DEGREE PROJECT

Retain your gamblers

A study of behavioral loyalty in a market with low switching costs

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Economics, bachelor's level
2017

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Acknowledgements

This study has been the result of a Bachelor's thesis of 10 Weeks (15 credits) that has been conducted during the spring term of 2017 at Luleå University of Technology. It has been difficult but also very exciting and educational. We hope that this thesis will inspire future students and companies to gain a deeper knowledge of how to retain customers through loyalty programs in different industries.

We would like to give our sincerest appreciation to our supervisor Arash Kordestani for assisting and guiding us through our thesis.

Additionally, we would also like to give a warm thank you to all respondents from the casinos for answering the interview questions and taking their time with us to give their input in the iGaming industry.

Luleå, June 2017

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Abstract

The iGaming industry has exploded the last decade. With more competitors on the market with low switching costs, retention of players is an issue not yet resolved. Attracting players through offers has made the iGaming industry less lucrative due to its high competition, where a "bonus war" has taken over. This survey aims to find out how iGaming companies can decrease their churn rate through CRM and loyalty programs to increase revenue and thereby creating a long-term relationship with the player. Based on theory of switching costs and loyalty programs, this thesis investigates how different factors influence customer retention. Interviews with four competing casinos were made to see how they are working progressively towards decreased churn rate.

The information provided concluded that management sometimes lacked the understanding of how to utilize consumer information and way of communication to increase their revenue. Loyalty programs were used to somewhat extent and correlates partly to what Berman (2006) describes as an important strategy for customer retention in a competitive, homogenous market. Further research is recommended from a legal, ethical and marketing cost perspective.

Sammanfattning

IGaming-industrin har exploderat det senaste decenniet. Med en marknad med låga bytesbarriärer och fler konkurrerande företag än någonsin är problemet med att behålla kunder ännu inte löst. Att locka spelare genom erbjudanden har gjort iGaming-industrin mindre lukrativ på grund av den höga konkurrensen och ett "bonuskrig" har tagit över. Denna undersökning syftar till att ta reda på hur iGaming-företag kan minska antalet avhoppande spelare genom CRM och lojalitetsprogram för att öka intäkterna och därmed skapa ett långsiktigt förhållande till kunden. Baserat på teorin om byteskostnader och lojalitetsprogram undersöker denna avhandling hur olika faktorer påverkar kundretentionen. Intervjuer med fyra konkurrerande casinon gjordes för att se hur de arbetar gradvis mot en ökad behållningsgrad av kunder.

Den information som tillhandahålls leder till slutsatsen att ledningen ibland saknade förståelse för hur man använder konsumentinformation och olika sätt att kommunicera för att öka sina intäkter. Lojalitetsprogram användes i viss utsträckning och överensstämmer delvis med vad Berman (2006) beskriver som en viktig strategi för kundretention på en konkurrenskraftig och homogen marknad. Ytterligare forskning rekommenderas ur ett juridiskt, etiskt och marknadsföringskostnadsperspektiv.

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1. Introduction

This chapter will introduce the area of research. A background will be provided that includes switching costs and loyalty programs on the iGaming industry. The background will be describing the competition within the internet industry and how companies strategically implement online marketing, as well as the basic ideas of loyalty and switching costs. Further on, there will be a problem discussion and the chapter will end with the purpose for this thesis and the research questions.

1.1 Background

Over the last decade, an increased mass adoption of the internet has occurred. For more and more people, internet has become an integral part of their daily lives (Roy, Datta & Basu, 2017). This phenomenon affect different areas of the people and their everyday activities. (Abashidze & Dabrowski, 2016). The internet has been shown to facilitate elements of internationalization such as information and network opportunities for its users (Mathews, Bianchi, Perks, Healy & Wickramasekera, 2016). Large internet directories and/or search engines such as Google, Yahoo!, Excite, Lycos etcetera. are constantly providing information for their users' and customers through web portals (Kim, Jeong & Hwang, 2015). It has transformed the traditional marketplace into a more accessible and convenient market space, attracting attention in the domain of internet marketing and advertising. The rapid pace of development in internet technology and marketing activities in the last decade provides opportunities and challenges to marketers and researchers to apply new online marketing concepts in business and research settings (Roy, Datta & Basu, 2017).

The introduction of the internet into our lives has brought many opportunities that affects marketing (Tâlpâu, 2014). According to Li & Kannan (2014), the traditional marketing promotion includes personal communication, advertising, sales promotion, public relations and organizational identity. But since more people communicate and use the internet every day, the rise of online marketing interventions to draw traffic to firm's websites has arisen. On the customer's own initiative, by clicking on display ads, email links or firm's paid search ads, the customers can communicate with the company. These interventions are the conduits or "channels" through which customers visits and convert at the company's website (Li & Kannan, 2014).

New channels of communication bring new opportunities in the online marketing environment. Online promotion is a crucial step in marketing strategies for companies to reach out to its consumers (Iancu & Stanciu, 2016). Online marketing has taken over more and more of the budgets allocated for marketing, increasingly diminishing traditional marketing in favor of online promotion activities (Tâlpâu, 2014). But with the growing usage of communication channels over the internet, retaining customers in a highly competitive market has become a major concern for online companies, especially for those that invest massively in advertising for customer acquisition (Pei-Yu & Hitt, 2002).

One of the most important strategies developed by firms to decrease defection is the implementation of loyalty programs. In this thesis, the defection rate and churn rate will be used synonymously. The churn rate is the same as dropout number of customers, which means no repeat customers. A loyalty program is a marketing action utilized across a broad range of industries that is designed to provide reward incentives for profitable customers who are deemed to be loyal (Furinto, Pawitra & Balqiah, 2009). But loyalty programs are more than important marketing tactic (Steinhoff & Palmatier, 2016). The programs are a key differentiation strategy for corporations facing increasing global competition (Beck, Chapman & Palmtier, 2015). A Loyalty programs can consist of different strategies such as reward incentives as well as being used to increase the switching barrier for consumers, retaining customers for repeat –purchases (Kim, Jeong & Hwang, 2015).

Loyalty programs are an approach to retain customers and can vary on two dimensions; what type of reward that will be given and when it will be given (Dowling & Uncle, 1997). Dowling & Uncle (1997) further discuss the difference between these types of incentives. The type of reward can be related or unrelated whereas related is whenever a customer buys a product or service they receive reward points. Unrelated can be, for example, when buying toiletries, one receive a DVD player. The other dimension regards when the reward will be given which details in a timely perspective if the reward is given immediately such as short-promotion or money-off incentives, or in a delayed strategy, creating a repeat - purchasing effect and patronage (Lewis, 2004). Furthermore, Mattison, Thompson & Chmura (2015) suggest that companies have to differentiate their loyalty programs in different countries to adapt to the environments. They also found that the results indicate that the variation of choices in loyalty program depends whether it is a developed or emerging market (Mattison Thompson & Chmura, 2015).

Another research conducted by Hsu and Lu (2007) was made to see what factors influence a customer's loyalty towards the company and the results of the study show that a game user's loyalty is influenced by perceived enjoyment, social norms, and preference. When gamblers enjoy the games, user satisfaction could be an important factor to his/her loyalty. From a company's perspective, customer satisfaction is critical for consumer retention, relationship and profitability in the long run (Hennig-Thurau & Klee, 1997). Due to explosive growth and market maturity, casino marketers today realize the importance of customer retention and rely highly on their loyalty programs to bond customers to the brand. However, previous studies on casino loyalty programs discovered that management lacked an understanding of how to make better use of the program (Myongjee & Singh, 2016).

Switching cost is a term for all the costs for the consumer to switch from one supplier's product to another (Porter, 2001). The costs can be categorized as transaction cost of switching supplier, costs of learning to utilize new brand, the uncertainty of quality regarding the new brand, cost of losing coupons & reward points and psychological costs in terms of preference due to brand loyalty (Klemperer, 1995). In other words, the costs are related to Time, Money, Psychological, and Physical aspects. Below is figure 1 showing the attributes of switching cost.

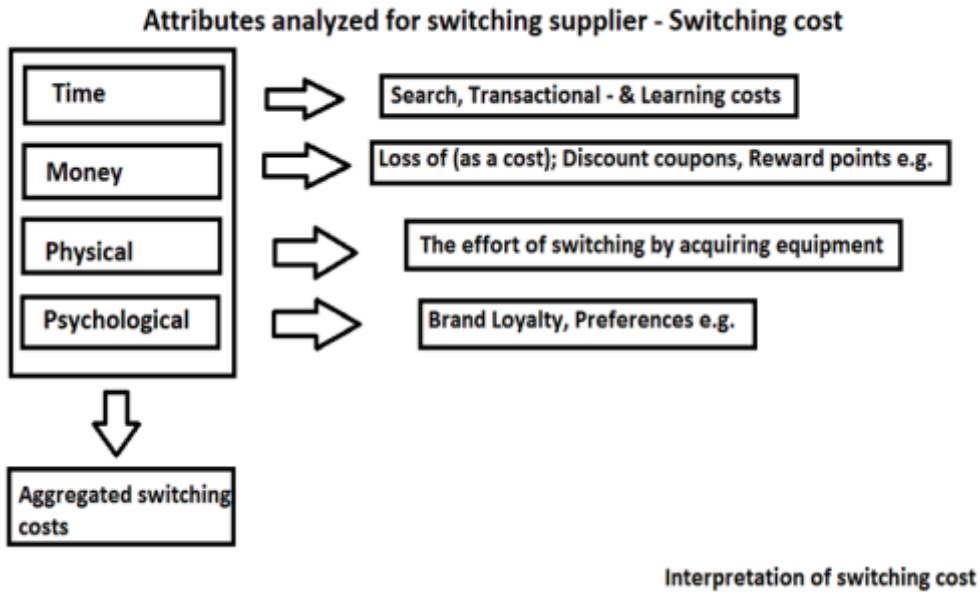

FIGURE 1: ATTRIBUTES OF SWITCHING COSTS.
Source: Adapted from Klemperer, (1995).

