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policy paper

Corporate Digital Responsibility Challenges for Sports Betting Companies

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Abstract

The emergence and continuing development of digital technologies is disrupting and reshaping traditional business practices throughout the service industries, and the gambling industry is no exception. On the one hand, digital technologies have opened the door to a landscape of new sports betting opportunities. On the other, the introduction of digital technologies brings responsibility challenges for sports betting companies. This policy paper outlines the features of corporate digital responsibility, provides some simple illustrations of digital responsibility issues in sports betting, and offers reflections on how these responsibilities are being discharged.

Keywords: corporate digital responsibility, digital technologies, sports betting, privacy, protection, trust

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Introduction

The emergence and continuing development of digital technologies is disrupting and reshaping traditional business practices throughout the service industries (e.g., Zaki, 2019), and the gambling industry is no exception. Herring 100 (n.d.-a), "a leading resource devoted to the intersection of sports and technology" (para. 1), for example, suggests that "the sports betting industry have [*sic*] always been swift in using the improved connectivity provided by digital technology to broaden their business" (Herring 100, n.d.-b, para. 2) and claims that "digital technology has completely changed the face of the sports betting industry" (Herring 100, n.d.-b., para. 1). On the one hand, in enthusiastically embracing digital technologies, sports betting companies, including traditional UK betting shop companies such as William Hill and Ladbrokes and dedicated online betting companies such as Bet365, 888 Sport, 32Red, and Unibet, have opened the door to a landscape of new sports betting opportunities. Although these opportunities were initially focused on the internet and mobile devices, more recently, the advent of big data analytics, artificial intelligence, and the Internet of Things is opening up ever wider business opportunities. On the other hand, the introduction of digital technologies brings responsibility challenges for sports betting companies.

Many companies increasingly face digital responsibility challenges, but these challenges seem magnified in the case of sports betting companies. Although the vast majority of betting activity used to be conducted on a face-to-face basis, digital technologies increasingly dominate the sports betting market. Widespread political and social concerns about the damaging effects of gambling on people's lives have been fuelled by fears that web-based gambling promotes compulsive and addictive use among gamblers and that vulnerable gamblers are susceptible to targeted online advertising. In response to these concerns, the exhortation to gamble responsibly is both a pervasive theme and a constantly reinforced corporate message for sports betting companies. Although there is an emerging literature on the impact of digital technologies on sports betting markets (e.g., Lawn et al., 2020; Lopez-Gonzalez & Griffiths, 2018), little or no work has been published in the academic literature on how sports betting companies address corporate digital responsibility. With these thoughts in mind, we aim in this policy paper to make a modest contribution to filling that gap by reviewing some of the digital responsibility issues facing sports betting companies. The paper includes an outline of the features of corporate digital responsibility, a cameo literature review to reference and provide academic context for the issues raised in the paper, some simple illustrations of digital responsibilities in sports betting, and reflections on how these responsibilities are being discharged.

Corporate Digital Responsibility

Although commercial interest is emerging in the responsibility challenges associated with the ever-increasing use of digital technologies, there is no generally agreed-on definition of corporate digital responsibility. Lobschat et al. (2021) described corporate digital responsibility as a "novel concept," and defined it as "the set of shared values and norms guiding an organization's operations with respect to the creation and operation of digital technology and data" (p. 875). For Schneevoigt (2017), corporate digital responsibility is a "a voluntary commitment," which "starts with the need to conform to legal requirements and standards — for handling customer data, confidential, intellectual property and so on — but it also extends to wider ethical considerations and the fundamental values that an organization operates by" (para. 4). More simply, Driesens (2017) argued that corporate digital responsibility "is about making sure new technologies — and data in particular — are used both productively and wisely" (para. 2).

