The impact of social media gambling sites on youth: Should we be concerned?

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Discovery Conference, April 2013
Social Gaming is barely 5 years old.

Nevertheless, social media gaming is BIG business.
Two of the most influential individuals in the technological revolution
Think outside the box

Steve Jobs
Social gaming is the next big thing in 2012

Mark Zuckerberg
How fast is this growing??
Online Social Gambling is a $1.7bn industry, rising to $2.6bn by 2015 according to SuperData Research.

E= SuperData Research estimates  Source: SuperData Research, Morgan Stanley Research
Social Casino Revenues ($MM) - Key Markets

USA:
- 2012: $663
- 2013: $820
- 2014: $952
- 2015: $1028

Germany:
- 2012: $123
- 2013: $118
- 2014: $108
- 2015: $93

France:
- 2012: $31
- 2013: $39
- 2014: $41
- 2015: $36

United Kingdom:
- 2012: $139
- 2013: $128
- 2014: $111
- 2015: $91
Exhibit 3

There are 130m social gambling customers every month, growing at c.100% per year.

Source: Dstllr, Morgan Stanley Research
Social gambling users have grown by 160% since May 2010, while social gaming users have increased by 40%.

Source: SuperData Research, Morgan Stanley Research
Poker dominates the social gambling industry today

- Bingo: 8%
- Slots: 27%
- Casino: 47%
- Poker: 17%
- Other: 1%

Source: SuperData Research, Morgan Stanley Research
Online gambling is a c.$35bn market, expected to grow by 20% in the next three years

E = H2 Gambling Capital estimates  Source: H2 Gambling Capital, Morgan Stanley Research
SuperData expects the global social gaming industry to grow to $12bn in 2015, with casino style games being 22% of this.
Gambling is the highest growth of all the genres of social games.

Source: Distilr, Morgan Stanley Research.
North America and Asia dominate the $8bn global social gaming industry...

Source: SuperData Research, Morgan Stanley Research
2011 online gambler ages (world)

- 18-29: 23%
- 30-39: 23%
- 40-49: 17%
- 50-59: 18%
- 60-69: 15%
- 70+: 4%

Source: Wood and Williams 2011, A Comparative Profile of the Internet Gambler, Sage Publications
Consumer Survey Results

Are you?

Female: 57%
Male: 43%

How old are you?

- Under 21: 0.63%
- 21-34: 43.66%
- 35-44: 20.70%
- 45-54: 19.57%
- 55+: 15.43%

What type of social casino game did you play most frequently in the past six months?

- Casino: 24.28%
- Slots: 21.67%
- Poker: 28.15%
- Bingo: 11.3%
- Other Table Card Games: 6.4%
- Not Sure: 7.4%
- Other: 0.74%

Survey results among qualified social casino players (n=500) in the U.S.
Convergence of social media sites and gambling
Casino type games have become the most popular social gaming genre

- In 2010, 338 applications that allowed wagering using virtual credits were found on Facebook (Korn et al., 2010)
- Top 5 Facebook casino games attract almost 50 million active monthly users
- Zynga Poker alone attracts 34.8 million monthly players; 6.8 million daily players
- Of the top ten grossing iPhone apps in the US, three are currently casino games - Slotomania, Zynga Poker, and Texas Hold’em Poker
- Social media games are the new darling; their corporations are the most sought after by gaming companies
Social media simulated “gambling” games originally played for virtual money are now being played for real money.
Convergence of Social Media & Gambling

- Poker/card games
- Casino games
- Sports wagering
- Reality shows
- Celebrity adoptions, arrests, etc.
- Any form of contest/Political race
Internet Gambling Without Money: A few examples
This website does not permit players to wager real money. Chips in players' accounts have no monetary value, and cannot be exchanged for anything of value. Any and all references in the website to "pots," "limits", "betting" or the like are solely for instructional or illustrative purposes and do not involve wagering real money.
PLAY ONLINE POKER FOR FREE

PokerStars is the world’s largest online poker site, with a tournament starting every second, the widest selection of poker games and millions of players worldwide. You can start playing now with our award-winning software, and practice all the games for free. Download the free PokerStars.net software to get started.

Team PokerStars Pro
Bingo FRIENDZY
World’s First Real Cash Games on Facebook
ZyngaPlusCasino brings players more than 160 slots games and a variety of table games including Blackjack, Roulette, Baccarat and Video Poker as well as the first-ever FarmVille-themed slots game.

“This is just the beginning for us” and that its long-term vision is “to offer our players the next generation of real money games on multiple platforms in regulated markets worldwide.”

