

Discussion Paper

Australian Consumer Behaviour Online: Lessons for the study of online gambling

September 2011

Contents

EXECUTIVE SUMMARY	I
Key findings in our research:	I
Conclusions	II
INTRODUCTION	1
PURPOSE OF THIS PAPER	1
BACKGROUND	1
The new context	2
OBSERVATIONS OF CONSUMER BEHAVIOUR.....	3
<i>Australian consumers online, fewer by comparison but growing rapidly</i>	3
<i>Australian consumers online: why?</i>	4
<i>Australian consumers online: the decline in preference for shopping local</i>	5
WHAT DOES THIS MEAN FOR ONLINE GAMBLING?	6
KEY ISSUES ARISING FROM THE RESEARCH	7
<i>Gambling is not your typical retail sector</i>	7
<i>Advertising for sports betting may have major impacts on consumer awareness, preferences and behaviour</i>	8
<i>A preference for digital consumption and the growth in entertainment purchases suits online gambling</i>	9
<i>The use of social media to get a local profile</i>	10
<i>Growing the market, the impact of the National Broadband Network (NBN) rollout in Australia</i>	10
<i>A growing market: evidence from the balance sheets</i>	10
E-COMMERCE CONSUMER BEHAVIOUR: IMPLICATIONS FOR ONLINE GAMBLING	11
<i>The impact of convergence</i>	12
QUESTIONS FOR FURTHER RESEARCH	12
REFERENCES	13

Australian Consumer Behaviour Online: Lessons for the study of online gambling

EXECUTIVE SUMMARY

This paper examines literature relating to Australian consumer behaviour, the internet and trends in e-commerce. It investigates the implications such behaviour and trends may have for the growth of online gambling products in Australia. These are products Australians purchase from both local and overseas providers.

In particular, the paper notes the rapidly changing profiles of online consumption and flags the need for more up-to-date research into this area.

Online gambling markets have their own distinctive features, yet these are not immune to broader trends and preferences in consumer behaviour and use of the internet. The directions e-commerce takes as it grows are particularly important with regard to gambling and consumer protection for gamblers.

How many Australians take up e-commerce and whether they have an interest in staying within Australian domains, governed by Australian law and regulation, are important questions for policymakers, regulators and the industry.

Australian consumer patterns are rapidly changing as a result of the expansion and increasing accessibility of online purchasing. Such unprecedented growth has implications for the retail sector more generally and offers changing scenarios for existing and emerging consumers of gambling, particularly in the area of sports betting.

Key findings in our research:

- As their familiarity and levels of trust in the internet grow, Australians are increasingly willing to shop online
- The online retail market is expanding more rapidly than the broader retail market overall
- Online shopping had been inhibited by a lack of domestic providers. However, this inhibition is in rapid decline, leaving domestic retailers scrambling to save their share of customers
- The largest users of online commerce have been those aged 25 to 44 but greater access to the internet, and growing familiarity with online purchasing, appears to be resulting in an increase in buying done by those in other age brackets, especially those in their late teens and early twenties
- Younger adults are not only the fastest growing group of online purchasers; they also increasingly turn to online sources of information about *all* purchases. This has implications for how responsible gambling messages might best be delivered
- Preferences for shopping from domestic sites are also showing signs of decline. Competitive pricing, greater variety and better access is encouraging Australian online consumers to shop offshore. This is particularly marked among shoppers under 21 years of age
- The fastest growing sub-sector of online commerce is spending on entertainment that can be consumed in its digital format (this might include music, films and games). Entertainment products are also a fast growing sector of consumer spending online (this includes spending on items such as tickets for concerts, sporting and other events which are attended off-line). Logically, online gambling is a sector that will experience growth from both these trends
- Domestic sports betting providers have been quicker than their contemporaries from the broader Australian retailing market in providing online 'shopping sites'. These offer a very wide variety of

gambling products. The same providers have been early developers of smart phone applications, enabling fast transactions

- Domestic online gambling providers are offered some protection through government regulation. However, government regulations also render them unable to compete with overseas providers in offering some types of gambling
- The widespread marketing and advertising of sports betting in mainstream media is playing a major role in driving e-commerce generally and possibly all types of online gambling
- Profiles for online consumers, and thus online gamblers, are likely to have changed significantly over the last few years.

Conclusions

Previous literature and research from the field shows that profiles for those gambling online are likely to be at low risk for problem gambling (Productivity Commission 2010 15.10).

However, the data is out of date when considered against the escalating take up of online gambling and smart phone applications and reported profits of publically listed companies that offer online gambling.