Driesens (2017) also maintained that "as the world becomes more digital, companies will be faced with an ever-growing need to adopt a robust corporate digital responsibility… approach to protect both customers and employees" (para. 4). More assertively, Lobschat et al. (2021) argued that "organizations must determine how to operate responsibly in the digital age" (p.875). Andersen (2019) contended that companies should accord corporate digital responsibility the highest strategic priority, helping to create positive futures for their business and more generally for society. To explain the growing importance of corporate digital responsibility, Driesens (2017) identified "four drivers," namely, "the increasing concerns from customers and governments about the use and abuse of personal data; the impact and challenges of automation and robotics; the potential for unethical use of new technologies; and finally, the so-called digital divide" (para. 3).

In seeking to identify the scope of corporate digital responsibility, Wade (2020, para. 1) suggested that it "spans four areas — social, economic, technological, and environmental — that should be merged under one organizational umbrella." More specifically, Wade (2020, para.8) argued that the social dimension, for example, "involves an organization's relationship to people and society. The vital topic of data privacy protection of customers, employees, and other stakeholders is included in this area" (The Four Categories of CDR section). In the current paper, we do not look to critique Wade's scoping of digital corporate responsibilities; however, as presented, Wade accords equal status to social, economic, technological, and environmental dimensions, and we would argue that different companies might focus on one, or more, of these dimensions more than others.

Cameo Literature Review

Liyanaarachchi et al. (2020) suggested that "corporate digital responsibility is still in a nascent stage of academic inquiry" (p. 15). Although little, or no, work has been published in the academic literature on corporate digital responsibility within the sports betting industry, there is a small but growing body of published work on digital responsibilities in other business sectors. Here our aim is to offer a few examples of the focus and range of such work, in particular work seen to be relevant to how sports betting companies might approach digital responsibility, rather than providing a comprehensive review.

Thorun (2017) asserted that companies should extend their traditional approaches to corporate social responsibility, which have primarily focused on social and environmental issues, to the digital world. Andersen (2020) maintained that digitalization created an opportunity for companies to rethink their responsibilities to fill the gaps that education and regulation cannot, and should not, continue to fulfil.

Grigore et al. (2017) argued that the use of digital technologies required more than legal compliance and established an agenda for responsibility within the digital economy, related, for example, to the use of consumer data, service continuation, the control of digital goods and services, and the use of artificial intelligence. Lobschat et al. (2021) suggested that ethical concerns arise as digital technologies become increasingly prevalent, and, in outlining the managerial implications of this trend, looked to shed light on how a company's shared values and norms regarding corporate digital responsibility can be translated into actionable guidelines for users.

More specifically, in a conceptual examination of the management of data vulnerability in online banking, Liyanaarachchi et al. (2020) identified gaps in bank privacy protection practices and recommended that banks integrate market-orientated approaches, which look to reposition vulnerable consumers as key stakeholders, in their corporate digital responsibility initiatives. Liyanaarachchi et al. (2020) advised that managing consumer data vulnerability necessitates "integrating corporate digital responsibility as a pivotal element of organizational strategy and by positioning vulnerable customers as a critical stakeholder" (p. 1).

Thelisson et al. (2019) argued that the development of a Digital Responsibility Index could play an important role in restoring trust in a data-driven economy and that it would offer a concrete way of quantifying the implementation of artificial intelligence principles in corporate practice. In addressing "privacy predicaments in the digital marketplace," Bandara et al. (2020, p. 423).acknowledged that digital technologies have created a range of challenges to consumer online privacy and they explored why consumers are worried about their privacy and why they behave in a manner that can harm customer-business relationships. Further, Bandara et al. (2020) found that deficiencies of corporate privacy responsibility and regulatory protection have deprived consumers of privacy empowerment, highlighting the importance of addressing power and responsibility dynamics for maintaining a healthy information-exchange environment.

On the conceptual side, little or no work has been published on theoretical approaches to corporate digital responsibility, but stakeholder theory, widely used in studies on corporate social responsibility, may be valuable in exploring how sports betting companies respond to corporate responsibility challenges. Stakeholder theory holds that a company should be sensitive to the interests of all its stakeholders, including shareholders, employees, customers, governments, and society at large, as well as to the environment, in developing its corporate strategy.

