Gambling and Corporate Social Responsibility:

Embracing a Sustainable Gambling Agenda
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Known Unknowns

The now famous quote from Donald Rumsfeld former US defence secretary that there are “known knowns”, “known unknowns” and “unknown unknowns” is fairly apt for businesses these days. Bill Eadington this morning mentioned a few known unknowns that might have been anticipated by the terrestrial casino industry.

Those known unknowns are out there, just waiting to happen. Every day the news is full of stories of failure to do something about them, from BP to Coca Cola. Failure to anticipate foreseeable potential impacts on others is unforgivable in the retrospective analysis of press and public.

A little anticipation and curiosity about possible impacts might have prevented many a corporate disaster. It took a small web community called Mumsnet to embarrass Coke into withdrawing its viral Dr Pepper marketing campaign on Facebook. And the recent troubles of BP are well known to everyone. Both companies have of course sought to blame other agencies for their problems. Which of course just causes more problems.

We know enough to deal with the known knowns. We know for example that teenagers will try to circumvent the rules and start gambling and that younger people are particularly vulnerable to addictive behaviour. But gambling companies also need to be prepared for known unknowns that they may produce in their products and marketing.

Now some industry colleagues may take the view that gambling is only a low key public issues compared to drugs alcohol or immigration. But you know, things can change suddenly, especially when a cause is championed by a powerful person. Gordon Brown when he was prime minister effectively squashed the casino industry’s hopes of expansion in the UK, reversing his predecessor's approach.

The food industry in the US has largely ignored the public health debate about obesity which emerged in Europe ten years ago. But now that Michelle Obama has championed the issue of childhood obesity, things are changing in the nutrition debate in the US. Just a few months ago the Surgeon General announced he would lead the fight against obesity in America. The food industry will no longer be able to ignore these calls. Pepsi Cola saw the writing on the wall five years ago and have been smart enough to respond positively and proactively by changing the way they do business, reworking their brands to emphasise healthy eating.
The social and psychological cost of gambling is a *known known* to all of us at this conference! But are we prepared to anticipate adequately the *known unknowns* and take a strategic longer term view of new trends and issues that may affect our assumptions about how the future will play out.

**Sustainable Businesses**

David Grayson, Professor of CSR at Cranfield University, has stressed the importance of—“longer term sustainability of the customer community and society in which they operate. Only with corporate responsibility can market economies survive. He defined a responsible business as follows:

But it's not just gambling companies, all stakeholders play a role in creating and perpetuating gambling markets – advertising agencies, governments, consumers, regulators researchers, educators and clinicians all play their part.

A proactive stance by enlightened companies is a necessary but not of itself sufficient, solution to do deal with the adverse social and psychological consequences that gambling can create.

**Partnered Governance**

A *partnered* approach to the governance of gambling is necessary. The governance of these markets needs to be tackled collectively and co-operatively. Pointing a finger of blame at someone else, be that the supposedly exploitative industry, the irresponsible consumer, the weak regulator, the hypocritical government; the career seeking researcher will not yield lasting solutions. No stakeholder in the world of gambling likes having these negative adjectives being applied as role descriptors.

What is needed is partnered governance as envisaged by the World Economic Forum in 2008, where companies innovate to create sustainable practice and reduce public health costs.

**Performance Based Regulation**

One way to achieve this is through incentivized performance based regulation rather than a prescriptive system which cannot possibly keep pace with the speed of technology and product development.

In Cyberspace, the fastest of all business environments we are able to explore, escape, shop and connect socially through vehicles like Google, Amazon Facebook and also Betfair. All must ensure that their customers are not harmed or exploited by the experience.

Now, compared to the drinks industry, the gambling industry is actually reasonably successful at encouraging responsible consumer behaviour when customers are on board.
But, companies tend not to look at it in terms of the bigger picture I have been describing, which is their role as corporate citizen whose products, services and activities affect not only customers and employees but also communities and society in general.

**License to Operate**

For society, what is at stake is the health of internet users, gamblers, their families and communities. What is at stake for gambling in general is the *social licence* to operate which is being fundamentally challenged in most parts of the world by NGOs, religious groups and public health practitioners and the overwhelmingly negative public and press perceptions about gambling in general. What is at stake for the industry is gaining actual operating licences in new jurisdictions where gambling harms are a big consideration for policy makers and regulators.

Now, gambling companies have obviously been subject to the same criticism as tobacco alcohol and junk food for the adverse consequences of their products and promotions for some consumers. It is incumbent on the industry to face up to this criticism. To deny or minimize the problem or blame others is not in the long term interests of business. There is tremendous pressure on gambling industry—from governments, civil society, and increasingly from lawsuits to do something positive. And internet gambling companies are particularly well placed to do something positive through its advanced technology, and also anticipate the known unknowns.