With the number of online consumers rapidly increasing, even a cautious reading indicates it is highly unlikely that profiles for online gamblers have remained static.

These factors strongly indicate a need for further, up-to-date research on consumer behaviours in relation to online gambling and the profile of online gamblers. The research should include:

- the domestic/offshore market split of online gamblers and online gambling in Australia
- factors driving the growth of sports betting
- the extent to which sports betting leads to other types of online gambling; and
- current risk profiles of online gamblers.

INTRODUCTION

PURPOSE OF THIS PAPER

To review literature and research into Australian consumer behaviour, in particular the move toward online shopping, in order to provide a wider understanding of rapidly evolving Australian online gambling trends and the issues they raise for the community and policy makers.

BACKGROUND

The willingness of Australians to shop online has been of increasing interest to the retail industry, researchers and government. Unsurprisingly, much of this interest has focussed on the ways and extent to which online shopping is displacing traditional modes of consumption.

In particular, government authorities taking more interest in e-commerce include:

- the Australian Communications and Media Authority (ACMA)
- the Commonwealth Department of Broadband, Communications and the Digital Economy
- Austrade
- the Government of Victoria's Consumer Affairs Victoria.

Central to the concerns of these organisations are the areas in which Australians are increasing their online shopping and the factors influencing this growth.

Online purchases by Australians were estimated at between \$19 and \$24 billion in 2009, which was around 3 per cent of total retail sales (Access Economics 2010:iii). By contrast, in 2002 online purchases amounted to just \$4 billion (Consumer Affairs Victoria 2004:iii). These figures indicate a five to six times increase in online sales in just seven years.

Both the technologies enabling online consumption and the online market are far from 'mature': as their capacities grow so will the market. Access Economics (2010:14) has forecast online sales to grow between 5 and 12 per cent per annum over the next few years. Forrester Research (cited in Hammond 2011) estimates that online spending by Australians will be over \$33 billion by 2015.

There is growing concern among Australian retailers over the perceived erosion of their markets by a shift to online purchases by Australian consumers. Retailers are particularly concerned about purchases made overseas where the Australian regulatory and tax regime may have no effect (7.30, 2011). High profile closures of Border's book stores by 'Red Group', and shop closures by 'Premier Retail' have been blamed on the growth in uptake of online shopping by Australian consumers (Ferguson 2011).

According to Ferguson (2011) and Reilly (2011), competition from online providers is not the only reason for a decline in 'real world' shopping. However, they do argue that online shopping is growing much faster than the traditional modes, and that this is hurting domestic retailers.

A number of commentators have observed that the decline in market share by Australian based retailers is due to them having been so slow to take up and build their own online shopping sites (Palmer 2011; Varley 2011; Chandler 2009; PWC et al. 2011).

In stark contrast to many of these Australian retailers, sports betting providers (corporate bookmakers) have been quick to build and advertise web sites and internet services. Online sports betting has seen rapid increases in volume, revenue and visibility over the past three years. Virtual rather than traditional shopfronts

have been central in establishing this presence. Indeed, new entrants in this increasingly lucrative market, such as Sportsbet and Centrebet, provide only 'virtual shopfronts'.

Current estimates are that Australians will wager over \$600 million in online sports betting in 2011; an increase of 230 per cent from 2006 (Tillett 2011). While not all sports betting is provided online, this is its main form of delivery.

The new context

The online focus of sports betting raises jurisdictional challenges for both Victorian and federal regulators. The remit and power of Victorian law has been challenged under section 92 of the Constitution, while gaps in Commonwealth law are being exposed by the new possibilities the internet offers.

Box 1: A short definition of e-commerce

- E-commerce is the Australia Style Manual recommended writing of the word.
- Austrade distinguishes between e-business and e-commerce thus:
 - **e-commerce** refers to online transactions - buying and selling of goods and/or services over the Internet.
 - **e-business** covers online transactions, but also extends to all internet based interactions with business partners, suppliers and customers such as: selling direct to consumers, manufacturers and suppliers; monitoring and exchanging information; auctioning surplus inventory; and collaborative product design. These online interactions are aimed at improving or transforming business processes and efficiency.

Consistent data around participation in online gambling is relatively hard to find. Working from 2009 data, the Productivity Commission (2010:2.36) estimated participation at between 0.12 per cent and 4 per cent of the Australian adult population. This identified online gambling as just a small portion of the overall gambling sector.

The 2009 Australian Communications and Media Authority (ACMA) survey reported that five per cent of households using the internet had engaged in online gambling in the past six months. This figure was identical to that reported as the uptake of Australian consumers purchasing groceries online. The survey also found that the most common form of e-commerce engaged in by Australian consumers was that of online banking, at 70 per cent participation (ACMA 2010: p.55).

