# Innovation processes in a stigmatized industry vs. non – stigmatized industry

A comparative case study on the Gambling industry and the Video – on – demand industry.

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# Executive summary

The gambling industry is one of the oldest professions in our history, and from the start until now, the industry has changed. The industry has gone from being a land – based activity to an online based activity in recent years. Due to tremendous technological innovations, the number of problem gamblers has increased– resulting in the gambling industry being considered a stigmatized industry. This thesis aims to shed more light on how stigmatized businesses innovate their services and tries to fill some of the gaps in the existing literature. Furthermore, this thesis compares the gambling industry to the Video – on – Demand (VoD) industry, as they are both online service providers, offering fast entertainment, anywhere – anytime.

The thesis is a comparative case study and gathered qualitative data through interviews with five case companies, where one is licensed and four are unlicensed in Norway. Further, the theoretical framework chosen for this thesis is the new service development process cycle, since this model can be applied easily to both industries – to compare their innovation processes and how stigmatization is possibly affecting them. The VoD industry was chosen because innovation of services in that industry is very similar to that of the gambling industry, as they have both been highly impacted by technological advances.

The interviews were recorded and transcribed, and the results were subsequently evaluated to discover both similarities and differences which were further compared to the VoD industry. The data gathered shows characteristics of the innovation processes and to what extent the gambling industry is affected by stigmatization. The industry is highly concerned with responsible gambling, and preventing further gambling harm with high-risk services and products it is offering. Moreover, the findings show that in each development stage of a new service or feature, the industry is implementing responsible gambling.

The results in the thesis also show that differences exist in the innovation processes due to stigmatization. This includes the different stages and activities in the development process that further also impact the "enablers", which are important in the development processes. Furthermore, the concept of core - stigma is impacting recruitment in the industry, and also organizational context i.e. the implementation of laws and regulation in different countries concerning how and where the gambling companies can operate. The VoD industry does not

have any of these restrictions, and are neither concerned with having to be responsible in it's way of innovating.


# Acknowledgements

This master thesis marks the end of a two-year master's degree in Business Administration at the University of Agder, School of Business and Law. The thesis is compulsory and counts for 30 credit points and is completed in the Spring of 2023.

We started this thesis with being interested in the concept of innovation. As this was established, and with help from our supervisor, the topic was narrowed down to a very interesting industry – the gambling industry. As we knew this thesis would take a lot of time and commitment, it was important for us that the theme and research objective was interesting and fun. Throughout this journey we have learned a lot about both service innovation and the gambling industry, which has been facinating and educational.

Firstly, we would like to thank our supervisor, Professor Andreas Wald, for helpful input and assistance throughout the process. Further, we would like to thank all the participants in this thesis, for their time and great contribution. We would also like to thank them for making this research possible.

Additionally, we would like to thank family and friends for their patience. Especially to our co-students for making this journey exciting, and to friends for listening and giving us feedback and important insight into the topic chosen for this thesis. Finally, we would also like to thank each other for great patience, a fun journey, and good discussions when frustrating times have occurred.

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# Table of content

## List of Figures



## List of Tables

# 1. Introduction

## 1.1. Background

A general definition of gambling explains the term as an activity where items of value, such as money and property, are staked on outcomes that are mainly influenced by chance (Delfabbro et al., 2020). Gambling is one of the oldest professions in our history and has played a part in every civilization from the earliest of times. From the start until now, the industry has gone through a lot of changes. In the early years, gambling was played with dice and cards around a table, whereas now – most of it is played online. The first legal casino in Europe was established in Northern Italy in 1638 and from 1650 – 1850, Europe experienced a huge gambling boom. After 1850, some nations in Europe banned the industry until early 1900 due to the French Revolution and financial disorder - when they yet again discovered that the activity was not so bad after all. Following the year 1980, slot machines and bigger casinos were permitted in larger cities – not only contained to the smaller cities in Europe (Schwartz, 2006).

