

The research team includes Colin Farrell along with Associate Professor Elizabeth Cowley and Alex Li, a doctoral student who won a coveted Australian Postgraduate Award to be part of the project. Key areas being explored include the role accessibility plays in irresponsible gambling; strategies gamblers use to control gambling behaviour and how memory of a gambling experience influences motivation to gamble more. Early results show consistently that the money won or lost makes no difference to the perception of having a good or bad time. What matters more is the relationship between peak losses and wins and the experience the player has at the end of the gambling session. Research into the psychology of gambling behaviour is the more theoretical aspect of the project but it will provide insights leading to a better understanding of how people lose control.

Cowley also notes that the structure of Linkage Grants means that they're not governed by a political agenda. The researchers are free to find out the facts without bias. She is also very pleased with Russell Corporate Advisory Services' involvement in the project. "Greg has not tried to influence the research direction," she explains. "He just wants good science-based results that will help inform people to make more solid decisions, and makes him an ideal linkage partner."

The team's approach will also be unique in that it will include observations on real life gamblers in a laboratory situation. Past research has either focused on surveys, and other self-reporting measures, or in observing university students in simulated situations. This information isn't always accurate as people tend to forget how they really felt while playing a machine and students are not always the kind of people who enjoy playing machines in the first place. Instead, the team at Sydney University have recruited real gamblers who have agreed to be part of the project. The subjects are paid for their time and in future sessions will be asked to participate over several sittings.

The actual experiments are conducted in separate rooms with the participants playing on lap top computers designed to resemble gaming machines as much as possible.

Information will be gathered on participants' perceptions of gambling behaviour, how close they live to venues with gaming available, their working hours and other commitments. Over time the sessions will be moved to venues further away and during more inconvenient times. This experimental design allows the researchers to observe how people behave after wins and losses. Follow up questions will gather information about memories of the experience and motivation for continued playing. By making each session more difficult to reach, the researchers will also be able to observe how accessibility affects behaviour. Do people play differently when it's more difficult to reach the machine? Do they even show up?

There has been an untested view among some policy advisers that each gaming machine adds an equal amount of risk for irresponsible gambling. As a result an important

sub-question of the research is to determine the impact of adding extra machines when there are many already available in a venue. Clubs often need more gaming machines to ensure there is easier access during peak hours of trade however do these additional machines encourage irresponsible gambling?

Severe problem gamblers seek out machines no matter how many are available, while the greater majority of gamblers practise safe consumption. Some clubs participating in the research have increased their gaming machine entitlements as the project has progressed. This has allowed the researchers to gather information of how play on machines has changed over this time - information that will provide solid evidence of the effects of increasing machines in the market.

Farrell notes that gambling research is in its infancy and well behind knowledge surrounding alcoholism and other addictions. His research has already found evidence suggesting that there is a point where adding machines in a venue in fact does little to increase risk. "We need

to remember that gaming machines in New South Wales are legal," he explains. "They are widely available. Recognising these facts, we need to know more about discouraging the development of irresponsible gambling among the general population so that we can minimise harm and ensure the provision of a responsible entertainment choice."

Greg Russell stands firm in his support of research. "I got into this area because the information will help my clients to better understand this market. People who are making investment decisions need facts," he says. "In this case they need a greater understanding of how their customers feel during a gaming experience and what safely contributes to their pleasure. Solid research backs up the decision to have gaming machines as part of the recreational mix and how this activity should be offered."

More information on the ARC Linkage Grant and Social Impact Assessment Studies can be found at the Russell Corporate website: www.russellcorporate.com.au. ■

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