



Lennart KÄLL

Chief Executive Officer, Svenska Spel
Sweden

PGRI Introduction: *Commercial i-gaming operators say they want to comply with laws and regulations, but their actions speak louder than words. In jurisdictions where they do get licensed to operate, they complain about having to pay taxes. In jurisdictions where they don't get licensed, they operate anyway in violation of the law. To further exacerbate this problem, the welfare of society depends upon the exercise of prudence and restraint on the part of the operators and marketers of games-of-chance. For instance, how likely is it that a commercial i-gaming operator would take the steps that Svenska Spel has taken to ensure a consumer experience that is healthy, sustainable, and consistent with a public policy that values sustainability over profits? To wit: Svenska Spel recently implemented a mandatory registration to play all of its games, discontinued the offers of bonuses and free bets to attract new players, launched PlayScan to monitor player behavior and counsel responsible play, and funded a university professorship to conduct research into the causes and effects of problem gambling.*

These are the measures deemed necessary to ensure the games-of-chance industry develops in ways that are consistent with the long-term interests of the Swedish people. Operating profit has declined. Chief Executive Officer Lennart Käll explains: "The decrease is according to plan. In recent years, we have seen the Swedish gambling market evolve in the wrong direction. Therefore, we show the way to a healthier gaming market through the introduction of several gaming actions, including compulsory registration. It's a position that comes before short-term profit motives."

Paul Jason, PGRI: *In what sense has the Swedish gambling market gone in the "wrong direction?"*

Lennart Käll: There are a number of factors that we look at. From a societal standpoint, since our mandate is based on a collective political will to restrict negative social and economic consequences of excessive gambling, enhance consumer protection, focus on social responsibility, etc., surely it must be dissatisfying that unregulated operators continue to increase their market share with excessive marketing of online casinos, poker and live betting (commonly perceived as products with an increased risk of developing gambling problems) without any restrictions, no safeguarding from the Gambling Au-

thority and without any risk of sanctions.

The overall tendency is that fewer and fewer individuals chose to gamble at all, whereas the remaining customers seem to spend more and more money. A very small percentage of the gambling population accounts for a substantial part of the total market spend. In their longitudinal gambling study, The Public Health Agency have found that the proportion of problem gamblers in the population remains unchanged at around 2 percent (from 1997/1998 to 2008/2009). However, there have been a number of changes between different population groups. For example, problem gambling has almost doubled among men aged 18–24 (heavily targeted in advertising) and has increased

among women aged 45–64. However, since 2008/2009 we have seen the emergence of a rapidly growing online casino market and, according to support groups as well as the National helpline, this particular gambling form does account for an increasing number of gamblers seeking help.

Another cause for concern is the ever-increasing advertising spend. Back in 2012, operators spent more money on gambling advertising in Sweden than in Finland, Denmark and Norway combined. Unregulated operators spent just over SEK 1 billion on advertising (gross) in 2012. The projected spend for unregulated operators this year is well over SEK 2 billion ... Unregulated operators make up for roughly 70 percent of the total market spend so far

this year. The concern is that this high level of advertising is attracting more players to the unregulated i-gaming websites.

How will compulsory registration lead to a healthier gaming market?

L. Käll: I have a lot of respect and humility for what we are trying to achieve. I wish I had substantiated research in gambling addiction and preventive measures to fall back on, but unfortunately there is not a lot of undisputed findings in this field, in Sweden or internationally. To some degree, we are experimenting. But we base our approach on some assumptions—pre-commitment, informed choice, involving the customer in the decision-making, expressed consent for proactive measures and direct marketing etc. The aim for this strengthened responsible gaming approach is to prevent “healthy” customers and at-risk gamblers from developing problems. Gambling addicts are not our focus but they do need stronger support from society in terms of accessible and professional care and rehabilitation. Our objective is to transform compulsory registration, with its possibilities of information, tools, self-exclusion, etcetera, to something natural, a safety net in the background that doesn’t take anything away from the experience. After all, the competition is still about excitement, joy and entertainment. It is a stiff competition and of course, we will still have to act commercially.

With this said, we will evaluate compulsory registration next year. This has been the plan all along and we are open to making necessary adjustments.

A concern that some would have in regards to compulsory registration is that it might drive even more consumers over to unauthorized, unregulated, and untaxed illegal operators. Too, any thoughts on what can be done to enforce laws that prohibit the operation of illegal i-gambling websites?

L. Käll: I can understand that some customers find compulsory registration a bit invasive and that it compromises personal

integrity. On the other hand, it is already compulsory if you gamble with an online operator today. But I think more businesses with land-based operations will follow. This is not just a matter of countering addiction—the industry is facing other challenges such as match-fixing and money-laundering. I noticed the Danish Government stated a couple of months ago that they are considering compulsory registration as part of countering match-fixing. And in Great Britain, the Government has told the industry that it seeks to introduce measures (possibly next year) on Fixed-Odds Betting Machines. Punters will be monitored in some way—potentially through a registration system.

Today, the online market share for websites without license in Sweden is estimated at roughly 50%. It is slowly increasing but it’s too early to say if this is the result of compulsory registration or due to the fact that the online casino market has been growing steadily over the past few years (we do not have a permit for online casino). At least a portion of that growth can be attributed to the intensity of their advertising focus on Swedish consumers. We can also see that some of our VLT customers are leaving for online/mobile slots/casino, but this would have been the case regardless of the compulsory registration.

Compulsory registration would seem to be the first step, and necessary step, to create the truly interactive relationship that is the basis for long-term, sustainable growth. Is that the way you look at it, and could you elaborate on your long-term vision for sustainable and healthy growth of Svenska Spel?

L. Käll: It is not a secret that compulsory registration is feeding into our CRM-system. And I think it’s quite telling that so many people immediately see a short-term business opportunity. But we have invested a lot of credibility in launching compulsory registration as a responsibility measure and I think it would be devastating to our brand and reputation if we started

to increasingly use CRM (Customer Relationship Management) to push sales. And frankly, that has never been the intention either. In general, as part of our mandate, marketing must not be used in order to increase the total gaming market or to raise revenue for the state.

My long-term vision is to realize Svenska Spel’s key principle of “responsibility before profit.” It’s easy to say, but how do you live it? How do you run a business based on this principle? And how do you convert “responsibility” to practical key performance indicators that will generate energy and direction within the organization and the co-workers? And how does an enterprise hold itself accountable to societal objectives that do not always have concrete performance metrics? We have started this journey, in many ways an internal cultural journey, but we need to push further.

As I have said, it is not a contest between responsibility and striving to offer the best gambling experience. The way I see it, responsibility and experience are intertwined. It’s rather how you find the perfect balance and stay there.

The gambling industry is still met with suspicion, even aversion. It’s a commercially very viable industry. A lot of operators are based off-shore, paying little or no tax. Advertising is everywhere. The social and economic consequences of excessive gambling are evident. At the same time, consumers are expecting more and more from corporations and businesses in terms of social responsibility and sustainability.

I think it would be possible to position Svenska Spel as a sustainable gambling company that doesn’t strive to maximize profit but rather to minimize “unhealthy” revenues and help customers to remain sustainable. With a strong brand, popular products and a strong partnership with Swedish sports, I’m convinced we can secure our position in the market and grow from there. As they say, doing good is good for business. ■