The company also claims players have been asking for real-money games and it is simply giving them what they want.
Is this a problem: Some empirical evidence
Frequency of Play on Internet Gambling Sites Without Money in the Past 12 Months by Gambling Severity (McBride & Derevensky, 2006)

<table>
<thead>
<tr>
<th>Gambling Groups***</th>
<th>N = 2205</th>
<th>Internet Gambling Without Money¹ (n = 1082)</th>
<th>Internet Gambling With Money¹ (n=183)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Gambler</td>
<td>n = 726</td>
<td>33.9</td>
<td>0</td>
</tr>
<tr>
<td>Social Gambler</td>
<td>n = 1278</td>
<td>56.6</td>
<td>9.5</td>
</tr>
<tr>
<td>At-Risk Gambler</td>
<td>n = 129</td>
<td>74.4</td>
<td>21.6</td>
</tr>
<tr>
<td>Probable Pathological Gambler</td>
<td>n = 72</td>
<td>80.6</td>
<td>34.7</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>49.1</td>
<td>8.0*</td>
</tr>
</tbody>
</table>
Follow-up study  (McBride & Derevensky, 2010)

- Montreal high-school students: N = 1113
- Canadian and U.S. college and university students: N = 1273
- On-line gaming newsletter link: N = 546
Past year gambling

- High School
- College/University
- Internet Sample 18-24
- Internet Sample 25+
Past-Year Gambling Frequencies

- Never
- Less than once a month
- Monthly
- Weekly

Frequency %

High School
College/University
Internet Sample 18-24
Internet Sample 25+
Use of “Demo/Practice” Sites

- High School
- College/University
- Internet Sample

Frequency %

Male
Female
“Demo/Practice” Site Frequency

- Never
- Less than once a month
- Monthly
- Weekly
- Daily

Frequency %

<table>
<thead>
<tr>
<th>Category</th>
<th>High School</th>
<th>College/University</th>
<th>Internet Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>50</td>
<td>60</td>
<td>70</td>
</tr>
<tr>
<td>Less than once</td>
<td>40</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Monthly</td>
<td>30</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Weekly</td>
<td>20</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Daily</td>
<td>5</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

Legend:
- Orange: High School
- Dark Brown: College/University
- Blue: Internet Sample
“Demo/Practice” Activities

- Roulette
- Blackjack
- Dice
- Sports betting
- Slot machines
- Cards
- Maj Jong
- Keno
- High School
- College/University
- Internet Sample
Another study  (Meerkamper, 2010)
33% of underage Canadian youth have gambled online for “free”
38% of underage Canadian youth have gambled for money in person in the past 12 months.
REASONS why youth play online gambling games (no money)

- I'm bored: 59%
- It's fun: 49%
- Amount of free time/spare time I have: 30%
  (15-18)
- It's on a social networking site, like Facebook: 22%
- The thrill or rush of playing: 15%
- Friends are involved or organizing an interactive game: 14%
- It's a good way to improve skills to play for real money: 11%
What youth have DONE to play a gambling game online (no money)

- Avoid responsibilities, like homework or house work: 30%
- Lie about your age: 26%
- Avoid sleeping, or lost sleep: 24%
- Lie to your parents about what you were doing: 8%
- Using someone else's account: 4%
- Crack through blocking software: 3%
- Skip school or work: 2%
What are youth LEARNING from playing a gambling or betting game online for no money?

- I'm learning how to manage risk from playing these games: 24%
- I'm learning how to play various casino or card games better: 18%
- I feel more confident about gambling for money after having played these games: 10%
- Learning to play with fake money helps prepare for playing with real money online: 9%
- While playing a "fake money" game, I have been invited to gamble real money: 8%
What is the transition between playing on free sites and playing on sites for money?

- Started on "free" sites and still only on "free" sites: 65%
- Started on "free" sites and now sometimes on "money" sites: 5%
- Started on "free" sites and now mostly on "for money" sites: 2%
- Started on "for money" sites: 1%
### Past-Year Gambling Participation (On and Off the Internet) by Gender and Problem Gambling Severity among college students

*(McBride & Derevensky, 2013)*

<table>
<thead>
<tr>
<th>Gender***</th>
<th>N</th>
<th>Offline gambling</th>
<th>Practice sites</th>
<th>Internet gambling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>305</td>
<td>66.2</td>
<td>49.8</td>
<td>11.8 (90)</td>
</tr>
<tr>
<td>Female</td>
<td>160</td>
<td>46.9</td>
<td>30.0</td>
<td>0.6 (90)</td>
</tr>
</tbody>
</table>