Since the pandemic, the European gambling market revenue stabilized in 2022, reaching £108,5 bn gross gaming revenue. This was an 8 % increase compared to levels in 2019, before covid, and a 23% rise compared to 2021. Due to the re-opening of land-based gambling venues, gross gaming revenue increased 34 % to £70,3bn in 2022. Online gambling experienced a growth of 8% to £38,2bn. In figure 1 below, it is shown that a further increase is expected in the market for both land-based and online gambling revenues. Although the Scandinavian countries have some of the highest shares of gambling activities taking place online, only 35 % of the total gambling revenue in Europe is generated through online gambling, whereas land-based gambling accounts for the remaining 65%. This is because many of the countries with larger gambling markets, by revenue, such as Spain, Germany and Italy, have a relatively low online share of their respective gambling markets (EGBA, 2022a)

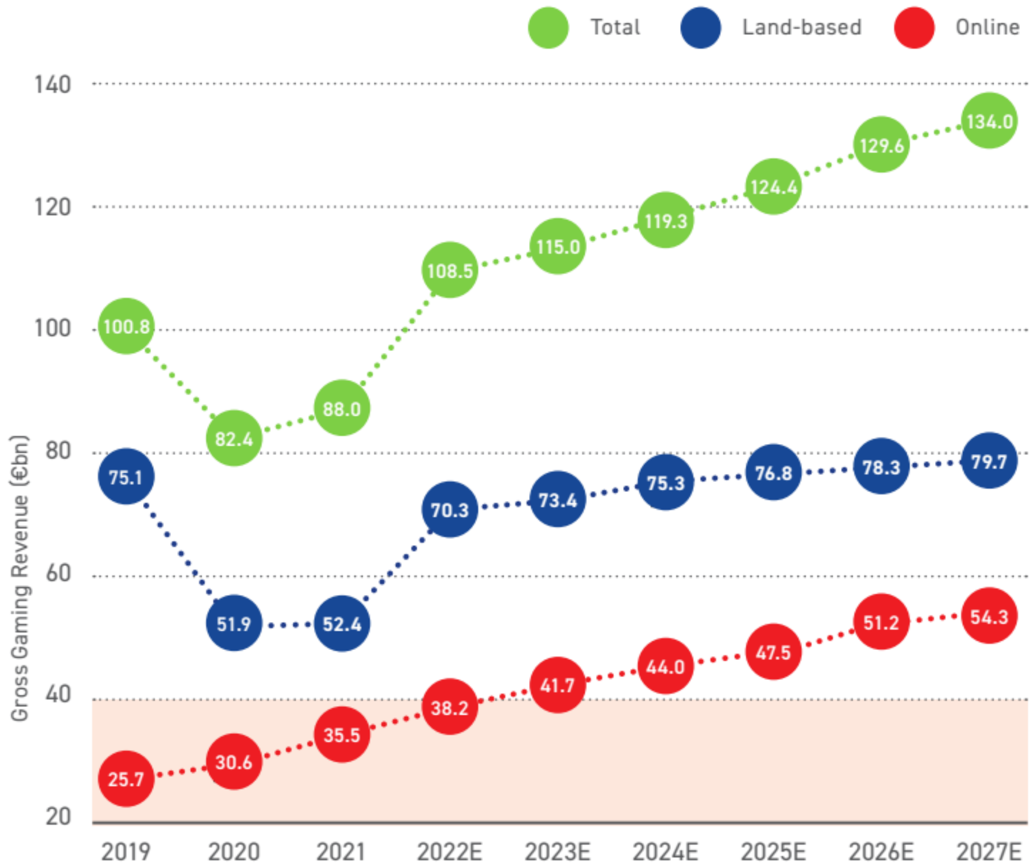


Figure 1: Gambling market revenue in Europe

Source: H2 Gambling Capital, December 2022, collected from EGBA (2022)

The gambling activity happening online is also experiencing customer behavior changes. The activity taking place on a mobile device is becoming increasingly popular compared to the use of desktops, with 53% of bets being placed on a mobile device as opposed to 47% on desktops, according to numbers from 2022. In addition, these numbers show which types of online games are the most popular. Apparently, casino games were the most popular online gambling product by revenue in 2022. Sports and other types of betting followed close behind as shown in figure 2 (EGBA, 2022a).