However, using different data, Sally Gainsbury (2010:5) cites the "nationally representative" 2010 Nielson "market research report" which suggests "30 per cent of Australians over the age of 16 engaged in internet gambling in 2009" (Gainsbury 2010:5). This paper also notes indications that the online market is now larger than the older surveys found; see the discussion of more recent financial data in the section, *A growing market: evidence for the balance sheets*.

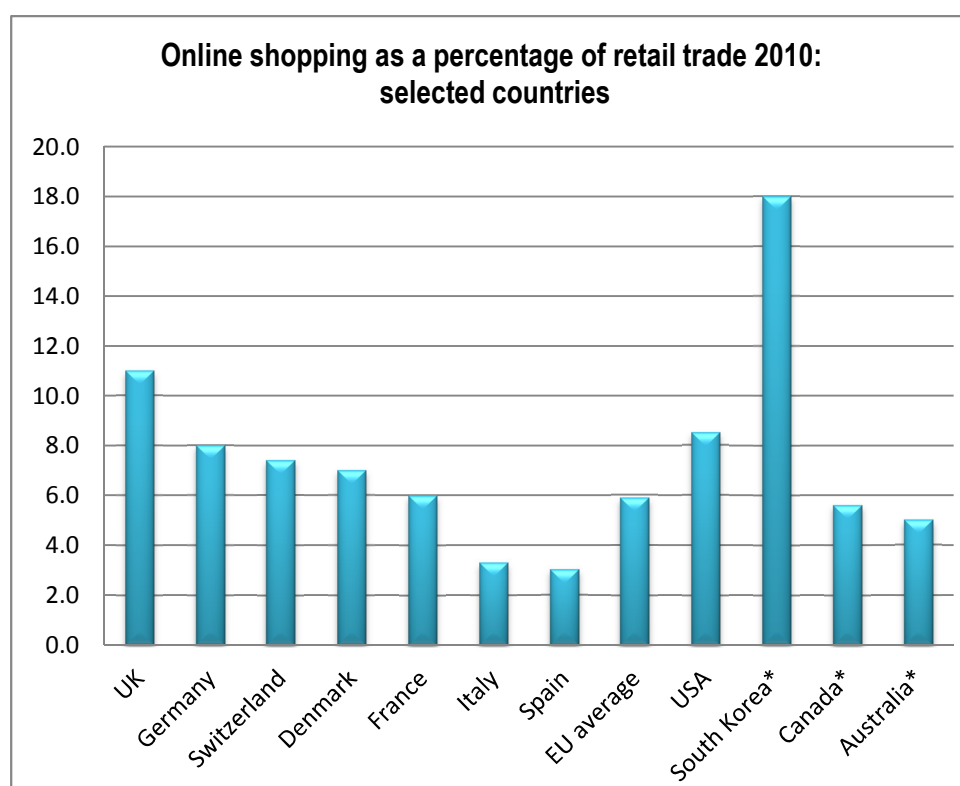
The Federal Government has proposed amendments to the *Interactive Gambling Act 2001* that are likely to relax restrictions on the types of online gambling that can be offered by Australian providers. The Responsible Gambling Advocacy Centre’s (RGAC’s) full position on these amendments can be seen in: RGAC (2011) located at the Commonwealth Parliament’s Select Committee on Gambling’s website (JSCGR).

OBSERVATIONS OF CONSUMER BEHAVIOUR

Australian consumers online, fewer by comparison but growing rapidly

Australian Bureau of Statistics data estimates that 64 per cent of Australians aged 15 or over who used the internet in 2008-09 for any reason, also used it to purchase goods and services online (ABS 2009). However, Access Economics (2010) reported the take-up rate of e-commerce by Australian consumers to be lower than for comparable countries.

Figure 1



*2009 figures. Sources: European and USA figures Centre for Retail Research <http://www.retailresearch.org/onlinereetailing.php>; Source: Australia, Canada, South Korea http://www.imap.com/imap/media/resources/IMAPRetailReport8_23CB9AA9C6E8B.pdf

NB 2009 figures closer to higher end of estimates, Access Economics figures for Australia are as low as 3 per cent in 2009 and a Commonwealth Bank report in July 2011 put the 2010 figure at 3.8% (Greenblat 2011.) The Productivity Commission settled on 6% for 2010 (PC 2011 pp.71, 85-6)).

This relative lack of take-up of e-commerce by Australian internet users, when measured against other (comparable) countries, has been attributed to the slowness of Australian companies to develop an online presence (Varley 2011; Chandler 2009). Underpinning this analysis are observations that Australians prefer to shop online with known and trusted companies, who are likely to be local.

