



Trends in Tribal E-Commerce in the United States: Extending Gaming’s Social Contract

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An Emerging Trend

One of the recent gaming trends across Indian Country is collaboration in exercising tribal sovereignty through tribal government E-commerce initiatives. In 2013, several groups of tribal governments formed cooperative businesses exercising sovereignty in the wide-open field of tribal e-commerce. There are two critical drivers of the tribal e-commerce movement: 1) expanded economic development opportunities for tribes with limited or no gaming; and 2) extension of the concept and practice of tribal governments exporting goods and services to non-residents.

The obvious challenge of land-based economic development of any kind is that it depends on attracting guests to reservation-based properties. Tribes made significant capital investments in their land-based gaming facilities and added other impressive amenities in order to attract gamers and tourists alike. Counterintuitively, in the jargon of economics, attracting gaming action and tourism from off-reservation increases exports. In other words, gambling or entertainment services are “exported” to off-reservation consumers, since the

casino guests and tourists themselves actually come from the surrounding region.

E-commerce expands this tradition of tribal exporting by providing access to a much larger pool of consumers through marketing products and services to non-residents of tribal reservations via the

Internet. Tribal governments are coming together to invest in the hardware, software, marketing and technical skills required to offer a range of online products and services as well as pursuing non-gaming economic development online. Critically, they are pursuing e-commerce as governments and regulators, not simply as business entrants. Therefore, they have a specific commitment to extending their commitments to responsible gaming into their e-commerce pursuits.

A number of well-organized inter-tribal groups are launching online class II gaming businesses (both bingo and/or poker) in 2014. Others have developed online financial services, including various forms of lending. Still others are pursuing manufacturing and warehousing with online fulfillment services. E-commerce offers tribal governments a critical lifeline wherein they can export to consumers who can visit the reservation remotely via technology, creating a level playing field for all tribal communities regardless of their geographic location. However, as tribes continue to enter more markets remotely, they are working to ensure that these products comply with all federal laws as well as their own government and industry standards.

Why Tribal Government Gaming Works

Twenty-five years after the passage of the Indian Gaming Regulatory Act (IGRA) it is an established fact that tribal government gaming is the most successful economic development strategy in history. A growing body of academic research based on U.S. Census data and in-depth tribal case studies reveals that tribal gaming’s broad success rests upon four core features that differentiate it from previous attempts to create or support tribal economies. First, and perhaps most importantly, tribal governments themselves established the gaming industry in Indian Country rather than having it imposed upon them by outsiders. The fact that tribal gaming is tribally driven has resulted in a par-

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ticular commitment to social recovery and an implied social contract to “first do no harm.” Second, tribal gaming is owned and operated by tribal governments and therefore simultaneously relies upon and strengthens tribal sovereignty, strengthening tribes’ most important development resource. Third, tribal government gaming creates a de facto tribal tax base, empowering tribal governments to fully fund their social and governmental programs, often for the first time. Fourth, tribal government gaming supports “nation building” activities, encouraging the creation of strong institutions of tribal self-governance and bolstering partnership building.

As with gaming, American Indian tribal governments are now weighing the decision of whether – and how – to pursue e-commerce for economic development in ways that mirror the success of gaming and strengthen tribal sovereignty in similar ways. The decision by any individual tribe rests upon a number of community-based considerations, ranging from technological capacity to tribal concerns with social outcomes to public relations or regulatory concerns. For some tribes, e-commerce represents the diversification of a strong economy that relies upon gaming, natural resource extraction or tourism; for others, e-commerce provides an opportunity to attract developers willing to invest on-reservation and bankroll the infrastructure necessary to support the tribe’s technology development or extend land-based gaming’s brand online; for still others, e-commerce is a critical lifeline for economic development due to geographic isolation or an inability to attract investment for land-based businesses.

Building Capacity, Leveraging Sovereignty

Many tribal governments have been contemplating the opportunities and threats of pursuing e-commerce through online gaming, whether free play, poker, bingo or other games. Since land-based tribal gaming has been so successful, tribal governments are considered incumbents for online gaming licenses in many state and federal legislative proposals. For now, the majority of tribes are awaiting a federal or state “solution” with regard to licensing and regulation before taking significant action or processing online payments of any kind. For starters, there is a critical need for tribes to demonstrate their capacity to regulate e-commerce traffic, monetize transactions, provide successful online marketing and successfully police bad actors in cyberspace. Indeed, some tribes believe that online gaming may not be their best option in the short term since online gaming will not likely be legalized in a form that leverages

tribal sovereignty as a strategic competitive advantage or significant development resource. Rather, tribes will likely compete directly with commercial gaming interests, state governments and global companies for the online player. Additionally, tribes have governmental commitments to harm minimization strategies and education that are not yet formalized through an online accreditation process.