Digital Responsibility Issues and Sports Betting Companies

Digital technology has revolutionized sports betting in a variety of ways, including mobile betting, virtual reality, encryption and blockchain to secure payment options, live streaming, and the provision of a wider range of simultaneous betting opportunities. More specifically, sports betting companies use algorithms to calculate live odds for sports events so that customers can bet on a multitude of outcomes with ever-changing odds, and these companies connect their betting apps to digital payment methods to allow the placing of a bet to become faster and more convenient. Big data analytics can be used to target advertisements to specific customers, for example, on free betting opportunities and bonuses. As sports betting companies have adopted digital technologies, they may need to address a wide range of responsibilities associated with these technologies, though it is the social responsibility challenges that currently seem dominant. More specifically, key issues are privacy and cybersecurity, trust, and protection.

The high-profile issues of privacy and cybersecurity pose major challenges. Companies that process large volumes of digital financial transactions and maintain databases containing sensitive customer information can become vulnerable to sophisticated hacking and malicious software, which accesses customers' bank account details and can corrupt and destroy a company's computer system. Security software and constant surveillance offer some protection against such data breaches, but the dynamic and sophisticated nature of criminal activity in this area makes comprehensive security virtually impossible. Although all digital transactions are open to such risks, the way in which digital sports betting is sometimes conducted, and the social environment in which it occurs, can make it particularly vulnerable.

If customers are looking to obtain a price on their selection in a horse race, for example, where prices can be subject to fluctuations, they may try to register their bet at a specific price quickly before that price changes, and the need to act quickly may lead to them to carelessly input their personal or financial details. In a similar vein, customers who wish to bet "in play" on a football or a rugby game may also look to place their bet quickly before either the score or the price changes, and they again may act carelessly. It is important that customers log out of sporting betting sites after a transaction because simply closing the browser, for example, will not necessarily ensure privacy. If customers are watching games or races while consuming alcohol in a licensed bar, this may also induce careless behaviours during and after placing bets. In such situations, customers may, in the excitement of the game or the race, learn of more favourable prices that their friends and other customers have accessed on sporting betting sites, and they may try to place bets on these sites without checking the security credentials.

Trust has long been a central feature of face-to-face betting relationships between gambling companies and customers, but trust is arguably more important in the digital era. Trust is essential, for example, in maintaining customer confidence that financial and personal information held by sporting betting companies is safe and that such information will not be sold to or shared with other companies. More widely, there are issues around the integrity of a range of sporting events; at a time when many sports betting companies are sponsoring football teams and the televising of horse race meetings, it is important for sporting betting companies to exercise vigilance in protecting the integrity of betting activities associated with sport. As digital technologies have created more opportunities and greater demand for sports betting, so, too, have opportunities grown for criminals to profit from the fixing of games, or elements within games. When such corrupt activity is exposed, this can reduce the trust that customers have in betting on sporting events.

The protection of vulnerable, and potentially vulnerable, customers presents a major responsibility challenge. Although sports betting companies consistently publicly emphasize the need for their customers to bet responsibly, there are concerns that digital technologies can be used to promote addictive and compulsive behaviours. More generally, mobile phone technologies have dramatically increased the times and the locations when customers can engage with sports betting sites. Here there are concerns that such flexibility can lead to betting becoming a habitual activity for some customers and that it can be undertaken without the knowledge of family and friends. The UK Gambling Commission (2019) argued that if sports betting companies adopt the techniques that have been successfully used by the technology companies and digital content creators to stimulate engagement and habit forming gambling apps, there is a substantial risk that they will create a huge cohort of gamblers with a stronger and potentially compulsive gambling habits, and some of those users will inevitably become problem gamblers. (Habit Forming Apps section)

Reflections

Because the continuing development of digital technologies, and the emergence of new ones, will continue to open up new business opportunities for sports betting companies and present an evolving set of responsibility challenges, a number of issues merit attention. Companies within the gambling industry have traditionally looked to self-regulation as the most appropriate way to address their social responsibilities and to safeguard their own business interests, and, where possible, they are looking to adopt the same approach in addressing new digital responsibilities. That said, sports betting companies have emphasized their social and economic responsibilities, rather than, for example, embracing Wade's wider scoping of corporate digital responsibilities, with the public focus on the former seemingly designed to protect the economic interests of companies and their shareholders as much as their customers. At the same time, sports betting companies have paid little or no public attention, for example, to the environmental issues associated with the carbon dioxide emissions generated by the data centre and networking equipment needed to drive the digital technologies.