As previously noted however, the rate at which Australians are taking to shopping online is now rapidly expanding. Indeed, PWC (2011:2) recently projected growth of 13 per cent in 2011. The growth is particularly marked among younger consumers. An online survey by the Australia Institute in March 2011 found 25 per cent of those aged 18 to 34 said they tried to buy online when they could, “all the time” and 64 per cent did sometimes (Irvine et.al. 2011 p.3).

Box 2 Australians Online

- At the end of 2010 there were 10.4 million active internet subscribers (excluding mobile phone subscribers) and 93 per cent of connections of some form of broadband and over 80 per cent offering speeds of 1.5 Mbps or greater
- Mobile and fixed wireless connections (excluding mobile phones) had grown rapidly since 2007 from less than five per cent of the market to more than 40 per cent
- Surveyed in 2009, 88% of internet users had performed one or more e-commerce activity in last six months
- Nearly two thirds of those with a household internet connection had undertaken at least four different types of commerce in last six months
- Most popular goods and services were travel goods (56%) followed by event, concert or movie tickets
- Those aged 25 to 34 had the highest incidence of purchasing online, only four per cent had not done so in the last six months.

(Source: ABS 2010).

Australian consumers online: why?

Surveys of consumers indicate that the most important reasons Australians are electing to shop online are:

- better value (almost 70%¹)
- avoiding crowds (approximately 75%) and queuing (almost 50%), and
- access to a wider range of products (between 45 and 50%) (Access Economics 2010:4).

Similarly, the ACMA (2010:19) national survey listed the top three reasons as:

- convenience (78%)

¹ These numbers are approximate and based on Access Economics 2010:Chart2.1:4. This chart does not provide exact numerical figures.

- cheaper prices (38%), and
- increased range of products (16%) (ACMA 2010:19).

Australian consumers online: the decline in preference for shopping local

General data on domestic versus overseas internet shopping preferences may provide some insights into decisions Australians might take regarding online gambling offered by offshore providers.

A review of the available evidence indicates that while there was a marked preference for buying from local online retailers this appears to be changing rapidly and in tandem with a reduction in the dominance of 25-44 year olds as consumers.

Thus the ACMA's November 2010 report, working from 2008-09 data, indicated that, regardless of the abundance of e-commerce goods and services offered internationally, Australian online consumers were more likely to shop with or use local sites. These figures on the preferences of Australian online shoppers showed:

- 68 per cent preferred using Australian sites more often
- 12 per cent preferred international sites, whereas
- 19 per cent reported using Australian and international sites "equally" (ACMA 2010:20).

In their *eCommerce Secure Insight* from November 2010, PayPal Australia reported a "strong preference" to buy locally online, with almost "a quarter of Australian adults" shopping online "only with "domestic websites" (PayPal Australia 2010:2).

Australian consumers then nominated their three biggest reasons for this preference as,

- support for local industry (24%)
- distrust of overseas websites (23%), and
- goods or services desired only being available in Australia (17%) (ACMA 2010:21).

Shipping costs (14%) and time (11%) from overseas were also significant factors, as was ease of return of goods (10%) (ACMA 2010:21).

These factors influencing Australian consumers could work to the advantage of Australian based online gambling providers, as they are likely to have a head start in recognition and seem more reliable. Furthermore, knowing they are Australian, educated consumers will presume they also come under Australian law. Consumers could see these factors as providing higher levels of trust, and greater accessibility by the consumer to the provider. Characteristics that, in their turn, imply greater reliability in terms of consumer guarantees.

Older indicative surveys from 2008-09 estimated that around 70 to 80 per cent of online sales in Australia occurred through local websites (Access Economics, p.10.) Moreover, those aged between 25 and 44 and those in higher income brackets were the highest proportion of buyers (Access Economics p.5). However, the strength of this preference for the local is apparently waning along with changes in the demographics of buyers.

A more recent Commonwealth Bank (CBA) study, based on credit and debit card spending, found that the ratio of spending on domestic sites was much lower than previous estimates. In 2010, local spending was just 56 per cent and its share was continuing to decline in 2011 (Greenblat 2011).

This shift is also found in a recent report by Price Waterhouse Coopers, and Frost and Sullivan. This report estimates that, while overall online shopping expenditure in Australia will increase by 13 per cent in 2011, the increase in spending on overseas sites will grow by 25 per cent (PWC et al. 2011).