Therefore, recent history would suggest that the most successful tribal government e-commerce will likely follow the same course as successful land-based tribal government gaming. That is, e-commerce strategies must contain the same basic features: it must be tribal government driven, strengthen tribal sovereignty through leveraging tribal regulatory authority, support tribal government programs and services and stimulate nation building activity. After serious consideration, over a dozen tribes are building e-commerce infrastructure and developing technological capacity through participation in newly flourishing businesses ranging from online class II gaming to online financial services in the form of online lending.

Securing Governmental Revenues

Tribal governments that participate in online class II gaming or online lending have evaluated the business deal flow available to them and have found that these industries have the potential to meet many of their economic development goals, including job creation and steady government revenue generation. However, they also allow tribal governments to take the lead in designing effective responsible gaming (and lending) programs from their position as governments rather than through a more general corporate social responsibility (CSR) platform. The tribes who pursue e-commerce through online gaming or lending are putting these new governmental revenues to use in ways that mirror the revenues from land-based tribal gaming. The 1988 Indian Gaming Regulatory Act (IGRA) requires that all net gaming revenues be invested in tribal government social and economic recovery, including strengthening tribal self-determination and supporting tribal self-government. Tribal governments participating in the online gaming or financial services industry have similarly committed to using their revenues for tribal nation building activities, including funding critical health care, education and infrastructure improvements.

Extending Lessons from Gaming

In spite of gaming's impressive impact across Indian Country, research shows that tribal government gaming's social and economic gains in the 1980-90's have plateaued in the 2000's. Additionally, the economic challenges of the past five years have left many tribes with large debt service wherein their gaming revenues are directed at paying down debt rather than toward critical tribal government programs and services. Sycuan Institute research found that by 2010 nearly 93% of American Indians lived on reservations that were impacted by gaming, whether through a gaming facility, machine lease rights or revenue sharing. In spite of this nearly universal access to tribal gaming revenues, in 2010 American Indian per capita income remained at 45% of the US average, American Indian unemployment is more than double the US rate and college attainment among American Indians is less than one third the US average.

Given the ongoing challenges of securing revenues for tribal communities, tribal governments will continue to evaluate all economic development opportunities on their own terms. The key feature of tribal government participation in gaming---control over whether and how to pursue it appropriately---originally set tribal government gaming apart from any other economic development strategy. Whenever and however tribal governments pursue e-commerce, they will undoubtedly extend their gaming successes in ways that mirror the best of gaming's outcomes, especially its strengthening of tribal sovereignty.

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Centre Fundraising Campaign in Full Swing

The Centre's ongoing fundraising campaign continues to grow with the support of corporate and private sponsors. Due to restricted government infrastructure funding, we have initiated a fundraising campaign to help us maintain our ability to develop and deploy empirically-based prevention and harm-minimization programs. The Centre is housed on McGill University's main campus in the heart of Montreal, Canada. McGill University is a public university and recognized charitable organization. ♦

Donations can be made to:

The International Centre for Youth Gambling Problems and High-Risk Behaviors
McGill University
3724 McTavish Street
Montreal, Quebec H3A 1Y2

Official letters of contributions and tax receipts will be forwarded

Behavioural tracking, social responsibility and gambling: A brief look at 'mentor'

By Michael Auer, Business Unit Manager, neccton Ltd. and Mark D. Griffiths, Mark Griffiths, Ph.D., Psychology Division, Nottingham Trent University, United Kingdom

Over the last decade, the gambling market has changed dramatically. There are now increased opportunities to gamble almost anywhere and at any time via internet and mobile phone technology. Online gambling is regulated differently across the world. For instance, there is no European wide regulation of Internet gambling and it is up to individual member states to decide whether they allow online gambling in their territory and to whom they grant operating licenses. The same is also true for the United States.

Many jurisdictions require licensees to fulfill certain player protection standards. Those include age and identity verification, player information and education, mandatory and voluntary limits and in-play notifications. But these strategies do not typically take into account individual playing behaviour nor do they help and/or advise players at critical moments. Various studies have discussed the importance of behavioural tracking data as a means of detection early signs of gambling problems and the importance of personalized feedback. We (neccton and the International Gaming Research Unit at Nottingham Trent University) have developed a responsible gaming tool, *mentor*, that helps overcome these limitations.

Firstly, *mentor*, provides players with both numerical and visual feedback about their past and present gambling behaviour. For instance, Figure 1 shows how *mentor* displays the current and past financial deposit amount of an individual player. Figure 1 shows several pieces of information. The player sees whether their financial deposits have increased, decreased or

stayed the same. Secondly, players receive normative feedback about their gambling intensity compared to other players. Normative feedback has proven to be effective across many research areas, and is especially useful for gamblers as they often underestimate various aspects of their behaviour (e.g., amount spent, how long they have been gambling within a session, how much they have lost gambling over time, etc.). In addition to deposit amounts, players also receive information about several other gambling behaviour indicators.