1.2 Problem Discussion

The theoretical knowledge within the relationship between switching costs and loyalty is widely known (Ping, 1993). Literature suggests that there is a positive relation between high switching costs and loyalty (Ping, 1993). However, as the competition increases on markets with homogenous services and products, product and price comparisons through e.g. pricerunner are creating an erosion in loyalty (Kocas, 2002). One market highly affected by this phenomenon, along with the lower entry barriers online, is the iGaming industry, possibly leading to hyper competition (Raventós & Zolezzi, 2011). To have a competitive advantage in a market and contain profitability in an online environment, companies should consider utilizing customer loyalty to their advantage (Shankar, Smith & Rangaswamy, 2003). Much research has been done and focused upon in the field of consumer loyalty in e-commerce in recent years due to the importance of this implementation in companies' strategies (Pearson, Tadisina & Griffin, 2012). However, implementation of this knowledge and strategy is used differently between competing online casinos and the high rate of competition along with defecting consumers because of low switching costs, makes this an interesting area of research.

According to LGA, the iGaming industry has accelerated since the 90's (and the future looks bright as the number of companies on the business is increasing steadily. The iGaming industry solely in the European Union are having a gross gaming revenue of approximately 13 billion Euro as of 2015 solely from online casinos. Within Malta, where most of these online companies operate, the industry itself is generating more than 8000 employments directly or indirectly (MGA, 2015). Due to these facts it makes it even more essential to understand the complexity of the market and what to adjust for greater customer retention.

1.3 Purpose

The purpose of this thesis is to provide a better understanding of how online casinos apply loyalty programs and how it is affecting their customer retention as well as their switching barrier. The following research questions have been raised:

RQ1 -How do online casinos work to retain their customers in a low switching cost market through loyalty programs?

RQ2 -Which implemented program has been most effective to retain customers?

1.4 Delimitations

This study will focus solely on the European market with online casinos regulated by the Malta Gaming Authority (MGA). Furthermore, it will target casinos who are focusing on video slots as their primary source of income or entertainment. Due to the excessive source of information gathering, solely video slots was chosen.

2. Literature Review

The following presents former research and models essential for the thesis. The theory is concluded in a frame of reference at the end of this chapter. It describes and explains factors used for the model of this thesis and will be influencing the interview questions, data analysis and result.

2.1 Loyalty Programs model

A loyalty program is a program that is designed to boost further transactions by providing diverse sets of incentives to customers at different tier levels based on their purchasing behavior (Berman, 2006). Berman (2006) further suggests that these loyalty programs are categorized as comprising either monetary-based rewards or special treatment-based rewards. From a firm's perspective, these programs can be objectified for purposes such as revenues, profits, customer loyalty, and increased information on consumers (Berman, 2006). Loyalty programs are comprised of perceived satisfaction, gratitude towards the company, the feeling and identification of being part of something, also called in-group identification (Noble & Bell, 2015). According to Uncles, Dowling & Hammond (2006), there are two different loyalty programs that can be utilized; The first involves increasing revenue through frequently purchasing promotions. The second involves relationship building and maintaining the already existing customer base (Uncles, Dowling & Hammond. 2006). The authors further discuss that if any of these 2 aims are reached, the revenue will increase significantly.

However, Berman (2006) claims that when consumers have the possibility to collect points and where there are similar requirements in a homogenous market, it is very difficult for one loyalty program to maintain a significant competitive advantage over others. There are 4 different types of loyalty programs according to Berman (2006) and they are described as follows;

Type 1

The first type of loyalty program is the most basic and primitive "loyalty program" on the market. It includes selected item or service discount on the consumer's purchase. However, since membership is open to all customers with undifferentiated discounts regardless of previous purchases in terms of quantity and money spent, arguments may arise that this cannot be viewed as a true loyalty program. This type of program does not reward loyalty

behaviour but reward the ownership of a membership. Therefore, this program does not give any incentives for repeat-purchases and more resemble coupons than a loyalty program. This type of program is normally used within the supermarket industry.

Type 2

Type 2 loyalty program is an open loyalty program self- managed by consumers. The customer keep a detailed account on previous purchases and e.g. receives points per qualified purchase. When the points are up to an eligible level, the customer receives free goods or services. This creates an incentive to the consumer for repeat-purchase and is used widely within certain retailers such as hair salons & lunch restaurants. This type of loyalty programs are easy to replicate and therefore hard to compete with since the opponent might beat the offer of free good or service. Another major problem with Type 2 loyalty program is that the company usually has no way of communicating differentiated offers to customers. This is because Type 2 is strategically built on same offers per level regardless of what the customer has bought previously.

Type 3

The Type 3 loyalty program is similar to the Type 2. However, the Type 3 programs track the consumer's purchasing behaviour and encourage customers by creating tiers within the program. For example, when flying with any airline you receive reward points and the more you fly, the higher tier level you will receive which gives the perceived feeling of being part of an exclusive membership. The exclusivity are given as lounges, fast tracks or upgrades. Even though they do have information regarding each customer's purchasing behaviour, most marketers within these loyalty programs send the same communication to all members and therefore this does not lead to any closer relationship with its member more than higher repeat purchase. This type of program usually involves partnerships with related companies such as car rental, hotels etcetera.

Type 4

The Type 4 program is very alike Type 3. This type is based upon reward points per purchase and encourages customers to reach a higher tier level for a more exclusive membership. This program allows the marketers to target communication to each member based on their

previous purchasing behaviour and can therefore specialize its offers to each individual customer.

The merchants using this type of loyalty program in its strategy are usually very dedicated to loyalty programs and believe it is a crucial marketing strategy for their business. Marketers using this type of loyalty program need to adept at data mining, understand the complexity and have resources and the skills to administer and communicate to each member. This type of loyalty program is usually found within high-end markets.

Program Type	Characteristics	Example
Type 1: Members receive additional discount at register	• Membership is open to all customers • Each member receives the same discount regardless purchase history • Firm has no information on customer name, demographics or purchase history	Supermarket programs
Type 2 Members receive 1 free when purchasing n units	• Membership to all customers • Firm does not maintain a customer database linking purchases to specific customers.	Airports FastPark, Local car wash
Type 3 Members receive rebates or points based on cumulative purchases	• Seeks to get members to spend enough to recieva qualifying discount	Hotels, Airlines, credit card programs
Type 4 Members receive targeted offers and mailings	• Members are divided into segment based on their purchase history • Requires a comprehensive customer database of customer demographics and purchase history	Tesco, ShopRite, Harrah´s, Hallmark

FIGURE 2: "A TYPOLOGY OF LOYALTY PROGRAM TYPES".
Source: Adapted from Berman, (2006).

Open vs. Selective Loyalty program.

There are two types of loyalty programs applied in companies; open or selective (Noble & Bell, 2015). The authors describes open loyalty programs as available to all customers who are willing to purchase from the company. Berman (2006) describes that there are no costs for the consumer, each member get equivalent member discount unrelated to purchasing history and there is usually no targeted communication directed to its members. Ease of registration in this kind of enrollment program combined with low member concern for privacy makes it one of the most primitive loyalty programs with many members and little regard for data

mining on customers (Berman, 2006). He further discusses that this type of programs are often found in small firms that do not have the managerial commitment or possible resources to conduct a more specialized, targeted loyalty program.

A selective loyalty program is based upon purchasing history, targeted communication and seek members to purchase enough to receive the qualifying discount. The selective membership is usually more analytics - related than an open membership (Berman, 2006). With a loyalty program's database, the possibility to read and evaluate a firm's customers are tremendous for marketers (Berman, 2006). Furthermore, Berman (2006) argues that by targeting segmented customers on special promotions, customer defection can be reversible. The database is depending on customers giving out personal data when enrolling in a loyalty program so that marketers can create a more targeted advertisement offer.

2.2 Switching costs

To ensure loyalty from customers it is crucial to build high switching barriers, termed "switching costs". A switching cost is a cost incurred for customers when switching from one supplier's product or service to another (Rhodes, 2014). According to Burnham (2003), there are three types of this kind of cost and they are as follows: *Procedural switching cost*, which involves loss of time to switch to another product. The second type of switching cost is *Financial switching cost*, the loss of money due to changing to another product. Lastly, there is a type termed *Relational switching cost*, perceived loss of a relation may arise from the switching to another product. Building strategies, such as creating higher switching barriers, for long lasting customer relations and customer retention is crucial for firms operating in competitive markets (Porter, 1979).