The CBA study showed generation Y and Z now leading the charge in online shopping, with those under 21 spending \$4.2 billion a year offshore (Kale 2011). While there is no definitive evidence on why this would be, anecdotal evidence heard by RGAC does suggest some possible reasons for this trend:

- younger Australians are likely to be less concerned or aware of consumer protection laws and their possible lack of recourse when using overseas sites
- they are likely to have high levels of familiarity with established offshore sites such as eBay, Amazon and iTunes that are trusted. This trust bleeds across into other online retailers without regard to their geographic location
- with generally lower incomes they are more price sensitive, cheaper goods are a stronger motivation than the service and returns policy that older consumers are more attuned to. Certainly for all online shoppers price appears a major driver and this is even truer when their income is lower (Irvine 2011 p.4-6)

WHAT DOES THIS MEAN FOR ONLINE GAMBLING?

If the bias against offshore purchases is declining then restrictions on Australian gambling providers may have a less protective effect for Australian gamblers

Australian based companies are only permitted to provide some types of gambling online. In competition with them are a large number of international sites. Offshore providers can offer:

- a wider range of gambling products
- more inducements for gamblers, and
- competitive pricing on the same or similar sporting markets.

It is noted that these are similar to the factors cited above from Access Economics and ACMA as driving people to move to online shopping in the first place.

The overall trend away from preferencing domestic providers must also be considered. Confidence among Australians in shopping at offshore sites appears to be building. If this trend travels across sectors to that of online gambling, the constraints put on Australian providers are less likely to limit types of online gambling undertaken by Australian consumers.

In addition it must also be noted that in the absence of more effective co-operation between international regulators, risks are likely to remain higher for any Australian consumers purchasing products off-shore (Productivity Commission 2011:71).

Such observations speak to the case for relaxing restrictions on Australian providers in order to give Australian consumers a better regulated environment in which to gamble. However, it does not on its own fully make the case. Other important questions remain to be answered, such as:

- how many people currently gamble off-shore and would numbers increase or decrease if Australian providers were available?
- how at risk (currently) are those people who gamble off-shore?

- how many potential online gamblers are dissuaded by lack of Australian providers? and
- what role advertising by Australian providers to an Australian audience would play in increasing the market and numbers at risk?

“It’s normal”: The more you use the internet for some forms of e-commerce the more you are likely to use it for other forms

Whether they are shopping online with onshore or offshore e-commerce providers, the number of Australians both using the internet, and using it to order or purchase goods or services, is steadily on the increase. These figures have risen from 6.9 million online buyers out of 11.3 million internet users in 2006-07; to 8 million out of 12.6 million users in 2008-09 (ABS 2009; ACMA 2010:8).

It is also the case that over 60 per cent of those using e-commerce did so in four or more areas of activity, and almost one fifth engaged in seven or more e-commerce activities (ACMA 2010:5-6).

Results such as these support observations that once people begin to substitute the internet as a means of purchasing goods and services, they are also more likely to be receptive to using it for other activities. Initial resistance to using e-commerce may be followed by rapid and broad take-up if the initial experiences are positive and thus normalising.

Data from 2008-09 indicated that the likelihood of purchasing online amongst the population rises with:

- the level of education
- participation in the workforce
- male gender
- high income (ACMA 2010:10-12; 17).

This profile is notably in accord with the Productivity Commission’s observations, that those gambling online are likely to be from better educated and remunerated sections of the community and at less risk of problem gambling (Productivity Commission 2010:15.10).

However, as convergence technology combines with the coming of age of the section of the population known as ‘digital natives’ this profile appears to be changing. Rapid change in it would undermine the assumptions being made about both trends in online purchasing and the level of risk involved in online gambling.

KEY ISSUES ARISING FROM THE RESEARCH

Gambling is not your typical retail sector

The major restraint on Australian providers’ online gambling offers to Australian consumers has been the Commonwealth *Interactive Gambling Act 2001(IGA)*. This prohibits Australian businesses providing online gaming (casino type games) to Australians, and using the internet to facilitate live-betting.

However, despite the legislation, and contrary to wider retail sector trends, gambling providers have been faster in developing sites and creating greater opportunities for online gambling.

Research or data on how this new and rapidly growing online gambling sector splits between domestic and offshore market share is not readily available. This in turn means there is little to suggest the consumption trends in offshore versus domestic spending.

However, the wide array of domestic providers of sports betting does mean that neither a lack of choice in betting products, or limitations on access to them, are issues. Thus, it can be stated that two of the factors observed in consumer behaviour research as driving Australians to offshore sites have a negligible presence in relation to sports betting.