#### Problem Gambling

<table>
<thead>
<tr>
<th>Severity</th>
<th>Non gambler a</th>
<th>Social gambler b</th>
<th>Problem gambler c</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>186</td>
<td>262</td>
<td>17</td>
<td>465</td>
</tr>
<tr>
<td>Non gambler a</td>
<td>DSM-IV score = 0, no gambling activity (on or off the Internet) in the past 12 months.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social gambler b</td>
<td>DSM-IV score (0 - 2).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problem gambler c</td>
<td>DSM-IV score (≥ 3).</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
<th>Offline gambling</th>
<th>Practice sites</th>
<th>Internet gambling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non gambler a</td>
<td>22.0 (90)***</td>
<td>-</td>
<td>55.3 (90)***</td>
<td>11.8 (90)**</td>
</tr>
<tr>
<td>Social gambler b</td>
<td>99.2</td>
<td>55.3 (90)***</td>
<td>11.8 (90)**</td>
<td></td>
</tr>
<tr>
<td>Problem gambler c</td>
<td>100</td>
<td>82.4 (90)***</td>
<td>35.3 (90)**</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>59.6 (90)</td>
<td>43.0 (90)</td>
<td>8.0 (90)</td>
<td></td>
</tr>
</tbody>
</table>

1. Percentage, participant numbers in parentheses.
2. DSM-IV score = 0, no gambling activity (on or off the Internet) in the past 12 months.
3. DSM-IV score (0 - 2).
4. DSM-IV score (≥ 3).

**p < .001

*** p < .01
<table>
<thead>
<tr>
<th></th>
<th>2012 Study</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Males</strong></td>
<td>28.1%</td>
</tr>
<tr>
<td><strong>Females</strong></td>
<td>10.2%</td>
</tr>
</tbody>
</table>

Student-Athletes Reporting Playing Any Simulated Gambling Activity (Past Year)  
(Paskus & Derevensky, 2013)
The modality for gambling is also changing.....
Mobile wagering
A growing number of companies are developing *apps* for smartphones and Tablets.
Games dominate global mobile app usage

Source: Flurry Analytics 2012, data from 64 billion global app sessions
Mobile gambling is rapidly taking share of the global gambling market

Mobile gambling yield as % of total gambling yield

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012e</th>
<th>2013e</th>
<th>2014e</th>
<th>2015e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield</td>
<td>7.4%</td>
<td>8.4%</td>
<td>8.5%</td>
<td>9.4%</td>
<td>10.3%</td>
<td>12.5%</td>
<td>14.3%</td>
<td>15.6%</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

*e = H2 Gambling Capital estimates  Source: H2 Gambling Capital, Morgan Stanley Research*
Around 20% of all social gaming revenue is generated via mobiles today; this proportion is a bit lower for gambling.

E = SuperData Research estimates
Source: SuperData Research, Morgan Stanley Research
Mobile gambling yield expected to rise 130% 2011-2015, with gaming growing 170%
Social Gambling

• The social gambling market dwarfs real money online gambling
  – 12% of population play social gambling at least monthly
  – Over 20% play some form of casino-style game (173 million vs 50 million for online gambling)

• Migration from social gambling to online gambling
  – Strong possibility as many are involved in both

• Converting 10% of social casino players into online gamblers would result in 30% growth in online industry
• Regulation would change the face of the industry
• Online gambling and social gambling business models are essentially identical
• There is concern “that with many gambling simulations is how the odds are often geared to benefit the players, which may provide a false impression of the ease of winning.” (Australian Government Review of the Interactive Gambling Act, 2012).
• There is a convergence in these models
  – IGT purchased Double Down
  – Caesar’s owns Platika (7 million users of Slotomania)
  – Zynga launched poker for money with bwin - April 2013
  – bwin launched its own social gaming platform
  – MGM partnered with Playstudios (myVegas)
  – Paddy Power – BetDash a social sports betting game
• Gambling operators will continue to expand into social gambling
• Morgan Stanley report on social gambling (Nov., 2012) suggests that social gambling offers the potential to “teach young people to gamble”
• Australian Government Review of the Interactive Gambling act (2012):
  “The public policy argument for prohibiting access to such gaming simulations is that it potentially normalises gambling amongst children and may lead them to become problem gamblers in the future.”
Social Policy Implications

- Need to continue to monitor changes in gambling behaviors as new technologies develop
- Need to help protect vulnerable populations
- Need to help educate youth about the warning signs associated with problem gambling
- Greater need for prevention/education initiatives
- Greater public and parental awareness
- Greater funding for research, prevention and treatment programs
- Greater need for collaboration between policy makers, regulators, the industry and researchers
- Regulation of the social gambling market
Bill Gates arrives at the port to heaven and hell. Petrus says “You see Bill, we don’t know what to do with you. You may choose heaven or hell.”

Bill peers in heaven and sees a couple of old boring men sitting around at a table. Bill takes a look in hell and sees really beautiful women, sex, drugs, rock and roll, and most of all, gambling.

Bill says “I am a gambling man, I want to go to hell!” Once in hell, Bill is immediately thrown into the fire. Bill says “Hey, what the hell is this, I saw all the gambling, women, and sex?”

The devil says “That was just a demo version.”

Courtesy of Mark Griffiths (2005); Griffiths, Parke, King & Delfabbro (2010)
Thank you....