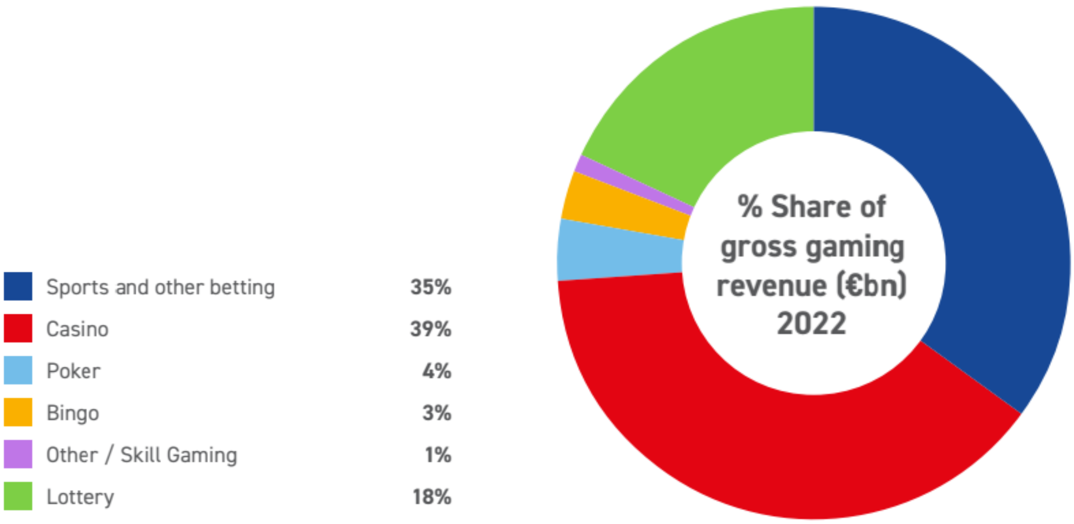


Figure 2: Most popular online gambling products

Source: H2 Gambling Capital, December 2022, collected from EGBA (2022)

Product shares of different online gambling activities in Europe vary significantly across the borders, as figure 3 displays. Interestingly, online casino games and poker are prohibited in Cyprus, but they collectively accounted for 21 % of gross gaming revenue in the country in 2021 (offshore). Moreover, online games are illegal in France, but accounted for 13 % of gross gaming revenue in the country (offshore) (EGBA, 2022b).