Moreover, convergence in mobile phone and internet technologies is rapidly dissolving boundaries between access to gambling by phone or computer. They are less and less two distinct forms of access. In light of this, the Federal government is currently considering proposals to relax the restriction on using the internet for live-betting.² If this change occurs it can be expected to both grow the sports betting market, by giving greater and easier access to betting, and to increase the competitiveness of domestic providers by further levelling the playing field vis-à-vis foreign competition.

The restraints in the IGA also mean that some areas of traditional gambling, bricks and mortar poker machine venues and casinos, have enjoyed a measure of protection from online competition. Competition by means of online versions of these games has been available - but only if consumers wish to use off shore sites.

However, as argued below, the growth of online sports betting may also have the side effect of increasing consumer awareness of this online competition. This, combined with an increasing lack of inhibition about using off-shore sites generally, may be eroding the protection the IGA has offered the bricks and mortar industry.

Surveys show that another main driver for Australian consumer behaviour in the broader e-commerce market, either to local or overseas sites, has been price (ACMA; Access Economics). Australian gamblers might find promotions offered by offshore providers through the advertising of their products and services to be appealing. In online gambling, overseas sites may take advantage of larger markets to consistently offer better odds on events outside Australia. However, the reverse may apply for Australian events.

Advertising for sports betting may have major impacts on consumer awareness, preferences and behaviour

The heavy domestic promotion of live bets and so-called exotic bets around in-game events has been cited as of concern to both the public and politicians (AAP 2011a; O'Brien 2011; Johnston 2011). This is particularly so where the advertising has taken place during live broadcasts of the event. Current research presented by Dr Samantha Thomas of Monash University to RGAC in September documented the pervasiveness of gambling advertising during games. This was true both in broadcasts and at venues. The intention and effect, she stated, was to saturate the experience of sport with gambling.

In May 2011 the Council of Australian Government's Select Council on Gambling Reform issued a communiqué that gave the industry until June 2012 to take action to reduce and control promotion of live odds during sports coverage or the government would consider legislation (COAG Select Council 2011).

Gambling advertising in Australia is regulated, and it seems likely that at Commonwealth level this regulation will be increased rather than relaxed (See: JSCGR 2011). However, the consistency with which regulations are enforced or policed varies across different media. The Commonwealth has ultimate responsibility for advertising in the electronic media including the internet. States can and have imposed some regulation on advertising appearing in their jurisdictions by advertisers registered in their jurisdictions.

² The Commonwealth Interactive Gambling Act 2001 intentionally forbids live betting. However, it does not cover what was then principally an analogue technology, placing bets by phone. The changes in technology evident in phones are a driver in the review of the Act. In Victoria the approval of the Victorian Commission for Gambling Regulation is required before wagering of any type is offered on any sporting or non-sporting events.

The Australian government and sporting bodies have taken action to ensure that non-licensed, offshore bookmakers are held out of the Australian markets through provisions in the Interactive Gaming Act. Such measures, even though they are until now unenforced, still offer a measure of protection and encouragement to domestically based bookmakers, who can be governed under existing regulations.

Victoria has state specific regulations relating to gambling advertising. However, the extent to which they can be applied to providers operating from interstate is untested in courts. Recent High and Federal Court cases – *Betfair v WA* (2008) and *Sportsbet versus Victoria, VCGR and Tabcorp* (2011) cast doubt on the ability of state law to regulate gambling providers operating interstate.

This paper notes that widespread advertising for online sports betting has not just raised awareness of sports betting choices but also raised awareness of opportunities for online gambling more generally.³ For example, providers like *onthe punt.com*, that heavily promote sports betting, include links to overseas companies that offer virtual poker machines, casino type games and online poker (on the *punt.com*, bookmakers by country page).

Thus, local advertising promoting online sports betting may also grow the market for online gambling generally. It can also be deduced from the consumer research that people are increasingly likely anyway to be comfortable turning to overseas sites for types of gambling product that are not available domestically.

Furthermore, the sports betting advertising and subsequent raised public awareness of gambling options have implications for the make-up of the gambling market generally. These are:

- local providers can be expected to lobby to be allowed to compete for a section of the Australian market they are denied
- bricks-and-mortar casinos and poker machine venues may perceive threats to their market
- Australian gamblers may be at increased risk from unsafe or fraudulent overseas products.

A preference for digital consumption and the growth in entertainment purchases suits online gambling

Travel and grocery shopping currently dominate online retail sales. However, more recent trends have shown stronger growth in sales of online products such as books, music, games and videos. This is part of the internet migrating from the study to the living room and the pocket (PayPal 2010).

