Education, Not Restriction, is Key to Reducing Harm from Offshore Gambling

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Repository Citation
Gainsbury, S., Blaszczynski, A., Abarbanel, B. (2018). Education, Not Restriction, is Key to Reducing Harm from Offshore Gambling. The Conversation
https://digitalscholarship.unlv.edu/hotel_fac_articles/285

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Education, not restriction, is key to reducing harm from offshore gambling

August 7, 2018 11.10pm EDT

Australian internet gambling policies have been refined and prohibitions on illegal gambling sites clarified in recent years.

Despite this, offshore gambling sites are as popular as ever with Australians. Estimates of offshore wagering in Australia range from A$63.9 to $400 million. Some predict this will grow to $910 million by 2020.

These offshore sites not only pose potential harm to consumers in the form of fraudulent and deceptive dealings, but also have long-term consequences through reducing the tax dollars generated by the licensed market.

Despite many convincing reasons for governments to restrict the use of offshore gambling, the challenges of doing so create headaches for governments around the world.
Many consumers turn to offshore sites for more competitive odds and bonus offerings, thanks to the sites’ ability to bypass domestic regulatory requirements.

Our research takes a closer look at why gamblers use offshore sites, and the implications of this for policymaking.

What is offshore internet gambling?

In Australia, licensed operators can provide online lottery and wagering services. Other forms of internet gambling – including casino, slots, bingo and poker – are prohibited.

Offshore internet gambling services are based in other countries, often with much looser regulations. They can offer types of gambling that are restricted on a domestic site. The more diverse options they offer makes them attractive to some consumers.

However, this lack of regulation means these consumers might not be protected from potentially harmful practices that they would be safeguarded against if the site was licensed in Australia.

Our recent study examined the profile of consumers who use offshore sites as a way to improve understanding of consumers and their motivations for doing so. This is an essential step towards encouraging consumers to use protected, licensed sites.

We surveyed 1,001 Australian adult internet gamblers (57.2% male). They were asked about their online gambling behaviours, use of offshore sites, reasons for selecting those sites, awareness of regulations and experience of gambling-related problems, as well as demographic information.

Offshore gamblers v domestic gamblers

In our survey, we found just over half (52.7%) of the participants had gambled on offshore sites in the past month. Both groups of gamblers (domestic and offshore) had relatively low concerns about where a site was regulated. The most common reason for choosing sites was ease of use.
Online site characteristics influencing gamblers' platform choice

<table>
<thead>
<tr>
<th></th>
<th>Domestic Gamblers</th>
<th>Off-shore Gamblers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site is easy to use</td>
<td>49.3%</td>
<td>36.4%</td>
</tr>
<tr>
<td>Ability to bet in AUD$</td>
<td>13.5%</td>
<td>22.3%</td>
</tr>
<tr>
<td>Site is for Australians</td>
<td>2.1%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Bets are easy to place</td>
<td>19.9%</td>
<td>14.8%</td>
</tr>
<tr>
<td>Site is licensed in Australia</td>
<td>24.1%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Payout rates</td>
<td>6.3%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Game experience</td>
<td>4.4%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Ease of account creation</td>
<td>14.0%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Promotional offers and bonuses</td>
<td>12.3%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Payment methods available</td>
<td>20.1%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Reputation of operator</td>
<td>16.1%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Products available</td>
<td>11.0%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Site is licensed by a respected authority</td>
<td>15.0%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Consumer protection standards</td>
<td>5.7%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Responsible gambling tools and resources</td>
<td>1.3%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Complaint/dispute process</td>
<td>0.2%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

*N = 1,001 respondents.*

Overall, offshore gamblers displayed a preference for domestic sites. However, their consideration of regulatory status took a back seat to other site qualities, such as payout rates and game experience.

Interestingly, while domestic gamblers (who only used domestically licensed sites) were more likely than offshore gamblers (who used offshore sites, but not necessarily exclusively) to know the site’s licensing jurisdiction, most respondents in both groups were unaware of current legislation and which operators held Australian licences.

We believe offshore gamblers’ lack of knowledge about where a site is based is not because they lack education or ability to access information, but because they do not want to seek it out.

Users of domestic licensed sites placed greater emphasis on the jurisdiction of a site’s licence. Just under one-quarter (24.1%) said an Australian gambling licence was a characteristic they looked for when choosing where to gamble.

Offshore gamblers were most likely to indicate that payout rates and overall gambling experience – including site ease of use, game experience and ability to use local currency – had the most influence on their decision where to gamble, rather than factors related to the operator’s relationship with local regulations.

Across both groups, the most popular site characteristics when selecting where to gamble were: ease of site use, ability to wager in Australian dollars, ease of placing bets, ease of account creation,
promotional offers, operator reputation and available products.

**Impact of this research**

Large proportions of regular internet gamblers use offshore sites. This represents a distinct group that seeks a competitive product, regardless of where (and if) it is licensed by a recognised authority.

Compared to domestic gamblers, offshore gamblers had more intense gambling involvement and a greater risk of gambling problems.

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Restricting access to offshore sites has limited effectiveness, as it is difficult to police the internet. As such, public education campaigns targeted at internet gamblers and what they care about may be an important component of moderating this behaviour.

However, some offshore sites are more competitive or attractive simply because they can bypass regulatory requirements that restrict options, odds or bonus offerings. This creates difficult messaging for governments. Given gambling policies are meant to protect citizens from harm, they do not want to cross the line into promoting gambling, particularly with a group that has already been identified as having a greater risk of gambling-related problems.

That’s why we believe internet gamblers should be targeted with public education campaigns that focus on warning about the risks of using offshore gambling sites, and how to identify whether a site is licensed in Australia.

Encouraging gamblers to engage only with domestically licensed sites and ensuring that these provide high levels of harm-minimisation tools may reduce the problems experienced by online gamblers.
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