Switching costs are connected to the Porter's Five Forces Analysis, particularly "*buyer's' bargaining power.*" Porter (1979) argues that the more similar the products are, the more likely are the customers to replace the product. The cost for replacing the product is thereby low. However, when a product is differentiated and perceived difficult to replace, the market is defined by high switching costs (Porter, 1979). The iGaming industry is characterized by many operating companies and low barriers of entry which implies that it is attractive for companies to establish (Pilling & Bartlett, 2012). Regarding the online casino market, the supplied product is undifferentiated which is synonymous with a competitive market environment (Kocas, 2002).

2.3 Customer satisfaction

Bilgihan, Madanoglu & Ricci (2016) states the importance of focusing on the customer perceived satisfaction to further understand how to keep their online casino players. To reduce the customer's propensity to switch supplier, it is necessary to ensure customer satisfaction. Söderlund (2001) describes satisfaction as customer's perception and attitude toward a product or service.

By valuing and paying attention to customer satisfaction, companies can avoid dissatisfaction spread to other consumers (Söderlund, 2001). Mossberg & Sundström (2011) suggests that satisfaction occurs when the perceived value of the customer complies, or exceeds expectations. Furthermore, the authors describe the creation of relationships based on customer satisfaction. It is recognized to be more expensive to create new customers than retaining already established relationships (Mossberg & Sundström, 2011) and customer retention is highly essential. Lee, Lee & Feick (2001) illustrates the correlation between switching costs and the loyalty level. Figure 3 below shows that the higher the switching costs becomes, the harder it gets to change when the loyalty increases, at a given level of satisfaction.

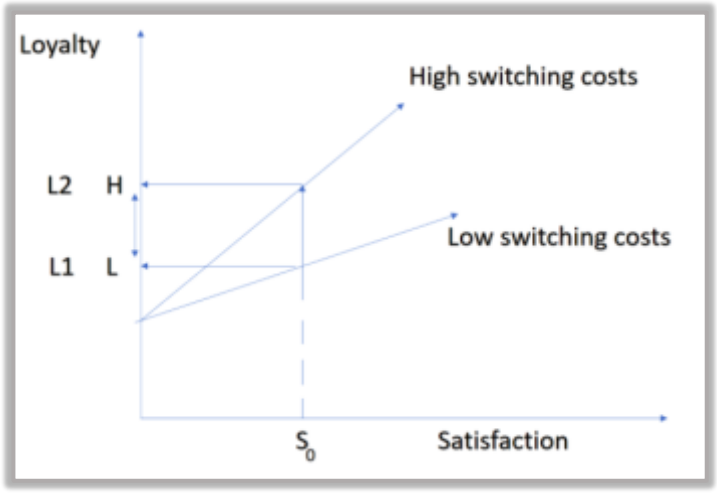

FIGURE 3: MODERATING ROLE OF SWITCHING COSTS IN THE SATISFACTION-LOYALTY LINK.
Source: Adapted from Lee, Lee & Feick (2001).

Satisfaction point S_0 initially correlates with L_1. This combination represents a point at the switching cost curve. If the switching costs would rise, for example through loyalty programs at a casino website, the curve will be more vertical (inelastic). Supposing that the satisfaction point is remained unchanged, an upward movement align the loyalty axis to L_2 can be observed. Hence, the higher the switching costs the more loyal the customer becomes and the harder it gets to switch to another provider (Lee, Lee & Feick, 2001).

2.4 Brand loyalty

To build high switching costs for customers, marketers need to actively work with customer loyalty to the brand. Klemperer (1987) argues that two initially equal and comparable products can be perceived as heterogeneous after the purchase of one of them. This phenomenon occurs because the customer becomes loyal to a brand. When a consumer is brand loyal, the individual is less price-sensitive, meaning that the demand for that product is more inelastic than demand towards another identical product (Klemperer, 1987).

Mossberg & Sundström (2011) communicate that there are various types of loyalty. Firstly, they argue that a customer is considered loyal if that person almost exclusively buys a specific product and has a positive attitude towards the brand. Strictly speaking, the customer does not want to buy a substitute and is a true loyal customer. Another type of loyalty is latent loyalty which means that the customer is sympathetic to the product but does not necessary buy it (Mossberg & Sundström). An example may be that an individual is in favor of online casinos, but never play. The third type is termed false loyalty which means that the customer just randomly buys a product. The customer neither has a positive attitude towards the brand nor a negative attitude (Jones & Sasser, 1995). Related to the iGaming industry; this means that the customer has no emotional attachment to the brand, but randomly selects a casino. Lastly, there is a fourth type of loyalty which is no loyalty or direct negative attitude towards the brand (Mossberg & Sundström, 2011). To sum up, brand loyalty depends on the attitude of consumers.

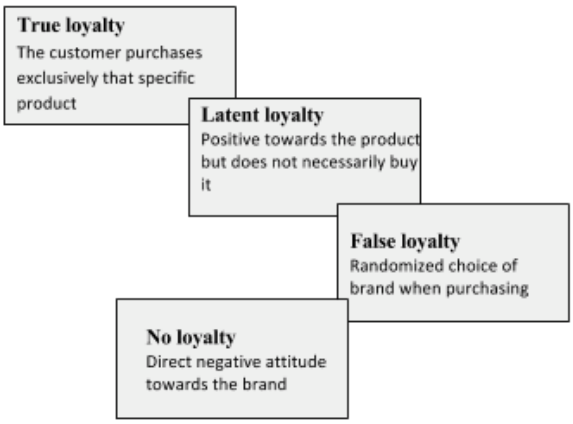

FIGURE 4: THE VARIOUS TYPES OF LOYALTY.
Source: Adapted from Mossberg & Sundström (2011) and Jones & Sasser (1995).

2.5 CRM

When building long lasting customer relationships and ensure brand loyalty managers need to collect and analyze information about customers. Kale (2012) explains that customer relationship management (CRM) is variously defined and the definition depends on the basis of the research. Despite different definitions of the concept, it is generally agreed that CRM involves collecting information about customer behavior which in turn through processes can enhance efficiency of marketing. Kale (2012) describes the relevance of managing customer relations in the casino world. The reason why CRM generates a great value to businesses is due to the importance of customer retention. Through detailed customer information businesses can not only maintain, but also develop customer relationships based on the customer's previous behavior (Kale 2012).

CRM is used to create long-term loyalty of customers and there is a positive relationship between an effective CRM, customer retention and satisfaction level of the customers (Injazz, Chen & Popovich, 2003). By collecting customer data, marketers can improve customer perceived value and satisfaction at an individual level (Kale, 2012). Through the material collected, companies can keep track of how frequently each customer play, how much they spend, etcetera (Injazz, Chen & Popovich, 2003). Furthermore, Injazz, Chen & Popovich (2003) means that the CRM process shows what kind of games are most popular and what the customers value when visiting online casinos.

2.6 Theoretical framework

The picture below describes all of the theories used and how we utilized them towards answering the research questions and who the key author is for each theory. The first three concepts are used to seek answers to research question number one. The remaining four theories have been selected to test the effectiveness of the implemented loyalty programs and serves as measurement variables.

Constituent	Short description	Answering RQ's:	Key authors:
Loyalty programs model	Berman's 4 types; When consumers have the possibility to collect points and where there are similar requirements in a homogenous market, it is very difficult for one loyalty program to maintain a significant competitive advantage over others.	1	(Berman, 2006) **(Uncle, Dowling & Hammond, 2006)**
Open based loyalty program	Available to all customers who are willing to purchase from the company. No targeted communication. Equivalent offers to all and not based on previous purchasing history.	1	(Esmark, Noble & Bell, 2016)
Selective loyalty program	Based upon purchasing history. Targeted communication. Not available to all.	1	(Esmark, Noble & Bell, 2016)
Switching cost	Higher switching cost creates higher customer retention.	2	(Porter, 1979)
Customer satisfaction	Higher customer satisfaction creates higher customer retention. Customer satisfaction builds a higher switching cost.	2	(Mossberg & Sundström, 2001) (Lee, Lee & Feick, 2001)
Brand loyalty	False loyalty means that customers randomly selects a provider or product. False loyalty equals low switfching costs.	2	(Mossberg & Sundström, 2001)
CRM	The CRM approach is used to create a long-term loyalty of customers and there is a positive relationship between an effective CRM, customer retention and satisfactory level of the customers.	2	(Injazz, Chen & Popovich, 2003) (Kale, 2012)

FIGURE 5: THEORETICAL FRAMEWORK.
Source: Authors.

3. Methodology

This chapter will describe the selected research approach. The section will involve the interview structure and a description of the interviewees. The material collected is then analyzed and the reliability as well as validity is discussed.

3.1 Research purpose

There are three types of research purpose; *descriptive, exploratory* and *explanatory*. Descriptive research depicts a situation or phenomenon, explanatory research aims at detecting causal link between phenomena. Exploratory research is about exploring and clarifying a phenomenon (Saunders, Lewis & Thornhill, 2009).