In addition to visual and numerical information, *mentor* also provides players with personalized messages. These messages are triggered by a large analytical data engine that rigorously analyses each players' behaviour over time. If the system detects a significant change in a player's behaviour, a specific and personalized message is triggered and sent to the player. Every week, the system scans the player base for



Figure 1: Personalized information showing the player's financial deposit amount (over the past 6 month period)

noticeable changing patterns. Take the player shown in Figure 1. It is clearly visible that this player's deposit amount increased over time. Figure 2 shows the message that this player received as a result of his behaviour. The message notified the player of this change and asked the player if this behaviour was in line with their personal expectations. Motivational self-efficacy enhancement studies have shown that messages during or after play have harm minimization effects on gambling behaviour. *mentor* goes one step further by personalizing communication with players. *mentor's* communication plan is based on the concept of motivational interviewing, which has proven to be successful in a range of areas.

10.6.2013



Over the last 6 months the amount of money deposited into your account has increased. Are you spending more money than you intended? You can check the amount you have spent gambling on your account page and use our helpful tools to set a daily/weekly/monthly limit.

Figure 2: Increased Deposit Amount message sent to player after noticeable increase in amount of money deposited has been detected

The system does not make any judgment about whether the player has a problem or suspected problem. *mentor* does not show an indicative 'traffic light' warning about player behaviour. In designing *mentor*, we asked ourselves what we wanted to achieve with our feedback system. First of all, we wanted to help players to better understand their gambling and have fun with this leisure activity. We also wanted gamblers that might overdo playing a little bit to better control the time and money they spend playing.

Players have different motivations for gambling. Some players gamble primarily to relax, whereas other gamblers seek action and excitement. There are gamblers that show distinct spikes of gambling intensity (such as binge gamblers) that might be related to the money they have available (e.g., they have just been paid by their employers). Others play daily for significant amounts of time and/or money. There is no single type of gambler and that is the philosophy that *mentor* takes into account. One-dimensional feedback is not enough. Feedback has to be personalized, timely, and motivational.

mentor's personalized messages engine has a tailored response for up to 33 million different playing profiles. The system has the capability to provide a personal coach to anyone and everyone in an online gambling environment or an offline environment where player cards are used. Obviously systems like *mentor* are not yet required in most jurisdictions, although countries like Holland (which is currently drafting online gambling bills), will almost certainly require operators that obtain their licenses to track player behaviour and install feedback systems. However, we would argue that the usage of the *mentor* system provides many other advantages for players, operators as well as regulators. We believe the key advantages are:

- **Satisfied players:** *mentor's* main objective is player protection. For most players, gambling is an enjoyable leisure activity. However, a small minority of players can encounter problems. *mentor* detects undesirable behavioral tendencies and initiates personalized communication with players, preventing problematic developments. Players continue to enjoy the gambling product, and customer satisfaction increases.

- **Conforms to industry and regulators' industry standards:** *mentor* is designed to conform to (and exceed) standards for all responsible gambling accreditation schemes and helps demonstrate that companies are committed to achieving the highest levels of social responsibility. In some sectors (e.g., the lottery sector), the use of *mentor* will help in reaching the highest levels of responsible gambling accreditation (e.g., Level IV World Lottery Association)

- **Increased loyalty:** The gaming market – especially the online market – is a highly competitive environment. Attracting new players is expensive, and every customer lost is a lost investment. Loyalty is the key to an increased player lifetime. The longer that players use products, the higher the revenue per player. However, once players run into gambling problems, they are quickly lost – often forever. *mentor* helps players to enjoy gambling within limits, while extending their lifespan as a player. This gives

operators the opportunity to build up a stable and profitable customer relationship. In this way, *mentor* benefits both players and operators.

- **Increased trustmark:** Attracting players in the highly competitive gaming market requires extensive marketing investment. How can players distinguish trustworthy operators? *mentor's* objective and transparent approach are true statements of trust. They signal a strong customer-centric approach. A high level of trust increases and strengthens existing customer relationships, and helps to attract new customers. *mentor* also signals transparency to regulators and the community, which in turn increases confidence in operators.

You can learn more about *mentor* at www.neccton.com/mentor

Further reading

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Griffiths, M.D. & Auer, M. (2013). The irrelevancy of game-type in the acquisition, development and maintenance of problem gambling. *Frontiers in Psychology*, 3, 621. doi: 10.3389/fpsyg.2012.00621.