However, there have been a small number of illustrations in the media of the harm that compulsive online gambling is said to have caused for named individuals and families (Kropshofer et al., 2020). The Times newspaper (2020) reported that one leading UK sports betting company had been fined £11.6 million for a series of social responsibility and money laundering failures linked to dealings with seven of its high-spending customers. More generally, political and media concerns about gambling behaviour, as well as private conversations between one of the authors of this paper and former employees of some sports betting companies, suggest that the jury is out on the extent to which sports betting companies are meeting their digital social responsibilities.

Although sports betting companies emphasize self-regulation in discharging their digital responsibilities, in many jurisdictions, gambling is also subject to government regulation. Within the United Kingdom, for example, government regulation of gambling can be traced to the 16th century and, since the 2005 Gambling Act, gambling has been regulated by the Gambling Commission on behalf of the Government's Department for

Digital, Culture, Media and Sport. In introducing a major review of gambling legislation in the United Kingdom in 2020, Oliver Dowden, Secretary of State for Digital, Culture, Media and Sport, described the 2005 Gambling Act as “an analogue law in a digital age” (GOV.UK, 2020, para. 7).

More specifically, prior to the announcement of this review, the Gambling Commission established a Digital Advisory Panel to advise it on the risks and challenges posed by digital technologies, how they interact with gambling companies, and how these companies interact with customers. It remains to be seen how this review will play out, but with many political and media commentators calling for tougher restrictions on gambling, how the sporting betting companies approach their digital responsibilities may be subject to increasing public scrutiny and to more stringent statutory regulatory control.

In looking to locate the current review of some of the digital responsibility issues facing sports betting companies in the academic literature, we suggest that a number of the themes identified in the cameo literature review strike a chord. In some ways, as Thorun (2017) suggested for example, sports betting companies claim to be extending their traditional approach to corporate social responsibility in order to address some of the new challenges that have emerged in the digital era. In addition, as recommended by Liyanaarachchi et al. (2020), some companies have suggested that they are looking to emphasize their commitment to vulnerable customers. Moreover, as advised by Lobschat et al. (2021), some companies have sought to provide actionable guidelines for customers.

However, the current political thinking seems to run counter to Andersen’s (2020) recommendation that company policies should replace statutory regulatory controls. Although sports betting companies might be seen, in part at least, to be acting to safeguard the interests of their vulnerable customers, the companies themselves, rather than the customers or society as a whole, have effectively been deciding how those interests can be best served. Hence, the current review of the approach of sports betting companies to digital responsibility is not consistent with stakeholder theory in that it suggests that companies may effectively look to restrict stakeholder participation in policy development. At the same time, this also begs the question of whose interests are best served by corporate digital responsibility policies. At the company level, a positive public approach to corporate digital responsibility might effectively, if not formally, be giving sports betting companies licence to operate. Presenting a socially responsible image that legitimizes their business activities to their stakeholders, and more widely to society, might help them to avoid future government regulation. More generally, the approach of sports betting companies to digital responsibility might be seen to further fuel the call by Bandara et al. (2020) for the need to address the power dynamics around corporate digital responsibility.

Conclusion

This policy paper on the digital responsibility challenges faced by sports betting companies has its limitations, not least in raising more issues than it resolves. Nevertheless, we believe the review begins to fill a gap in the literature on the introduction of digital technologies in gambling and provides a platform for more substantial future research. Such research might, for example, focus on how sports betting companies address, and report on, digital corporate responsibilities and on if, and how, their stakeholders contribute not only to the development of corporate digital policies, but also to the corporate digital responsibility reporting process. Research may also examine how sports betting companies communicate their policies on digital responsibility to a range of stakeholders and if, and how, such policies influence customers' patronage.

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