In a qualitative survey, the purpose is usually to investigate patterns in different categories (Jansen, 2010). So is also the purpose of this thesis. It is explorative since the authors want to explore how companies work with loyalty programs and which one was most effective. This thesis also aims to examine how companies work with customer retention. There are descriptive elements as the interviews also seek answer to questions related to the companies' primary source of income, the competition on the market as well as the interviewees' role within the company.

3.2 Research approach

When performing a scientific study, the author usually chooses an approach to start with (Bryman & Bell, 2005). This approach is usually applied as an inductive or deductive method. A deductive approach is based on previous theory and creates hypotheses that can be either accepted or falsified through an empirical review. An inductive approach is quite different compared to a deductive approach since what you investigate becomes the foundation of the topic's theoretical framework (Bryman & Bell, 2005).

According Bjereld, Demker & Hinnfors (2013), qualitative methods is a collective term for different types of approaches and the qualitative methods shared feature is that they are not quantitative. The authors add that quantitative methods are a matter of course in science while the field of human sciences qualitative methods are often preferable to understand a phenomenon. Quantitative approaches aims to answer questions such as "how many?" And seek to quantify data (Bjereld, Demker & Hinnfors, 2013). Qualitative studies, however, aims

to describing the qualities or characteristics of a given type of phenomenon (Bjereld, Demker & Hinnfors, 2013).

For this study a deductive approach and a qualitative method was chosen. Qualitative methods are rooted in that the truth lies in the eyes of the one who sees (Bryman & Bell, 2011). When conducting a qualitative research it is also common to study only a limited number of people (Kvale, 1997). The chosen research strategy is relied upon the decisive need to analyze and gather interviews, compared to quantitative research where the reliable source of information is gathered by data (Bryman & Bell, 2005). When it comes to marketing it is hard, if not impossible, to put scientific quantitative data upon a psychological state of mind since all people are different and marketing approaches are received by each individual differently.

3.3 Research strategy

There are five sources of material collection techniques; experiment, survey, archival analysis, history and case study (Yin, 1994). In this study, a survey will be used to analyze the situation since more than two companies will be investigated. The usual term of a survey is a statistical one which in its nature is quantitative. The second term is the qualitative survey, which aim is to describe the characteristics of a given population (Jansen, 2010). A research strategy can either be open which means it is inductive or it may be predefined and then it is deductible (Jansen, 2010). As mentioned earlier, this study is deductive since previous theories are used and predetermined subjects are to be studied.

3.4 Sample selection

Since a large number of companies are operating on the iGaming market, a sample selection had to be done. The sample has not been randomized, which is common in statistical surveys (Jansen, 2010). In this research, the selection was made as a convenience sample as the respondents were selected based on knowledge that they would agree to participate in an interview. The last-mentioned method is accepted within a qualitative survey (Jansen, 2010).
Even though subjects were predetermined the authors asked more than 25 companies if they were willing to participate. All declined because they felt it was too sensitive information to give out even if done anonymously. This study has been limited to European companies having their base in Malta regulated by MGA and primarily generates its revenue from video slots. Video slots is an online version of a so-called slot machines and includes a random

number generator. Four companies have been selected to be included in the study. The businesses have been operating in the iGaming industry for 1–18 years. Due to the study is limited to the iGaming companies operating within the European market, the respondents will be employees with a managerial marketing background within the companies.

3.5 Data collection

The information required to apprehend was to find out how companies apply loyalty strategies and how this implementation affect the switching barrier and costs for their current customers. An interview guide was built upon literature review and relates to the following areas: *the use* of different types of reward program, how they *retain* customers and *efficiency* perceived of the programs. Themes were compiled in an interview guide that became the basis for the interviews. This guide is presented in Appendix 1.

There are various types of interview forms, and these differ from qualitative and quantitative studies (Bryman & Bell, 2011). The main difference between the interview forms is flexibility, ie the possibility to deviate from the interview guide or questionnaire. In qualitative research, interviews are less structured than in quantitative studies (Bryman & Bell, 2011). Qualitative interviews are divided into structured and unstructured interview forms. Bryman & Bell (2011) describe that an unstructured form is reminiscent of a dialogue between two individuals and do not need to process more than one question. A semi-structured interview is based on an interview guide of various themes, but it is possible to deviate from it (Bryman & Bell, 2011). In a semi-structured interview, questions should not be conductive (Bryman & Bell, 2011) and open questions are to be preferred.

To promote a flexible interview with the respondents, semi-structured interviews were conducted. The reason for the choice of this type of interview is that the study aims to analyze and gather as much information as possible on how the companies work with customer loyalty. A possibility to deviate from the form and ask supplementary questions was preferred. To be able to compare and benchmark the results of this study, the interview questions need to be equivalent for all respondent companies. A disadvantage of this data collection method is the time needed to complete the interviews.

The initial questions in the interview guide are linked to research question one, which deals with how companies work to retain new and existing customers. They also concern how

online casinos make use of loyalty programs. Question four, five, six and seven are connected to research question number two aimed to analyze the degree of effectiveness of the various programs. The last three questions are to describe the respondent's role at the company, their primary income and years of experience, as well as the environment of the casino. Table 2 describes the connection between theory used, research questions and the interview guide.

RQ1 -How do online casinos work to retain their customers in a low switching cost market through loyalty programs?

RQ2 -Which implemented program has been most effective to retain customers?

TABLE 1: LINKING THE RESEARCH QUESTIONS WITH INTERVIEW GUIDE.

Research Question	Interview guide question	Research Question	Interview guide question
1	1. How do you acquire new players/gamblers?	2	6. In percentage, how many recurrent players do you have that play minimum once a month?
1	2. How do you communicate with your current players/gamblers?	2	7. How is your approach towards possible churners?
1	3. How is the loyalty program applied at your casino?	Respondent´s role at the casino	8. What is your role at Casino X and how long have you been working within the company?
2	4. Do you consider loyalty programs to be an effective way of retaining customers?	Years of experience, primary income of the casino	9. How long have this casino been online and what is your primary source of income?
2	5. Related vs unrelated, what have been most effective for your casino site? (CRM, Switching Cost)	Environment/ competition	10. How do you experience the competition amongst all casinos today?

TABLE 2: LINKING THE RESEARCH QUESTIONS WITH INTERVIEW GUIDE AND THEORY/CONCEPTS.

Theory/concept	RQ	Interviewguide
Loyalty program model	1	1,2,3
Openbased loyalty program	1	1,2,3
Selective loyalty program	1	1,2,3
Switching cost	2	4,5,6,7
Customer satisfaction	2	4,5,6,7
Brand loyalty	2	4,5,6,7
CRM	2	4,5,6,7

At the beginning of the interview, general information was given to the interviewees, such as the aim of this thesis. It was also given information about their right to remain anonymous. Bryman & Bell (2011) describes that it is possible to deviate from the interview guide asking supplementary question, if it is fed back to something the respondent said. Hence, deviations from the interview guide were made when considered necessary. The purpose of the supplementary questions was to clarify and get more information about what was said. The questions were not necessarily in the same order as in the guide. Lastly, open initial questions were asked where the respondents were encouraged to tell about their role at the company and how long they have worked there. When the interviews were done, the answers were categorized in what type of loyalty program the casino used.

All interviews were held by telephone in Swedish (all interviewees were Swedes). They lasted between 30–60 minutes each. In order to facilitate the follow-up, the interviews were recorded. Another reason for recording is to avoid taking notes during the interview as it may interfere with the implementation. After summarizing the interview the summary was drawn up in Table 4 which found in the data presentation chapter. The answers were transcribed not in detail with pauses, tone, etcetera, but only in its entirety. All four interviews were conducted during week 17–18. In addition to material gathering through interviews, observations were also made of the selected companies' websites. Observations of the companies' websites were undertaken to create a good overview and obtain information about

available bonuses. This was made by registering free as a customer to obtain internal website information. To create a more profound understanding of the chosen topic, observations and interviews were supplemented with literature studies.

3.6 Data analysis

After the interviews were made, the interviewed companies were given anonymous names and interpreted by us in an easier way to put into an excel document. The material gathered was read and interpreted several times to ensure full comprehension. To be able to provide an understanding of benchmarking the different casinos, the most comprehensive data was given top priority in the early stage. Later, the differences in marketing strategy and their acquisition of players were determining what casino had the most effective marketing. To examine if the retention and loyalty had any positive or negative connection to each other, an analysis of what loyalty program the casino used was done. The differences in communication of offers to their depositing customers between all casinos was also reviewed. Furthermore, if any correlation between retention and the approach of communication was looked upon.

The different types of loyalty programs explained in literature review (Berman, 2006) was used to categorize the interviewees description. Each type was added to the mapping Table 4. Lastly, to confirm the assumption about a high competition within the iGaming industry and to create higher reliability, questions about the environment and their years of experience within the industry were asked.