It is notable that all of these digitally consumed products are entertainment related. Higher comparative growth in spending on entertainment has itself been a long term trend (Michael 2006:48; ABS 2011:9).

Being a form of entertainment that is more frequently consumed digitally, online gambling might be expected to have its growth supported by both of these trends.

Also, the personal nature of internet devices first and foremost enables solitary entertainment; a capacity that supports the preferences of most gamblers, and especially problem gamblers, to gamble alone (Victorian Gambling Study 2011:13).

Consumption of online gambling does not always have to be individually however. The proliferation of portable devices and internet enabled television means that the ability to share entertainment experiences purchased and used *digitally*, through the internet, is rising as well. Smart phones and internet TVs, for

³ Advertising is certainly regarded as a key driver of online gambling growth by the industry, see the section *A growing market: evidence from the balance sheets*, below

example, enable a group of people getting together to watch a sporting event to also share live-betting on that event. RGAC has heard regularly about such gatherings becoming popular as alternative to attending venues or gambling alone online or over the phone. The participants are reportedly primarily young men in their twenties.

The use of social media to get a local profile

Social media is playing an increasing role in recommending and providing products and services. It has become a major way for online gambling providers to promote their e-commerce products and services (iBus media 2010:4; Dowling 2011).

Facebook has recently announced a relaxation in its restrictions on gambling advertising that are expected to allow better and more frequent advertising of gambling industry brands (McEleny 2011).

Using social media to promote their products enables offshore providers to gain “local style” access to Australian consumers, particularly young people whose online and consumer habits are still being formed.

In terms of reception to advertising and also levels of trust, recent data reveals that 39 per cent of Australians are interested in buying products from stores embedded within Facebook (Varley 2011:22ff).

Growing the market, the impact of the National Broadband Network (NBN) rollout in Australia

The continuing rollout of the fibre optic National Broadband Network (NBN) will enable greater numbers of Australians to access more complex internet sites at faster rates. Currently, access to high speed ADSL connections through phone lines is limited to specific locations.

Speed is important in some forms of online gambling, for example, for those using complex graphics or where speed of information access and placing bets is important. Speed is also important for internet video broadcasting of sports events (Phillips and Blaszczyński 2010:22; FaHCSIA 2009:1.3). NBN slowest speeds will be as fast as the top end speeds currently supplied through services such as ADSL and will not have location restrictions.

At present it seems likely that the first effect of the NBN will be an increase in the total number of Australians with high speed internet access. These levels will equal the highest current ADSL speeds. Past trends indicate this will increase the numbers of Australians accessing the internet frequently; thus growing all potential markets for online goods and services including gambling (Noble 2011).

The NBN rollout is also expected to increase the number of Australian providers of online goods and services, thus also contributing to growing the market of Australians using e-commerce.

A growing market: evidence from the balance sheets

Apart from surveys, another indicator that can be accessed to provide some insight into the rate of growth of online gambling is the growth of the companies who offer it, especially growth in their financial turnover.

Not all Australian registered sports betting organisations have experienced growth. At the end of August 2011, two of the smaller companies, Sportsalive, and the linked site Bet247, collapsed, with the former going into liquidation; and the latter being bailed out by Tom Waterhouse, another online bookmaker. This may be due to some consolidation taking place in the market as it matures, however the exact reasons for the collapse were not known at the time of writing.

Figures specifically on online sales are also not readily available from all companies, some because they do not publically report, others because they do not specifically identify the online component of their sales in their reporting.

This paper looked at reporting from three major online sports betting companies: Sportsbet, Sportingbet and Centrebet. The first two of these are the largest players in the Australian market.

Sportsbet reported that their Australian online turnover had increased by eight per cent between the first six months of 2010 and those of 2011. This was an increase from approximately \$847 million to \$917 million (Paddy Power Interim results 2011). It further reported growth in “active customers” by 20 per cent over the same period. Particularly striking was the increase in online customers using their mobile phones to place bets. This went up by 15 per cent, from 5 per cent of customers in May 2011 to 20 per cent in July (Bennett 2011).

Available figures for Sportingbet are more dated, but also revealed consistent growth. It reported an 18 per cent increase in bets taken between 2009 and 2010, and this followed a steady increase in 2008-09. In particular it registered a 21 per cent increase in online sports betting in 2009-10 and an 11 per cent growth in “active customers”.

The company attributed the growth to heavy investment in offline marketing (marketing in the traditional media of print, radio and television) following the reduction in advertising restrictions in Australia (Sportingbet Annual report 2009-2010 pp.9,12).

Centrebet also recorded strong growth, with online turnover up 23 per cent to \$625 million in 2009-10. This grew a further 10 per cent to close to \$700 million in the first half of 2011. It was also highly successful in recruiting new customers, reporting a 92 per cent increase in just six months.

