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Contents

The changing business environment for betting shops 5
Peter Jones, Tim Hall & Daphne Comfort

A circular case: The circular economy and the service industries 13
Peter Jones & Daphne Comfort

The impact of marketing agricultural products in Kosovo on increasing their competitiveness in the market toward customer loyalty 24
Agim Thaqi & Besim Beqaj

Relationship between promotion and customer awareness 34
Adams Attarh Ibrahim

The changing business environment for betting shops

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Abstract

Betting shops are a familiar, if not universally loved, feature in town and cities throughout the UK. However, in recent years increasing concerns have been expressed about the presence of betting shops in high streets and about the role of betting shops in encouraging gambling. At the same time, the widespread adoption of personal mobile communication technologies and new government regulations on gambling within betting shops are creating a new business environment for betting shop companies. This case study examines the range of changes and pressures the betting shop companies are facing and explores some of the impacts of these changes and pressures.

Keywords: Betting Shops, Business Environment, High Streets, Regulation, Information and Communication Technologies

Introduction

Betting shops are a familiar, if not universally loved, feature of high streets in towns and cities throughout the UK. As high street retailing has declined, debates about the presence of betting shops in many towns and cities has attracted increasing attention, and they are often cast as a predatory feature in an impoverished retail environment. However, these are also challenging times for betting shop companies. The widespread adoption of new personal mobile communication technologies, growing public and political concerns about the role of betting shops in encouraging gambling, and the introduction of new government regulations on gambling within betting shops are all creating a new business environment for betting shop companies. With this in mind, this case study outlines the origins and development of betting shops, examines the range of changes and pressures the betting shop companies are facing and explores some of the impacts of these changes and pressures.

Origins and Development of Betting Shops

Gambling is probably as old as society but formal betting on sporting events, principally on horse racing and boxing, was increasingly common at such events, from the seventeenth century onwards. By the 1840's Huggins (2000) suggested 'there was already a clear culture of urban betting' and argued that 'betting had already moved from a pre-industrial informal sporting model to an urban industrialized, commercialized mass-market model.' Increases in the speed of newspaper circulation and the development of the telegraph system in the 1890's, which made horse racing results more widely and immediately available, and improved economic conditions which increased the general population's spending power, all served to stimulate the popularity of off course betting.

Despite its growing popularity, such betting was illegal following the introduction of a series of legislative measures from the 1850's onwards, which sought to curtail and control gambling because of the paternalistic view that gambling encouraged absence from work, an anti-work ethic and criminal activity fuelled by gambling losses. However, by the start of the twentieth century sporting betting was an integral part of working class culture and it was highly organised and up to the early 1960's illegal sporting betting flourished via "street bookies" and "bookies runners" who accepted bets, supposedly secretly, in back streets, on street corners and in houses, pubs and factories (Chin 2004).

All was to change with the passage of the 1960 Betting and Gambling Act, which formally, if begrudgingly, recognised the existence of this extensive gambling market and sanctioned the opening of betting shops. The first betting shops were opened in 1961 and by the end of the decade, bookmakers were trading from almost 16,000 outlets. Initially, existing local bookmakers, who took the opportunity presented by the 1960 legislation to ply their trade legally, ran the vast majority of these betting shops. At this time, both the location and the service environment offered to customers was strongly influenced by the enabling legislation, which sought to affirm that betting should not be an enjoyable activity and that there should be no stimulation to encourage people to gamble. Betting shops were not to be situated on high streets with side streets considered a more appropriate location and they offered spartan and austere environments, limited information on horse and greyhound racing and basic betting facilities, which didn't encourage customers to linger. At the same time, many of the independent bookmakers who traded from the early shops lacked the financial resources to acquire costly premises in prime retail locations.

However, concentration occurred as a small number of betting shop companies, principally William Hill, Ladbrokes and Corals, became the dominant players in the market, and the total number of shops declined to some 10,000 by 1990. During this period, the locational pattern of betting shops changed from 'back street, to side street to high street' (Jones, Hillier and Turner 1994) and the leading betting shop companies opened many larger new shops in more prominent retail locations. At the same time, the introduction of more liberal legislation saw major improvements in the quality of the service environment. During the 1980s and 1990s live television coverage of sporting events, comfortable seating facilities, air conditioning, the availability of tea, coffee and soft drinks, and toilets were all introduced into betting shops. Additionally, betting shops were able to open in the evenings and on Sundays and to advertise betting prices on sporting events from their windows.