3.7 Validity & Reliability

Validity and reliability techniques are to ensure quality of measurements. Reliability concerns *the way* something is measured. To provide a high validity rate, it is important that the phenomenon that *was intended* to be measured *is* measured (Bjereld, Demker & Hinnfors, 2013). In quantitative research, these concepts are measured in numbers and statistically. There are different types of validity and reliability, both internal and external (Bryman & Bell, 2011). Internal reliability means that researchers agree on how to interpret what is being investigated and thus reach consensus. External reliability is about the extent to which the survey can be carried out again. Internal validity is about ensuring consistency between concepts and what is observed. External validity occurs when results are generalizable. However, there are differences between reliability and validity in qualitative and quantitative

studies. In a qualitative study, alternative criteria for internal and external reliability and validity should be applied (Bryman & Bell, 2011).

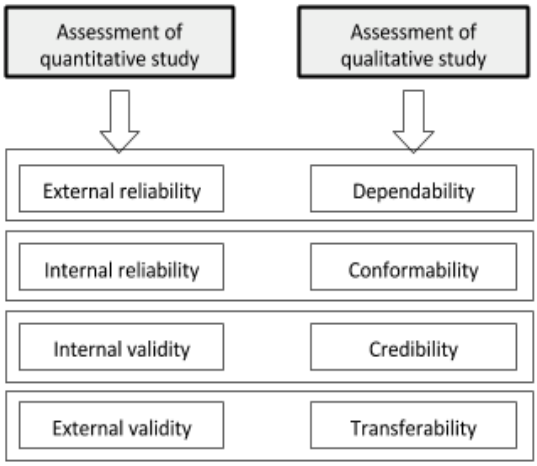

FIGURE 6: ALTERNATIVE CRITERIA FOR THE EVALUATION OF A QUALITATIVE STUDY.
Source: Adapted from Bryman & Bell (2011).

To achieve validity in a qualitative study, the terms *credibility* (internal validity) and *transferability* (external validity) are used (Bryman & Bell, 2011). Credibility is achieved through, for example, respondent validation, which can be obtained by giving the respondent the opportunity to comment on what has been transcribed by the interview. In order to achieve transferability, descriptions should be "thick" so that others can determine whether the results can be applied in another environment. Thick means that the descriptions of how the study was conducted should be performed with completeness.

Reliability concepts in qualitative research are *dependability* and *conformability* (Bryman & Bell, 2011). The dependability is enhanced the more clearly the researcher has formulated all parts of the process. Conformability means that the researcher should be objective as far as it goes. Consciously making your own opinions affect the result lowers conformability (Bryman & Bell, 2011). Kvale (1997) believes that the design of the questions can affect the answers, if the questions are leading, the answers can be colored by the subjectivity of these. This may in some cases weaken the reliability of the survey (Kvale, 1997).

In this study, to increase the credibility, the respondents were asked to read a summary of the interview. The reason was to give a possibility for the respondents to either add something or confirm that what was said during the interview had been written down and interpreted correctly. The transferability was somewhat weakened since not a full transcript was made

with notes of pauses, the respondent's tone of voice, etcetera. However, given this thesis time frame, full transcripts of all interviews would have taken an unreasonable amount of time. In order to achieve dependability, all parts of the study have been carefully described. For conformability of the results, there has been an awareness that prior knowledge of the chosen topic affects objectivity. Some of the questions in the interview guide were deliberately directed towards selected themes, which meant that respondents were not completely unaffected in their answers. Although the researcher in qualitative surveys is intimately involved, it has been taken into account not to let own values influence how the study was designed and how the results were presented.

Table 3 below has been used to describe how the qualitative approach is structured and how it is used. The purpose is often to investigate a phenomenon and this is done by observing and interpreting. When conducting a qualitative study, data is usually collected through semi-structured strategies or completely unstructured and the selection is more limited than in quantitative studies.

TABLE 3: RESEARCH ASPECTS USED IN A QUALITATIVE APPROACH.

Research aspect	Qualitative method
Purpose	Seeks to discover, is used in a exploratory research. General research objects.
Approach	Observe & Interpret
Data collection approach	Unstructure, free form (semi-structured)
Research independence	Researcher is involved intimately
Samples	Smaller samples than quantitative methods.
Most often used	Exploratory research designs

Source: Adapted from Zikmund, W, G. (2003).

4. Data presentation

The results are based on four interviews conducted with various online casinos. All interviews were held in Swedish by telephone. Respondents have similar role within the company and all are men. Similarities and differences will be shown below. Each casino's connection to one or more of Berman's four types of loyalty programs is presented and the responses from interviews are linked to the RQ that is answered. The answers to the research questions are structured in the order in which companies were interviewed. A summary of the key findings are shown in Table 4 and the interviews as a whole can be found in Appendix 2.

4.1 Introduction

In this introductory section for results, representatives from the various casinos are presented as well as how competition in the market is experienced. In addition, the differentiation strategies of the casinos are described.

Casino number one

The interviewee has been working in the iGaming industry for more than five years as a VIP manager as well as head of operations in Malta for the casino. The casino's primary source of income is through video slot machines. Their differentiation strategy is their way of communicating to their customers through a 3rd party called Optimove, who work with targeted communication, as well as their events and competitions where unrelated rewards are given. The respondent feel that competition in the iGaming industry is extremely high but still lucrative.

Casino number two

The respondent has been working at casino number two for one and a half years and his role at the company is event manager. Casino number two have been operating on the market for about five years and their primary source of income is video slots and live casino (Roulette, Blackjack e.g). The way the casino differentiates from other competitors is their presence on the local market by advertising in regular media. He describes the online casino market as very competitive and that it is very important to differentiate and work with customer retention at least as much as working to reach out to new potential customers. In the future, they will invest even more in marketing and different events.

Casino number three

The respondent's role is active work with affiliates and marketing towards the Swedish market. He has worked at the company since 2016. Casino three´s main income is based on video slots and not betting. The company has been operating on the market for almost a year. The respondents say that they do not invest now in regular media advertising, but more with the online affiliation. He also tells that what they do is a small scale compared to the big dragons in the market. On the question concerning competition in the market, the interviewee describes it as hard-hitting. There are hundreds of casinos directed to the Swedish market. Casino number three differentiate themselves by trying to be attractive with promotions and welcome offers. He describes that things must happen and compares the online casino market with a blog. A blog that is not updated is quite uninteresting and not readable. You are reading a blog because it is constantly updated and it is the same for online casinos. New games and competitions are important. The page should be a living document. It is also important to use competitive game providers such as Net Entertainment and Yggdrasil. Casino number three want to provide the best games. They compete with good games that are not too like the big dragons' game.

Casino number four

The respondent's role at the fourth casino is executive marketing manager and he has been working for just over a year. Casino number four is striving to become the leader in the iGaming industry, differentiating themselves towards "high rollers". Their differentiation approach is through targeted marketing to certain segmented players. Strategy is channeled through regular media and affiliation programs. Another differentiation strategy they utilize is lower wagering requirements as well as objectives giving reward incentives. Their primary income is video slots and live casino such as Blackjack, Roulette etcetera. The interviewee perceives the competition as higher than ever.

4.2 RQ1 -How do online casinos work to retain customers in a low switching cost market through loyalty programs?

Casino number one

The first casino is trying to retain their consumers by unrelated marketing such as events and travels. However, their strength lies in new acquisition of players more than retention of players through their cost - effective marketing strategy where above 50 % is focused on social media and google. Player retention is low and defection rate is above 30%. Their way

of communicating to their players is through a 3rd party who target the players by email and sms each 3rd day. VIP players receive phone calls for a more personalized experience. He also explains that they work to give a professional and credible impression as a casino.

Casino number one's loyalty program encompass different levels, but are not giving any rewards rather than creating challenges for the player to create a feeling of completing objectives. On higher VIP levels, however, untold programs arise such as tickets to events and creating a feeling of luxury. This is not something the casino number one is promoting. The respondent describes their loyalty program as open-based until a wagering level has been reached and it develops to a selective.

Casino number two

The second casino are expanding their business and trying to gain more market share by pushing media marketing through certain countries in a higher scale than ever before. Comparing to competitors, their differentiation strategy is that they do not use affiliate sites in the same sense as other competitors. Affiliates have high commission per player (CPO) and comission per action (CPA) compared to media marketing if you make a bundle package. This might be one of the reasons why their acquisition of players have gone up approximately 20%. Their way of communicating with customers is by email and, in certain competitions and events, by sms. Phone calls are rarely used unless player defection is at risk. The players are not in any way segmented and mass communication is the standard way of communicating by email and sms.

Loyalty programs are used by the second casino and consists of different levels, but are not giving any rewards rather than the usual bonus and freespin that is sent out to everyone on pay day. They do however, have different support depending on what level you are. To attain the different levels, a player must gamble and he/she can see their progress bar for a new level attained. The interviewee describes the type of loyalty program as open-based.

Casino number three

On the two initial questions regarding acquisition of new players and communication with current players, the interviewee responded that they attract new customers by having attractive welcome offers. He also described the work of affiliates as very important in

attracting new customers to the page. When it comes to retaining the existing customers, he told us about the importance of feedback and that they focus on player retention. This is done through mass communication on the website such as campaigns. It is also done via sms and mail and it is then more targeted and based on the existing customer register. Henceforth, this is interpreted as only partially targeted communication. The promotions and offers also have different themes such as Halloween or Easter.