These results tend to confirm other observations of a considerably higher growth in online betting than in the retail sector generally or in the online sector. It is clear that Australians are increasingly venturing into the online sports gambling market and that the companies have confidence in mainstream advertising being able to grow these markets.

E-COMMERCE CONSUMER BEHAVIOUR: IMPLICATIONS FOR ONLINE GAMBLING

Both the Access Economics (2010:3-5) and ACMA (2010:3) reports show greater, noticeable trends towards e-commerce from Australians in younger age groups. The ACMA (2010:8) also indicated a slight skewing of representation towards males, at 74 per cent of internet users, compared with the up-take by females at 65 per cent.

Dr Samantha Thomas’s work, presented at RGAC in September 2011, noted the clear targeting of advertising for online sports betting towards young people, particularly males. She also noted the reluctance of young people to be associated with traditional forms of gambling, something some of the advertising played to.

The ACMA figures did also note small spike in the prevalence of online gambling for those 65 plus compared to the age cohorts of 45-54 and 55-64 below them (ACMA 2010:7). Overall, the participation levels of those aged 65 plus in online commerce are lower than all other groups. Their slightly higher take up of online gambling may be associated it being a new and more preferable form of access to gambling as an activity.

Gambling research does suggest there are potential convergences between young males and an interest in sports betting (AAP 2011b) and older females and a reluctance to enter bricks and mortar gaming venues (Cotte 2009). For both of these groups online gambling might be expected to offer specific attractions.

The impact of convergence

The most useful observations from the survey of consumer research are the escalating growth of the online sector and the increasing lack of inhibition in making purchases from any location. These trends are being driven in part by technological change, with increasing numbers of internet capable devices being distributed among the population.

The exponential growth in web enabled mobile phones and convergence generally of internet enabled portable and other devices is showing up as a major factor in online consumer activity (PWC 2011). Phones are now increasingly internet devices with built in browsing and permanent internet connections through applications. This makes internet shopping something you can do on the move and in multiple locations outside the home and office.

Not only are more products on offer on the internet but it is easier to access and buy them. Thus less inhibition in online shopping is also being driven by growing familiarity of the internet as way of consuming things generally. In the case of gambling, sports betting advertising is also playing a role in familiarisation.

The not surprising finding that young people are leading the charge in the move to online purchases has implications not just for gambling but for the spread of responsible gambling messages. The research indicated that a high proportion of younger users did not just buy online but sought information about *all* prospective purchases online where they could. Policy directed at delivering responsible gambling messages needs to take this into account. The requirements to deliver responsible gambling messages on online gambling providers; the form they take, the resources and information they link to, how prominent they are, all become particularly important in light of this evidence.

Overall the evidence shows that online markets are expanding rapidly. In a fast growing market the profile of the consumers in the market may also shift rapidly. This has implications for the relevance of existing research on the profiles of internet users and online gamblers.

The rapid growth in the take-up of e-commerce by Australians means that much recent research, particularly where this concerns changing and emerging profiles for online shoppers, is likely to be out-dated for predicting consumer profiles and consumer behaviours.

QUESTIONS FOR FURTHER RESEARCH

RGAC's analysis of trends and literature, and the RGAC forum on this issue held on 26 August, have generated many further questions that cannot be sufficiently answered at this time. They need to be considered in evidence based research. Some of these questions follow:

- what is the current share of domestic versus international online sales; both generally and by market segment?
- how does Australia's breakdown of such market shares compare with other countries, especially those with a similar cultural make-up?
- in what ways and how rapidly are profiles of internet consumers changing in Australia?
- what is the history of the establishment of online sports betting sites in Australia and how rapidly are these expanding when compared with e-commerce in Australia more broadly?

- what factors are driving the growth in online sports betting and how do these differ from those driving growth in other sectors?
- how does the market share of Australia's online sports betting sites compare on a state/territory by state/territory basis; and in relation to offshore providers?
- what, if any, are the factors influencing Australians' choice of onshore or offshore online gambling providers?
- what effect does the uptake of online sports betting have on the likelihood of consumers trying other types of online gambling?
- what evidence is there of the role of convergence of internet enabled devices influencing the take-up of e-commerce generally and online gambling in particular?
- is there evidence of the degree, if any, that rises in online gambling are resulting from substitution for bricks and mortar wagering or gaming?
- How important a role has advertising in increasing the uptake of e-commerce generally and online gambling in particular?
- Is it possible/worthwhile to distinguish between the effects of advertising in different mediums?

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