By 2019, betting shop provision was highly concentrated, with the market dominated by William Hill, Ladbrokes/Corals (the two previously separate companies merged in 2016 but continued to trade under their original name), Betfred and Paddy Power. At that time, William Hill had 2, 264 shops and the corresponding figures for Ladbrokes, Corals, Betfred and Paddy Power were 1,828, 1,529, 1,620 and 350 (Gambling Commission 2019). There were over 700 independents, often regional, operators, including Jennings Bet, which had some 100 shops principally in the South East of England, Corbett Bookmakers, which had 55 shops largely in the North West of England and North Wales and Mark Jarvis, which had 47 shops across the Midlands and South Yorkshire.

Changing Business Environment for Betting Shops

In growing their market share and moving into well-appointed premises on the high street, the leading betting shop companies had effectively looked to shake off the old-fashioned image of betting, to modernise the industry and to emphasise the social acceptability of gambling. However, during the past decade, the business environment for betting shop companies has been changing, and a number of issues can be identified. Firstly, in many ways live television coverage of horse racing, and other sporting events, from the mid 1980's onwards, revolutionised the betting shop experience, but more recently, the increasingly widespread availability and adoption of personal mobile communication technologies has caused an even more fundamental revolution. Here betting shops face a challenge in attracting customers due to the availability of mobile apps that can be used anywhere. Deloitte (2014), for example, argued that mobile communications 'not only provide a new opportunity to engage with existing players, but also to reach new customers' and that 'existing players have embraced opportunities for more spontaneous gambling, especially in the evenings' and 'particularly for in-play betting.'

That said, ImageHOLDERS (2020) claimed that there is 'the social aspect to betting ', and that 'from the bookies to customers, the community feeling of the bookmakers creates an atmosphere that cannot be experienced through a mobile phone screen at home.' Further, Deloitte (2014) suggested that betting shops will continue to be important in that 'they increase brand awareness and play a key role in the development of the multichannel model.' However, the majority of the leading sports betting sites, including Sky Bet, 888 Sport, Betfair, Redbet and Bet 365, do not run betting shops. More generally, the Gambling Commission (2018) argued 'it is highly likely that the online gambling industry will continue to grow from 34% to 50% of the total British market by gross gambling yield in the next few years.' Betting shops are having to try to compete with the growth of online betting, which is being driven by rapidly changing consumer behaviour and supported by technological advancements that are affecting society as a whole, and as such this might be seen to be swimming against the tide.

Secondly, there has been concern about the proliferation of betting shops in high street locations. Philips (2018), for example, suggested that with the proliferation of betting shops onto high Streets and neighbourhood retail developments 'they became a marker for social decline of an area, with the perception that they swooped in after other more respectable retailers had moved out or gone out of business.' Arguably more pejoratively, Hubbard (2017) explored the notion of 'betting shops as a noxious business', which he eventually dismissed as 'class-based prejudices against what is ultimately an affordable and popular form of sociality and leisure', but not before detailing the scale of community, business and local political opposition to a betting shop application in the London Borough of Croydon.

The impact of betting shops on the vitality and viability of town centres has certainly been a cause for concern. The London Borough of Tower Hamlets Local Plan (2018), for example, suggested that 'the proliferation of betting shops can harm 'the attractiveness, vitality and character of town centres.' A 'Citizens Panel Survey' conducted by West Dunbartonshire Council (2016) as part of its 'Town Centre Planning Pilots Programme', reported a Clydebank respondent's view that 'the real problem is the proximity of bookies in one place' and that 'having them concentrated near each other, and near pawn shops or pay day lenders, is going to create an environment that is very off putting for most people coming into the centre.' More generally West Dunbartonshire Council (2016) reported that '82% of survey respondents agreed that more pay day lenders and betting offices would be detrimental to the town centre's vitality and vibrancy.'