Question number three concerning loyalty programs and its various levels the respondent replied that it is very important to keep their players. This is done internally on the page and means that the more you use the page, the more points you get as you can buy, among other things, free spins. So, the more you play, you will earn more points. These points can also be used to buy into the jackpot wheel. For example, if you have 100,000 points you can buy four free spins on that wheel. These points do not reset.

Casino number four

When asked how the fourth works to attract new customers the interviewee responded that they make it through the regular media marketing. They also work actively with affiliates to get new players. Compared to how their competitors are working, he describes that Casino number four focus on trying to reach out to the target audience right from the start. When it comes to retain their existing customers, they partly work in a different way than how they work with new clients. In order to maintain their customers, they are working partly to send out mass communication, which means that offers are sent to all existing customers. But they also use targeted offers to specific players. Those who play more receive exclusive offers and higher bonuses. Offers are sent mainly via SMS, but also via e-mail. Calls to the players does not exist yet.

The interviewee points out the importance of implementing loyalty programs and that there are different ways of applying these. The fourth casino are using a loyalty program based on points per play. Not only do they use points that can be converted to related rewards such as free spins and bonuses, but also unrelated such as lottery tickets for different events. When playing on certain slot machines both related and unrelated rewards will be given when objectives are met.

4.3 RQ2 -Which implemented program has been most effective to retain customers?

Casino number one

When it comes to the efficiency of implementing loyalty programs, the respondent said that the most efficient way of retaining customers is through a good loyalty program based on spins played. Even though the casino does not implement this type of program it might, according to the interviewee, be a crucial part to why their defection rate is high. Another program they use is the unrelated marketing where the player wager an amount given on a given video slot and receives a ticket for a possible travel to win. A promotion video is made to create a special feeling to the player that this could be him/her. When asked about the churn rate, the respondent believed it was approximately 30% which is quite high. The interviewee believes that with a correct loyalty program, the number could be decreased by at least 5 - 10 %, creating a higher revenue and increasing depositing players. The average player deposits approximately 30 euros at the casino.

Casino number two

The interviewee from the second casino did not believe that the most efficient way of customer retention is through loyalty programs. He believes that marketing and the design of webpage as well as a great supply of video slots is the key. Another thing that is important is the trustworthiness. The casino has fast and reliable withdrawal methods. The bonus packages are always related (Bonuses and free spins) but the most popular events where they see a pattern of increased revenue are unrelated marketing such as travels, tickets etcetera per deposit. This is also shown in the numbers of depositing customers which tend to grow when such type of marketing is brought to action. When asked about churn rate of customers, the respondent said that the number is about 20 %. He further explained that they are happy with the low churning/defection rate but that they are actively working to improve the player's' experience even more.

Casino number three

The interviewee from the third casino considered the use of loyalty programs as effective and a must in the online casino world. He describes that a casino customer is the least loyal customer you can imagine, they jump between three to four different casinos, depending on who has the most fun offerings. Casino number three uses a mix between unrelated and

related marketing. An example of unrelated marketing is that the company arranged a competition in which the player who played the most could win a trip to another country. This was very popular and deposits increased during this period. He also tells us that the players want free spins, but the company works actively with affiliates: the one who ranked the casino at the top may win a tablet. Regarding churn rate and recurring customers, he answered the question that they have not been on the market for a long time and therefore did not want to share this information as it is sensitive. But he knows that there are many who are repeat customers, and some that play every day. But because he does not want to share the churn rate and recurring figures below, he can not tell about the average deposit. The information given was that it could be anything from 10 EUR to 1,000 EUR.

Casino number four

Interviewee of the fourth casino believes that the use of loyalty programs combined with a good communication strategy by segmenting players increases rate of retention. Since players are targeted from the beginning by creating a perceived selective marketing strategy, efficiency rate is increased and attained. They can see an increase of 7 % in player acquisition and 10% turnover increase, concluding that their strategy for retention by loyalty program and increasing deposits are effective.

Both related and unrelated marketing are used. A combination of these marketing approaches seems to be the most effective, per the interviewee. Players want to get the opportunity to win something “bigger” than just bonuses and freespins. Further, he describes that bonuses and free spins are an important marketing strategy. Respondent chose not to answer questions related to neither the churn rate nor retention rate, but said that they have a satisfactory level of repeat business. Furthermore, he says that this is an ongoing work that strives for zero churn rate. The average sales per customer are not disclosed but the most common deposit is estimated to be around 50 EUR.

4.4 Summary

The summary below gives a detailed explanation of how the different casinos compete in the highly competitive iGaming industry. The different levels of communication vary but are either targeted to individuals or sent out to all customers. All companies are using affiliates as either primary or secondary source of marketing. Casino number one, the company with the

highest defection rate have a fictive loyalty program but a good marketing strategy to complement. The casino with the lowest churn rate are showing signs of mass targeting but with local marketing campaigns as a differentiation strategy. The loyalty programs are differently used by the casinos but are based on Type 1, 2 and 3 as noted above. The relevance of how the unrelated or related marketing are experienced differs slightly yet all casinos agreed that the unrelated type are the most effective on the European market. This is correspondent to what Mattison, Thompson & Chmura (2015) describes in a developed country where unrelated marketing is more efficient than related. The highest ranked retention casino is showing both Type 1, 2 and 3 loyalty programs which are correlated to the effectiveness of player retention.

Although the loyalty program at casino number two is fictive, exclusivity, bonus and mass targeting are the definite origin for their loyalty retention. Neither casino number three, nor casino number four could answer their churn rate due to their brief time in the industry as well as due to the sensitivity of the information.

TABLE 4: SUMMARY OF INTERVIEWS.

	Casino #1	Casino #2	Casino #3	Casino #4
Years of experience:	12 years	5 Years	< 1 Year	
Type of loyalty program:	Type 1 & 3	Type 1, 2 & 3	Type 1 & 2	Type 1, 2 & 3
Open-based or selective?	Open & selective (based on wagering)	Open	Open	Open & selective (based on wagering)
Primary acquisition of players:	Social media, Google, affiliates and regular media	Afffiliates, local advertising & regular media	Affiliates & Google	Affiliates, regular media & Google
Player communication:	Targeted & Mass communication	Mass communication	Targeted & Mass communication	Targeted & Mass communication
Special VIP Program?	Yes	No	No	Yes
Churn rate:	Approx 30%	Approx 20%	N/A (too early)	N/A
Competitive industry?	Yes	Yes	Yes	Yes
Deposit per player/month (EUR):	EUR 30	EUR N/A	EUR N/A	50 EUR
Reward system Loyalty program?	No, only fictive	No, only fictive	Yes	Yes
Most effective: Irrelevant or relevant marketing?	Combined	Irrelevant	Combined	Combined

5. Data analysis

This chapter will present the results of the data collection in relation to theory from the literature review. An analysis of whether the theories matched how the casinos answered the interview questions will be presented. The conformity is shown in Table 5.

The purpose of this thesis was to provide a better understanding on how online casinos apply loyalty programs to their website and how it is affecting their profitability as well as their switching barrier. Interviews were made to ensure that all information provided would be studied and evaluated, connecting the research questions and answers to see the industry's defection rate and what to adjust. This has been completed with consideration of each individual company's restrictions and limitations.

The method chosen was optimal for this type of thesis due to many variables that cannot be controlled in solely data such as marketing, perceived feelings, trustworthiness of company and the fluctuating barriers between loyalty programs in all companies. The pro's was the possibility using previous studies to rely on and the cons were that data was harder to verify to conceive a clarity of benchmarking. Previous studies have shown that the management did not have sufficient knowledge and understanding of how best to use loyalty programs (Myongjee & Singh, 2016). This thesis complies with the above stated because all the interviewed casinos were using loyalty programs, but it did not get the full desired effect in terms of low customer churn rate. Findings of this research indicate that there is a vague correlation between loyalty programs and retention in a low switching cost commerce such as the iGaming industry. This complements previous studies described in chapter 1 done by (Kim, Jeong & Hwang, 2015). In other words, there seems to be some correlation between the above-mentioned factors, but none of the casinos believe they have managed to optimize customer loyalty programs.

All casinos representatives' responses were consistent with the loyalty program models from the literature. They use different types of scoring systems and there was an consensus that it is difficult to keep their customers. Furthermore, it was a common factor to use open-based loyalty programs aimed at a large and unselected group of customers. The open-based loyalty programs include, amongst other things, welcome offers and bonuses upon registration. Esmark, Noble & Bell (2015) described selective loyalty programs as more exclusive offers

directed specifically to active customers. Casino number one and four were the only ones who spoke openly about their use of this kind of loyalty program and their working practices are consistent with Esmark, Noble & Bell's (2015) description. Casino 2 described that they only use selective programs in form of a VIP service.