The trade liberalisation issues in the US and Europe currently facing the gambling industry are being increasingly dominated by a discourse over consumer protection and addiction.

But, it should not be the case that the best way to get gambling companies to take health seriously is to have critics outside giving them a hard time.

Up to now, we have seen a rather polarised debate between hand politicians and civil society groups arguing for prescriptive and tight regulation and the industry arguing for freedom to self regulate in a context where consumers are educated about *responsible consumption*. 
A new Dimension of Governance for the 21st Century

This axis between the hope of effective imposed regulation and responsible consumer behaviour seems rather inadequate in the 21st century. It had its day in the last century. A new dimension needs to be added that features incentivised industry innovation around sustainability and where companies gain social and legal licences to operate through demonstrable product safety and benign social impact.

I believe this new dimension embraces four important factors which the old axis simply cannot.

Firstly, it embraces the fact of the speed of technological progress: Companies like Betfair are creating the technology, platforms and products at a “wicked fast rate”, as our techies say. The viral nature of social media platforms is a good example where the customer will always be trying to catch up with the latest offering.
Secondly it uses the **scientific evidence base** to develop risk profiles of customers, refine protection tools and interventions with customers and also assesses the social impacts of products and promotions. Companies are much better placed than regulators and policy makers to use science in this way due to the time involved in getting proven methods incorporated into regulation.

Thirdly it is guided by **codes of ethics** which openly acknowledge the vulnerability of all of us. Ethics has been a successful Policy Driver in protecting children from product participation but the next challenge is to ensure we can ensure they are not exploited and deceived by marketing in on-line and social media environments where currently it's a bit like the Wild West.

And fourthly, it acknowledges the pervasiveness of human appetites for food drink excitement and escape. These neurobiological realities come face to face with product availability both legal and illegal in on line environments. Companies must seek to delight customers with their offerings, but in such a way that they are safeguarded against harm.

So fundamentally the new dimension must be informed by serious and meaningful strategic corporate responsibility that creates sustainability programmes which put product safety and the health of employees, customers their families and communities at the centre of company operations.

**Timeless Values**

Actually, CSR probably boils down to some basic timeless principles that are as important at the corporate level as they are at the individual level: Tell the truth, respect the lives, dignity and property of others. Those principles also imply willingness to anticipate the possible consequences of our actions on others, to question our behaviour, motives, and a willingness to find out how we are seen by customers and stakeholders.

Now, we know that this on line universe is one where people can become lost, spending vast amounts of time; where terrestrial vices like shopping-addiction can be magnified, where gambling problems in customers can be hidden to Staff; where operational staff and software developers can become overly hooked on products due to their passionate interests; where there are infinite opportunities to consume products and infinite advertising and promotions to encourage more consumption. The Sustainable Gambling Cycle we have introduced at Betfair attempts to address all this.

**Betfair’s Stance**

So, to reflect the fact that Betfair wants to have a **positive** not harmful impact on all of these, we have changed the name of the social responsibility function in Betfair to **Sustainable Gambling**.
The strategic framework behind this name comprises of a cycle of activities backed with supporting policies which are being adopted at every level of the business. Sustainable Gambling will affect the way we approach product development, marketing and our relationships with key stakeholders. It offers value for shareholders and it offers customers value as a trusted brand.

**Figure 1: Sustainable Gambling Cycle**

The Sustainable Gambling Cycle is an iterative process:

- The cycle begins with an *analysis of the company value chain* and its general social impacts. It should take into account the impact of gambling on public health concerns such as health inequalities, poverty and deprivation in communities.

- This is followed by a *research and evaluation* phase which provides a review of published scientific research on gambling and health, to provide the evidence base for our work and drive the development of operational safeguards and customer protection tools.

- The next step involves detailed analysis by means of a *social impact assessment*. It will identify any negative social and psychological effects where these can be linked to particular products and promotions.

- This leads to the creation of a detailed *action plan*, which will identify risk mitigation and protection enhancement methods for the target populations.
deemed at risk which will enable interventions to prevent any escalation of harm

- An *implementation* programme then integrates the action plan into company products and promotions

- Following the iterative process, this leads to a further a review of the value chain analysis and an evaluation of our sustainable gambling practice. And so the cycle continues as an on-going feature of how we do business.

**Summary**

So to sum up I want to leave you with four thoughts to consider:

1. There are lessons from the food industry and elsewhere about the importance of anticipating known unknowns.

2. Co-operation and partnered governance can help us all move forward to protect customers, their families and communities.

3. The innovation made possible with sustainability should be incentivised by regulators.

4. The old axis of prescriptive regulation and responsible consumption needs a new dimension: a corporate sustainable gambling agenda which raises the bar for the part that companies can and must play in this governance.

Thank you.