

Is the Gamble Worth the Price?:

How and Why to Provide Consumer Protection to Gamblers

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Dramatic Growth in Slot Machine Play:

- Number of slot machines worldwide increase by over 100,000 to an estimated 2.6 million.
- Estimated \$30 billion in slot losses across U.S. In 2003.
- Slot machines and other EGDs fill eighty percent of casino floor space in U.S.

The Dangers of Slot Machine Gambling

- Easy and non-threatening.
- Fastest - up to almost 1,000 wagers an hour, or one bet every 4 seconds.
- Most continuous: can re-gamble any winnings almost immediately.

- *Most addictive:*

Up to 70% of treatment-seeking pathological gamblers identify EGDs as their primary problem form of gambling. (Breen & Zimmerman, 2002)

- *Fastest to bottom out:*

onset of pathological gambling in 1/3 the time, on average, compared to traditional gamblers. (Breen & Zimmerman, 2002)

Traditional Purposes of Gambling Regulation

- Protect income stream to state
- Preserve public confidence in casinos
 - Prevent fixed machines
 - Aura of “protection” so that gamblers feel safe

Harm Minimization
v.
Consumer Protection

Harm Minimization

- Minimize adverse social, economic and health effects without requiring abstinence.
- Goal is to protect gamblers and others from being hurt by gambling.
- Focuses primarily on problem and pathological gamblers.
- Some argue should require scientific experimentation to justify methods.

Consumer Protection

- Underlying theory: consumer purchases should be the result of informed, competent and voluntary decisions of consumers.
- Goal is to aid consumers to maximize the value they receive and to protect them from sharp or abusive practices.
- Focuses on recreational gamblers, though might aid problem and pathological gamblers as well.

Tools of Harm Minimization

Precommitment

Methods:

- Self-exclusion
- Purchase gambling tokens in advance

Other Methods:

- Slow rate of play
- Limit sounds / visual stimulation
- Limit amount of each wager or total amount that any gambler can lose.

Limitations of Harm Minimization Approach

- Normally ignores recreational gamblers.
- “Harm Minimization” new method for regulation of consumer goods or services.
- Requiring experiments slows process of creating or changing regulation in fast moving world of gambling.
- Focuses on limitation of gamblers’ autonomy rather than expanding autonomy.

Advantages of Consumer Protection Over Harm Minimization As Basis for Regulation

- Consumer protection already in extensive use in consumer goods and services.
- Principles and application already understood.
- Easy to adapt principles to changing gambling methods.
- Does not require extensive scientific experimentation to justify common sense regulation or change in regulation.

Why Consumer Protection?

- Consumers normally best judge of what they want and how much they will pay.
- But must have sufficient information to make decision .
- Decision should be voluntary, not coerced or product of addiction or compulsion.

Informational Remedies as Consumer Protection

- Goal: ensure that consumers have sufficient information to make effective decision.
- Educate consumers about benefits, costs and risks of product.

Advantages of Informational Remedies

- Increases consumer autonomy
- Allows comparison shopping between products and vendors
- Helps consumer decide whether to purchase product at all

Consumer Protection Promotes Market Efficiency

- Forces casinos to compete based on price.
- Industry not likely to volunteer information, especially where it will decrease size of entire market.

Lessons of Consumer Education Programs

- Simply and clear info
- Focus on what affects the consumer
- Tailor information to the individual
- Make it interactive
- Common format industry-wide
- Avoid disclosing as probabilities

Truth in Gaming: Disclose True Cost of Gambling

- Cost of each game.
- Overall cost of individual gambling practices.
- Disclosures should be clear, timely, and accurate.

Cost of Individual Wager

- True cost isn't size of wager, but how much casino keeps and does not return
- Called house advantage or edge for table games, hold percentage for slots
- “Hold amount” is expected amount casino will win on average for a bet of specific amount, given house edge

How to Disclose Cost of Each Game

- Display hold percentage and hold amount near button to push to bet
- As gambler bets, hold amount goes up as casino's expected average win increases
- Hold percentage may change with more coins, depending on machine

Example of Counter

- Dollar slot machine with a 10% hold percentage normally, but 9% hold percentage if four dollars wagered.

Before Any Bet, Slot Machine Counters Read:

- Hold Percentage: 10%
- Hold Amount: \$0.00.0

One Dollar Bet

- Hold Percentage: 10%
- Hold Amount: \$0.10.0

Two Dollars Bet

- Hold Percentage: 10%
- Hold Amount: \$0.20.0

Three Dollars Bet

- Hold Percentage: 10%
- Hold Amount: \$0.30.0

Four Dollars Bet

- Hold Percentage: 9%
- Hold Amount: \$0.36.0

CREDIT699
\$6.99**BET**100
\$1.00**WIN**500
\$5.00

Press **I** at any
time to return
to the game

ELECTRONIC GAME INFORMATION

50 Lions

Total Theoretical return to player of this game = 87.58%

Theoretical number of individual games played per win = 19.65
 Minimum bet = 1¢ Maximum bet = \$1.00

Chances Of Winning

(Based on MINIMUM BET selection & excluding feature wins)

Top Five Winning Combinations

5 Lions	1 in 8,200
5 Zebras	1 in 22,140
5 Giraffes	1 in 39,375
5 People	1 in 39,375
5 Trees	1 in 65,625

Bottom Five Winning Combinations

2 Zebras	1 in 56
2 Giraffes	1 in 75
3 Hines	1 in 1,021
3 Tens	1 in 1,429
3 Jacks	1 in 1,191

2:00pm



\$1 Buys
100 Credits

How To Disclose Overall Cost of Gambling to Individual Gambler

- Allow gamblers to gain access to casino databases for their own gambling records
- Mandate universal smart card readers for each slot machine

Smart Cards for Smarter Gamblers

- Smart cards with computer chip for information storage and computation
- Can store each gambling transaction, record all wins and losses

Advantages of Smart Cards

- Track hold percentages and total wins and losses overall and for each casino
- List wins/losses for last day/ week/ month/year or more
- Notify gambler when stop loss occurs and turn off comps

Using Smart Cards

- Smart card readers in casinos and on slot machines: instant access while playing
- Home version of readers so that gambler can access records outside of casinos
- Data segregation, encryption and password protection so only gambler has access to information

For More:

- Kurt Eggert, Truth in Gaming: Toward Consumer Protection in the Gambling Industry 63 Maryland Law Review 217 (2004)