In the analysis of the process of switching costs, an observation was made that one casino was not consistent with what theory described. Casino 1 uses selective loyalty programs whose purpose is to increase loyalty and thereby build higher switching costs. However, this casino had the highest churn rate, which is contradictory to the theory. This was also the company that differentiated through third party marketing, which should have proven more in terms of customer retention according to theory. Casino number four builds barriers to exchange by offering its customers not only welcome bonuses, and they claim that their retention rate is satisfactory. For the rest of the casinos, the theory partially aligns because they worked with loyalty programs but failed to retain a large proportion of the customers.

The importance of having satisfied customers has been discussed in the literature review but seemed only partially true in the empirical data collected. It seems important for all interviewed companies to work with customer satisfaction to reach a high level of recurring customers. All casinos focused on retaining customers but still failed to retain as much as desired. Furthermore, the perceived brand loyalty of customers was analyzed, indicating that customers are not particularly loyal. A quote from casino number three describes the perceived loyalty:

"A casino customer is the least loyal customer you can imagine, they jump between three to four different casinos, depending on who has the most fun offerings." - *Representative casino number three*

Despite the disloyal customers, all the casinos describe that they believe it is efficient to work with loyalty programs. However, casino number two claimed that there are other aspects that are just as important to consider:

"I do not believe that loyalty programs are the most effective key to customer retention. Actions such as marketing and the design of webpage as well as a great supply of video slots may be equally effective." - Representative casino number two

This is something that casino 4 is also talking about. They, like Casino number two, think that there are other aspects to consider when it comes to creating long-term relationships with their customers:

"As much as our work with loyalty programs, it's important for our customers to feel that they always have support available, at any time, both in the mobile, tablet and on the computer. By having a professional and knowledgeable customer service, it makes it easier for our customers to get help with, for example, misunderstandings or issues regarding deposits. We strive to always provide excellent service to our players." - Representative casino number four

All casinos describe the fierce competition in the market, which should further be an incentive to even more segment their players. However, in spite of its saturation, the casino market seems to be very lucrative as many companies operate on the market. This is described below by casino number one.

"Even though we have about 30% churn rate, which is one of the highest defection rates in the industry, we still believe that it is a lucrative business" - Representative casino number one

Finally, CRM is analyzed and all casinos interviewed claim that they work to gather information about their players. The information does not appear to be sufficient, nor is the customer's satisfaction, as the theory should show a considerably high retention rate, which is not the case. Nonetheless, it is difficult to say what the retention rate would be if none of the above work had been prioritized. Possibly there is a connection between these factors. If such a connection exists, the companies in question should further focus on creating high barriers to exchange for customers.

TABLE 5: THE CONSISTENCY BETWEEN THEORY AND COLLECTED DATA FROM INTERVIEWS.

X: The collected data supports theory
--: The data collected do not support theory
/: The data collected supports theory to some extent

Theory	Answering Research Question:	Casino #1	Casino #2	Casino #3	Casino #4
Loyalty program *Berman´s 4 types; when consumers have the possibility to collect points and where there are similar requirements in a homogenous market, it is very difficult for one loyalty program to maintain a significant competitive advantage over others.*	1	X	X	X	X
Open based loyalty program *Noble & Bell*	1	X	X	X	X
Selective loyalty program *Noble & Bell*	1	X	--	/	X
Switching cost *The higher switching cost the better customer retention*	2	--	/	/	X
Customer satisfaction *The higher customer satisfaction the better customer retention* *Customer satisfaction builds switching costs*	2	/	/	/	/
Brand loyalty *False loyalty means that customers randomly selects provider of the service or product. False loyalty equals low switching costs.*	2	X	X	X	X
CRM *The CRM approach is used to create long-term loyalty of customers and there is a positive relationship between an effective CRM, customer retention and satisfaction level of the customers (Injazz, Chen & Popovich, 2003).*	2	/	/	/	/

6. Findings and conclusions

Findings and conclusions found of the stated research questions are described in this chapter. Moreover, implications for continued research are presented and concluded with recommendations.

RQ1 -How do online casinos work to retain customers in a low switching cost market through loyalty programs?

The companies interviewed use loyalty programs to varying degrees. What is common to all is their mass communication of offers like bonuses and welcome offers. There are also different levels that the player may encounter depending on how much the person is playing. All respondents agreed to the importance of customer retention, especially in the iGaming industry. The companies work with different types of loyalty programs and it is not entirely clear which of the types that have worked best. The company with the lowest churn rate had an open communication approach combined with fictive loyalty levels.

Casino number one use social media and affiliates as their primary source of attracting new customers. They do have a special VIP program but they do not segment and target special groups except the ”high rollers”. Despite their use of a fictive loyalty program, the churn rate was high.

Casino number two focus on local media as a way of expanding their customer base. This was the company with the highest marketing budget. Casino number two had a low churn rate despite of their ficitve loyalty program.

The third casino use affiliates and Google as their main channel to communicate with customers. The company could not provide complete information regarding their churn rate.

Lastly, the fourth casino use regular national media and Google to attract ner players. The casino chose to not disclose any information regarding their churn rate but initiated that they were content with their rate.

RQ2 -Which implemented program has been most effective to retain customers?

The loyalty program that appeared to be most effective in terms of churn rate was casino number two. Their focus was on mass communication. Another feature was that they differentiate themselves by being active in the local market and through regular media as a marketing strategy.

Despite the efforts made by the casinos regarding customer satisfaction, loyalty programs, CRM, increasing switching costs and brand loyalty, it seemed that Berman's claim of loyalty programs is the theory most consistent with the evidence collected in interviews. What he claimed was that when operating in a homogeneous market, it is difficult for one loyalty program to maintain a significant competitive advantage over others.

This was demonstrated by the fact that casino number one had a purely selective loyalty program still did not have the highest retention rate. Casino number four also prioritized a selective approach but did not share its retention or churn rate. However, the interviewee gave indications that they have good customer retention numbers but it can obviously be improved. Since casino four has a large number of repeat customers, it can be concluded that they also have a low churn rate. Casino three works to some extent with selective marketing but did not provide information about retention rates that could validate that this marketing approach was most effective. Casino number two did only focus on on the open based marketing but was the casino with the lowest stated churn rate. Possibly there are other additional explanations of what gives the highest retention rate of customers. During the interviews, the following alternative customer retention aspects emerged:

- The website should be clean and neat.
- The casino should be perceived as trustworthy.
- Available and knowledgeable support service.
- Offer a wide range of games and video slots.

6.1 Implications for further research

When the data was collected, interesting aspects were found that this report does not cover or consider due to the time aspect of this work. It may therefore be of interest to investigate the topics described below.

The ethical and legal aspects are of great importance when it comes to gambling and the iGaming industry. It is necessary to keep in mind that all customers can not afford to play in the way they do. The difficulty lies in determining who has a healthy attitude towards gambling and who does not. Furthermore, the question arises whether who should take responsibility for this and to what extent. Linked to this thesis, it may be that the players who get the most exclusive offers are those who least need them.

As previously mentioned, there may also be alternative explanations of what affects whether companies manage to keep their customers or not. It may also be interesting to compare the percentage of marketing efforts and their costs, and compare with the return of investment of the business.

6.2 Recommendations

Based on the findings and theories in this thesis, companies operating in the iGaming industry are recommended to invest in selective marketing. The focus need to be on targeted marketing and communication in order to build long lasting customer relationships. When it comes to customer retention, the basic types of loyalty programs seem to be essential, while visibility on regular media gives an advantage for trustworthiness such as brand knowledge.

By sending out targeted offers equivalent to the player's previous playing pattern, retention and therefore revenue can be increased (ceteris paribus) hence creating higher switching barriers through customer relationship marketing. Since a player is less price - sensitive when loyal to a brand (Klemperer, 1987), increased deposits and thus higher revenue will occur when creating long lasting customer relations. The revenue can be invested in CRM analysis to further adapt at data mining on an individual level in relation to Berman's Type 4 loyalty program.

The higher the barriers the customer experiences to switch supplier, the more loyal is the customer (Lee, Lee & Feick, 2001). With this in mind, companies should make it difficult for customers to switch casino. This may be done through specially targeted offers based on the games previously played by the customer. The recommendation is thereby to create more individualised deals to retain customers on a long-term basis.

Last but not least, online casinos that do not use a combination of related and unrelated marketing, are recommended to do that. This provides an incentive for the player to play more. The reason is that in a developed market, unrelated marketing is more efficient than related marketing (Mattison Thompson & Chmura, 2015). However, this study shows that these types of marketing approaches are used alongside. A suggestion to create a long-term sustainable customer retention, loyalty programs need to be implemented, despite that a strong marketing appearance with lucrative offers seems to be the best way in a short term.

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Appendix 1
Interview guide

We are two students at LTU who write our bachelor thesis. This study is about online casinos and their work with new and existing customers. If you wish, you may of course be anonymous. The interview will take about X minutes to complete.

Gender: Male, female, other?

1. How do you acquire new players/gamblers?
   - Affiliates?
   - Through Media?
   - Compared to competitors in the same business, any different method?

2. How do you communicate (Loyalty program, CRM) with your current players/gamblers?
   - Sms? Email? Phone calls?
   - Targeted or mass communication?