More specifically, there have been concerns about the inability of local planning authorities to control the number of betting shops on the high Street, but, in truth, opportunities for local authorities to control the number of betting shops have been extremely limited. Prior to 2015, premises with a range of uses could be converted to betting shops without the need to apply for planning permission under permitted development rights. That said, the 'Town Centres Supplementary Planning Guidance for the 'London Plan 2011' (Mayor of London 2014), suggested that 'across London there is an urgent need to enable local planning authorities to control the proliferation of betting shops' and that 'there are genuine planning issues affecting amenity, community safety and the continued success of town centres which justify allowing planning authorities to consider the merits of proposals for betting shops.' Since April 2015, a change of use to a betting shop requires planning permission but Woodhouse and Grimwood (2018) claimed that 'concerns remain that clusters of betting shops, particularly in deprived areas, affect high street vitality.'

Thirdly, gambling in general, and gambling in betting shops in particular, has attracted increasing social and political criticism and concern and has generated a growing volume of adverse media coverage. Betting shops have been in the frontline of this coverage. Such concerns have been articulated in a number of ways. Concerns have been expressed, for example, about the clustering of betting shops in districts of towns and cities that exhibit deprivation. Almost a decade ago, Harriet Harman (2011), then Shadow Secretary of State for Culture, Media and Sport, claimed that 'high streets in low-income areas across the UK are blighted by the prevalence of bookmakers' and 'betting shops are appearing not only in well-off areas but in those with high levels of poverty and unemployment.' Indeed, Harman (2011) argued that the continuing opening of betting shops in such areas is 'pushing many families further into poverty and creating a dangerous synergy between welfare dependence and gambling that threatens the fabric of our communities.'

There have also been persistent suggestions that increases in anti-social behaviour and crime have been associated with the proliferation of betting shops but such suggestions are contested. Newham Council (2016), for example, claimed that 'the dramatic increase in the number of betting outlets correlates to increasingly high rates of crime and anti-social behaviour.' However, Newham Council (2016) also reported 'areas of Newham with a high concentration of betting shops, persistently remain within areas with the highest levels of crime in the borough' and this seems to indicate an ecological, rather than a causal correlation. In reporting on the banning of five people from betting shops in Birmingham city centre, the Gambling Commission (2017) drew attention to its work with the local council, the police and bookmakers, 'designed to tackle localised anti-social and criminal behaviour in and around betting shops' and to 'suspected drug dealing and anti-social behaviour linked to one bookmaker.' More generally, Griffiths (2011), who has worked as a consultant for a number of leading UK bookmakers, has argued that 'in order to be a cause of crime, betting shops must be both a necessary and sufficient condition for the crimes in question to occur' and his work 'found evidence of neither.'

However, and by and away most significantly, the introduction, from 2001 onwards, of up to four FOBT's in a betting shop, with a maximum stake of £100 on a single bet, which can effectively be placed every 20 seconds, has been the source of widespread and deep seated concern, though here again conflicting views have been expressed. Woodhouse (2019) has traced the origins of these concerns back to evidence presented to the Joint Committee examining the Draft Gambling Bill 2003-2004. More specifically, to a statement by a member of Gordon House, now the Gordon Moody Association, a charity which supports problem gamblers, that 'FOBTs are the crack cocaine of gambling' (House of Lords/House of Commons, Joint Committee on the Draft Gambling Bill (2004). Nevertheless, a decade later Woodhouse (2019) reported that 'robust evidence' about the relationship between FOBTs and 'gambling related harm' in the British context 'was scarce.'

That said, voices increasingly called on government to introduce stronger controls on FOBTs in betting shops, and successive governments continued to keep their regulation and the wider issue of gambling and social responsibility under review. Eventually in 2018, the Department for Digital, Culture, Media and Sport announced that the maximum stake for FOBT's was to be lowered from £100 on a single bet to £2, though the maximum prize remained at £500, and the necessary legislation was passed in December 2018 and came into force in April 2019. The major betting shop companies had consistently opposed regulatory controls, claiming that it would lead to them closing large numbers of shops and to significant job losses. The Bookmakers Review (2019) website, for example, claimed that some 2,100 betting shops could close within the UK, though some commentators believe that estimates of the number of betting shop closures may be exaggerated.

Impacts

In the face of the changes in, and pressures, on the betting shops' business environment, the number of betting shops has been declining. In the five-year period 2014 -2019, for example, the total number of betting shops within the UK declined from 9,111 to 8,320 (Gambling Commission 2019). In the wake of the 2018 legislation on FOBTs, the scale of closure increased. William Hill, for example, closed some 700 of its shops, by late 2019 Ladbrokes/Corals had closed 200 shops (with a further 700 shops scheduled for closure up to 2021), and the corresponding figures for Betfred and Scotbet, the leading independent Scottish betting shop company, were 70 and 10. Of the leading betting shop companies, only Paddy Power, which has concentrated more on developing its sports betting offers rather than promoting FOBT's, has no closure plans.