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News Brief

Svenska Spel Introduces Gaming Customer Cards

In November, Svenska Spel, the Swedish state run gambling operator introduced compulsory customer cards for all forms of gaming except for the purchase of physical lottery tickets and participation in gaming inside Casino Cosmopol casinos. The card is intended as a problem gambling prevention tool and is part of Svenska Spel's new approach to responsible gaming. The cards enable players to track their gambling history, set limits for time and money and also provide a mechanism for self-exclusion.

Sheldon Adelson Poised to Fight Internet Gambling

Sheldon Adelson, chairman and chief executive officer of the Las Vegas Sands Corporation, is lobbying against Internet gambling in the United States. He feels that "the practice is a danger to society and could tarnish the industry's traditional business model." In January, Adelson plans to launch an advocacy group called the Coalition to Stop Internet Gambling. Reports indicate that he has been hiring lobbyists, lawyers and public relations experts to aid in this campaign. ♦

Recent publications and presentations

REFEREED PUBLICATIONS

St-Pierre, R., Walker, D. M., Derevensky, J & Gupta, R. (in press). How availability and accessibility of gambling venues influence problem gambling: A review of the literature. *Gaming Law Review and Economics*.

INVITED PRESENTATIONS

Paskus, T. & Derevensky, J. (2013). Gambling behaviors among college student athletes: Results from the 2012 National Collegiate Athletic Association study. Paper presented before the National Collegiate Athletic Association Mental Health Task Force, Indianapolis, November. ♦

News from the Centre...

Partners in Prevention Initiative

Again this year, our Centre will participate in the Partners in Prevention initiative, a collaborative partnership between the Lester B. Pearson School Board of Montreal (the largest English-language school board in Quebec) and Portage Adolescent Residential Rehabilitation Center (substance abuse rehabilitation center), Montreal Urban Police (SPVM), and the International Centre for Youth Gambling. Annually, the Partners host events aimed at Grade 6 students and their parents to promote healthy choices in an attempt to minimize adolescent risky behaviours. In 2014, there will be three evening events starting in the month of March. Planning is well under way and we are excited about our involvement in this worthwhile cause. Stay tuned for more updates in the coming months. ♦

Upcoming Events

- **2014 New Horizons in Responsible Gambling Conference**
January 27-29, 2014
Vancouver, Canada
- **5th International Gambling Conference**
February 19-21, 2014
Auckland, New Zealand
- **2014 AGRI Conference: Controversial Topics in Gambling**
April 3-5, 2014
Banff, Canada
- **Discovery 2014**
April 29-May 1, 2014
Toronto, Canada
- **Pathways to New Possibilities-NCPG**
July 11-12, 2014
Orlando, Florida



Wishing you all a very
Healthy, Happy and
Prosperous 2014!!

Holiday Campaign 2013

The annual Holiday Campaign, a collaborative initiative of the International Centre for Youth Gambling Problems and High-Risk Behaviors at McGill University and the National Council on Problem Gambling (NCPG), highlights the risks of giving lottery tickets and scratch cards as holiday gifts to minors.

Support for the campaign by North American and international lottery corporations has grown incrementally every year since the program inception. Again in 2013, a record number of lottery corporations participated in the campaign. The final list of 2013 participating lotteries included:

AB Svenska Spel (Sweden), Alberta Gaming and Liquor Commission, Atlantic Lottery, Arizona Lottery, Austrian Lotteries, British Columbia Lottery Corporation, California Lottery, Camelot (United Kingdom), Connecticut Lottery Corporation, Hrvatska Lutrija d.o.o. (Croatia), Illinois Lottery, Iowa Lottery, Kentucky Lottery Corporation, La Française des Jeux (France), Loto-Québec, Manitoba Lotteries, Maryland Lottery and Gaming Control Agency, Massachusetts State Lottery, Minnesota State Lottery, Missouri Lottery, Montana Lottery, New Mexico Lottery, North Carolina Education Lottery, Nova Scotia Provincial Lotteries and Casino Corporation, Ohio Lottery Commission, Oklahoma Lottery Commission, Ontario Lottery and Gaming Corporation, Oregon Lottery, Pennsylvania Lottery, Rhode Island Lottery, Saskatchewan Lotteries, State Lottery of Serbia, South Dakota Lottery, Tennessee Education Lottery Corporation, Texas Lottery, Vermont Lottery Commission, Virginia Lottery, Washington's Lottery.

The organizers thank the Kentucky Lottery Corporation for providing graphic design services for the campaign this year.

The campaign momentum is growing annually. We would also, like to take this opportunity to thank all of the lottery corporations who have collaborated with us in 2013 and look forward to even greater support for next year's initiative! ♦



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