3. How is the loyalty program (for video slots) applied at your casino?
   - Are there different levels to be attained?
   - What is required by the player to attain these different levels?
   - What kind of reward system do you have towards the players on each level?
   - Do you have an open - based loyalty program? Any other special loyalty program? (Open vs selective) (Vip special program)

4. Do you consider loyalty programs to be an effective way of retaining customers?
   - why/why not?

5. Related vs unrelated, what have been most effective for your casino site? (CRM, Switching Cost)
   - Travel competition (Unrelated) or reaching a new level at your loyalty program to receive rewards? (related)
   - Bonuses or free spins? (related)

6. In percentage, how many recurrent players do you have that play minimum once a month?
   - How big is your churn / Defection rate of all your players? In percentage preferably.
   - Why do you think that is?

7. How is your approach towards possible churners?

8. What is your role at Casino X and how long have you been working within the company?

9. How long have this casino been online and what is your primary source of income? (Sports Betting, video slots or other).
   - (How do you differentiate yourselves in the iGaming industry?)

10. How do you experience the competition amongst all casinos today?

Appendix 2
Summary of nterviews

Summary of interview with Casino #1

To acquire new players, casino 1 are spreading their marketing through 30 % affiliates, 50 % Social media / Google and approximately 20 % regular media such as print, radio and television. To retain the current depositing players, targeted communication through sms and email are sent out each 3rd day through a 3rd party called Optimove. Calls are made to players who have deposited the last month more than 4000 SEK and is restricted for certain countries due to language barriers. They have a loyalty program. However, it is not used as an advantage towards players since a player does not receive any rewards or can change the points to anything such as free spins or bonuses. To attain a new level, "challenges" are set up in such a way to give the incentives for playing more. However, without any rewards given, the interviewed manager did not feel it gave anything back and did not see any higher turnover per player.

There is an unwritten loyalty program for VIP players who consume everything from 400,000 SEK and up. They receive irrelevant rewards in such forms as events, travels and much more creating a feeling of "luxury" for the player. This has created, according to the interviewed manager, a higher retention on VIP players. The interviewed manager believes that a loyalty program where rewards given might be a winning concept to retaining consumers and believes therefore it can be a key to declining churn rate.

The churning rate on Casino 1 is high amongst low level players. Some of these are "unwanted customers" who only utilize the bonus packages and go to the next possible sign up bonus. The total churn rate is above 60 % each month. However, same amount are signing up each month due to their effective marketing strategy. The competition in the iGaming industry is "extremely high" but still lucrative according to the interviewee of Casino 1.

Summary of interview with Casino # 2

The casino 2 are expanding their business and trying to gain more market share by pushing media marketing through certain countries in a higher scale than ever before. Comparing to competitors, their differential strategy is that they do not use affiliate sites in the same sense

as other competitors. Affiliates have high CPO/CPA compared to media marketing if you make a bundle package and might be one of the reasons why their acquisition of players have gone up approx. 20%. The way of communicating with their customers is by email and, in certain competitions/events, by sms. Phone calls are rarely used unless player defection is at risk.
The players are not in any way segmented and mass communication is the standard way of communicating by email and sms.

The loyalty program consists of different levels but are not giving any rewards rather than the usual bonus and freespin that is sent out to everyone on pay day. They do however, have different support depending on what level you are. To attain the different levels, a player must gamble and he/she can see their progress bar for a new level attained. The interviewee describes the type of loyalty program as open-based.

The interviewee did not believe that the most efficient way of customer retention is through loyalty programs. He believes that marketing and the design of webpage as well as a great supply of video slots is the key. Another thing that is important is the trustworthiness. The casino have fast and reliable withdrawal methods. The bonus packages are always relevant (Bonus and freespins) but the most popular events where we see a pattern of increased revenue are irrelevant marketing such as travels, tickets etc per deposit. This is also shown in the numbers of depositing customers which tend to grow when such type of marketing is brought to action. When asked about churn rate of customers, the respondent said that the number is about 20%. He further explained that they are happy with the low churning/defection rate but that they are actively working to improve the player's' experience even more.

The respondent have been working at casino 2 for 1,5 years. His role at the company is event manager and their primary source of income is video slots and live casino (Roulette, Blackjack e.g). The way the casino differentiates from other competitors is their presence on the local market by advertising in regular media. Lastly, the respondent describes the online casino market as very competitive and that it is very important to differentiate and work with customer retention at least as much as working to reach out to new potential customers. In the future, they will invest even more in marketing and different events.

Summary interview with casino #3

On the initial question, the interviewee responded that they attract new customers by having attractive welcome offers. He also described the work of affiliates as very important in attracting new customers to the page. When it comes to retaining the existing customers, he told us about the importance of feedback and that they focus on player retention. This is done through mass communication on the website such as campaigns. It is also done via sms and mail and it is then more targeted and based on the existing customer register. These promotions and offers also have different themes such as Halloween or Easter.

On the question concerning loyalty programs and its various levels the respondent replied that it is very important to keep their players. This is done internally on the page and means that the more you use the page, the more points you get as you can buy, among other things, free spins. So, the more you play, you will earn more points. These points can also be used to buy into the jackpot wheel. For example, if you have 100,000 points you can buy 4 free spins on that wheel. These points are not reset. The one we interviewed said that the use of loyalty programs is effective and also a must in this world (refers at the online casino world). He describes that a casino customer is the least loyal customer you can imagine, they jump between 3–4 different casinos, depending on who has the most fun offerings. Casino number three uses a mix between irrelevant and relevant marketing. An example of irrelevant marketing is that the company arranged a competition in which the player who played the most could win a trip to another country. This was very popular and deposits increased during this period. He also tells us that the players want free spins, but the company works actively with affiliates: the one who has ranked the casino at the top may win a tablet.

On the questions about churn rate and recurring customers, he answered the question that they have not been on the market for a long time and therefore did not want to share this information as it is sensitive. But he knows that there are many who are repeat customers, and some that play every day. But because he does not want to share the churn rate and recurring figures below, he can not tell about the average deposit. The information given was that it could be anything from 10 EUR to 10,000 EUR.

The interviewer's role is active work with affiliates and marketing towards the Swedish market. He has worked at the company since 2016. The casino's main income is based on video slots and not betting. The company has been operating on the market for almost a year.

The respondents say that they do not invest now in TV advertising, but more with the online affiliation. He also tells that what they do is a small scale compared to the big dragons in the market. On the last question concerning competition in the market, the interviewer describes it as hard-hitting. There are hundreds of casinos directed to the Swedish market. They differentiate themselves by trying to be attractive with promotions and welcome offers. He describes that things must happen and compare the online casino market with a blog! A blog that is not updated is quite uninteresting and not readable. You are reading a blog because it is constantly updated and it is the same for online casinos. New games and competitions are important. The page should be a living document. It is also important to use competitive game providers such as Net Entertainment and Yggdrasil. Get the best games. They compete with good games that are not too similar to the big dragons game.

Summary of interview casino # 4

The casino is expanding its horizon by attracting players through regular media, google as well as affiliates. The difference in competing for market share is that they have certain targeted segmentetation of players through their communication by media and google. The interviewee also describes the importance of using loyalty programs to retain players but at the same time increase number of players through marketing. The communication to existing players are done through email and sms and is, to a certain point, targeted (they segment players and send out what has attracted that specific segment to deposit). The casino is using a loyalty program strategy. There is a reward system but it does not give any certain amount of spins or bonus but is rather decided on the amount you deposit. However spins and bonuses are the rewards given, as well as tickets for a chance to win holiday travels. The interviewee describes their loyalty program as both open and selective. This is due to the fact that they are using a selective loyalty program for the ”high rollers” and an open for all players. The interviewee can see a correlation of returning customers and deposits made to attain a new level in the loyalty program. This can be seen because they have certain limit on deposits to gain points for attaining a new level. Whenever a player is in the risk of defection, a call is made to ensure he/she is content with the website and asks for the reason for their decreased activity on the website. If there is something that can be made to attract the defecting player, the casino usually tries to resolve the issue. The typical deposits are within the range of 50 euros. This is due to their loyalty program and has been an effective way of increasing revenue. When asked if related or unrelated rewards was the most effective, the interviewee does not believe one can be without the other and he can therefore not say which one is the

most effective. Casino number four have been operationg for two years and is growing fast. It is expanding throughout Europe and is in a very exciting phase with much going on and to be decided. Their primary source of income is video slots and roulette / black jack. The interviewees role at the company is marketing & loyalty manager. He believes that the competition is fierce but still lucrative.

Appendix 3
List of abbreviations and definitions

iGaming industry - Internet gambling industry

MGA - Malta Gaming Authority

CRM - Customer relationship management

Churn/defection rate - The number of customers who have stopped playing at the casino company for more than 1–3 months.

Affiliates - 3rd party company who promotes casinos online and receives monetary funds for each new recruited player to the promoted casino through either a one - time commission per player (CPO), commision per action (CPA) or revenue share.

Unrelated marketing - Value of offer sent to customer that is related to its product or service. E.g Travels when making a deposit.

Related marketing - Value of offer sent to customer relevant to its product or service. E.g Free spins and deposit bonuses at casino.