In looking to rationalise their portfolio of shops in the face of a changing business environment, the leading betting shop companies have looked to retain the better performing outlets in an attempt to develop a sustainable business model. That said, a number of shops with a short time period remaining on their leases were also considered vulnerable. Here closures have occurred in some better performing outlets where the betting shop companies have been unable to negotiate a reduction in leasing charges, to reflect their changing business environment, with property owners. Where betting shop companies have owned, rather than leased shops, then in some cases this has influenced decisions to retain, rather than close, shops. Competition has also been a factor in cases where two companies' shops are in close proximity and one company has recognised that its competitor has strong customer loyalties, and that investment in modernisation would show little or no future return.

At the same time, the leading betting shop companies have begun to redevelop the industry's betting shop offer, which they claim will provide customers with a new experience. Ladbrokes and Corals, for example, opened two 'new concept' betting shops in central London and central Birmingham in December 2019, and here the focus is on combining modern interior design with the latest technology to create an enhanced experience and to look to appeal to a new generation of customers. The focus is on providing a digital experience, with the shops having a number of new self-service betting terminals, facial recognition software designed in an attempt to tackle problem gambling and digital marketing screens. The two shops also feature a number of products provided by British racing and sports betting publisher Racing Post, including a new sports screen and an upgraded interactive version of the digital betting display. The other leading betting shop companies, notably William Hill and Paddy Power, may follow Ladbrokes' and Corals' lead as the industry continues to develop its retail proposition. William Hill, for example, have looked to introduce a small café into some of their shops as part of an attempt to develop these shops as a focus for the community.

All the leading betting shop companies are also continuing to develop as multichannel retailers. Playtech (2020), an international software designer and developer, for example, are behind a 'multi-channel solution', which it claimed 'is leading a revolution in the betting shop arena.' This multi-channel system operates across Coral's betting shop estate under the banner "Connect", which unifies the company's traditional retail and online offer and which enables customers to use a single personal account across all platforms. Thus, customers can open a multi-channel account in a betting shop and use that account to place their bets online or on a mobile phone and in a betting shop. Customers can use Connect to place bets over the counter, play on the (FOBTs) and deposit or withdraw funds. At the same time, this may offer betting shop companies the chance to promote other betting opportunities, and to increase gameplay and strengthen brand loyalty, but if customers increasingly look to online, and particularly to mobile, betting opportunities, this will do little to consolidate the role and place of the betting shop in the gambling mix. As such, promoting new digital experiences and services in betting shops may effectively be contributing to their own decline.

More generally, while the number of betting shops within towns and cities will decline, their increasing concentration on the high street seems unlikely to assuage a number of the concerns about their location in primary retail areas outlined earlier. While some commentators have suggested that the closure of betting shops could bring new vitality to both high streets and to secondary retail locations by attracting new retailers, this seems to fly in the face of current reality where continuing shop closures and vacant properties are increasingly commonplace in many towns and cities. In a similar vein, whether William Hill's (2019) plans for 'remodeling the estate and the business' and the development of café facilities within betting shops or Ladbrokes new concept betting shops will once again see betting shops become 'a gathering point for the community like the traditional English pub' (Philips 2018) remains very much to be seen.

Conclusion

Gambling has a long history but after a period in the UK when off course betting was effectively outlawed, new government legislation in 1960 heralded the opening of betting shops throughout the country. In the years since then, the leading betting shop companies looked to modernise the industry and to emphasise the social acceptability of gambling. They grew their market share and opened shops on the high street as new more liberal government legislation enabled them to improve the facilities and the quality of the service environment available to customers. However, during the past decade developments in information communication technologies and the expression of increasingly vocal public and political concerns about the effects of gambling have begun to change the business environment for betting shops. Some betting shops have closed and more will do so but the leading betting shop companies are looking to develop new sustainable models that will be attuned to their new business environment. Some pessimistic commentators suggest that the changing business environment marks the beginning of the end for betting shops in the UK but “Don’t bet on it!”

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