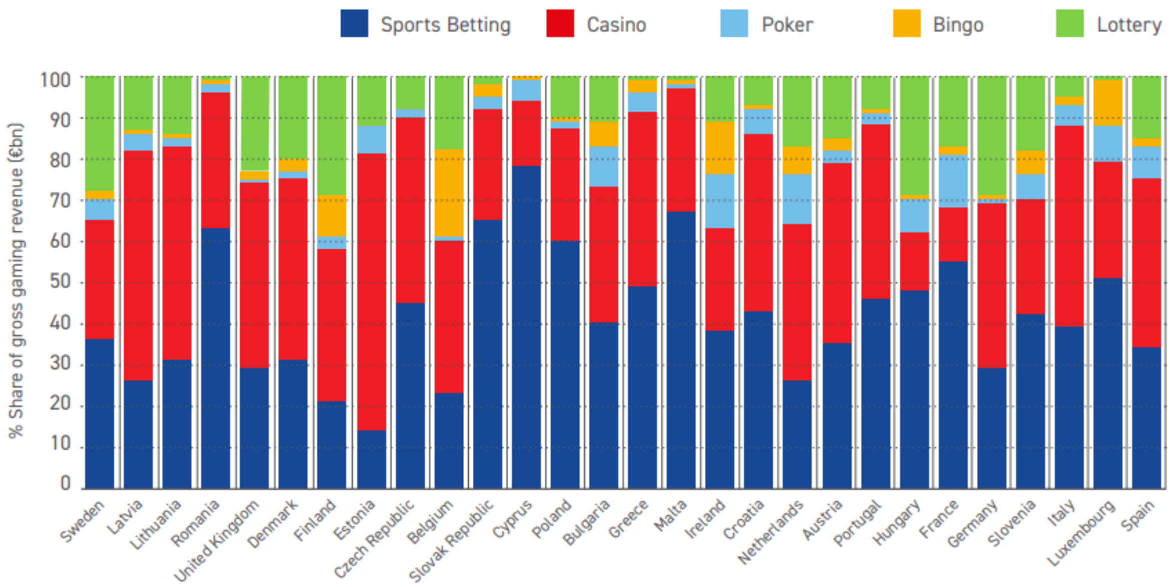


Figure 3: Online gambling product shares by nations

Source: H2 Gambling Capital, December 2022, collected from EGBA (2022)

In EU-27 and the UK, 225 online gambling licenses existed in a total number of 21 countries as per 2021. The number of licenses has almost doubled since 2018 and this shows that the market is both growing and changing (EGBA, 2022a). Especially one part of Europe has grown to become a flourishing gambling sphere. Malta is host to 300 gaming companies, contributing to 12% of Malta's overall GDP. The island works hard to safeguard and renew its jurisdictional benefits to continue enticing new entities to set up gaming-related business there, as well as to keep the existing operators. Because of this, a lot of companies that have not been granted a license in the country they wish to operate in, can offer their services in these countries based on a Maltesian license instead  (KPMG, 2023).

As the gambling market is growing, so is the focus on problem gamblers and responsible gambling. Problem gamblers refer to gamblers who are experiencing clinically significant impairment from their gambling involvement. One of the main differences between problem gamblers and non - problem gamblers is the reasoning behind the behavior. Non - problem gamblers tend to reason the motivation with fun and friends, while problem gamblers motivate themselves with purely financial reasons or the escape of reality and other life problems (King & Wong-Padoongpatt, 2023). Per 2022, problem gambling in different countries in Europe range from 0.3% to 6.4% in the adult population, according to a study conducted by The European Gaming and Betting Association (EGBA). However, significant differences in national survey methods, screening tools, survey timings and target age groups, complicate any meaningful comparisons between countries (EGBA, 2022c). EGBA has now called for the European Commision to bring in EU-wide standards of markers of gambling harm, in order to help create consistent approaches to reducing harm across the continent (Igamingbusiness, 2022). Due to problem gambling and gambling harm, this industry can be considered a stigmatized industry.

## 1.2 Problem statement & relevance

This thesis aims to shed more light on how stigmatized businesses innovate their services and tries to fill some of the gaps in the existing literature. According to Corrigan & Shapiro (2010), when the negative stereotypes of mental illness are validated by a large segment of the general population, public stigma becomes evident (Corrigan & Shapiro, 2010). Furthermore, research by Horch & Hodgins (2008) offers interesting insights into the perception of the public stigmatization of problem gambling. Their study highlights the negative attitudes that the general public holds towards individuals with gambling problems, and identifies the factors that contribute to this stigma as social distance, perceived dangerousness and familiarity. Further, out of five mental health conditions, "disordered" gambling was more stigmatized than cancer and control conditions (Horch & Hodgins, 2008).

In a report from the Norwegian Gambling and Foundation Authority, numbers show that problem gambling is costing the Norwegian society 5,1 billion NOK each year (2022). The report further argues that problem gambling has significant costs associated with working life, treatment and quality of life for the gamblers and for the next of kin. Lost labor productivity alone is estimated to cost the employers more than 460 million NOK a year. Additionally, multiple studies show that problem gambling has increased the risk of suicide, and that 51 suicides were committed in Norway because of problem gambling in 2019 (Lotteri- og stiftelsestilsynet, 2022).

The sports betting industry, lawmakers and the sports leagues themselves are making it easier, faster and more tempting to bet on games, according to gambling researchers and addiction specialists. This includes overwhelming advertising, nearly unlimited betting options during games, in addition to technology that allows for one-click betting at home (Meyersohn, 2023). Both Tv2 and NRK have made documentaries on the issue of problem gambling in Norway. When NRK published their documentary in 2017 there were 35 000 people struggling with problem gambling, and the number had increased to over 50 000 people in Norway when Tv2 published their documentary in 2021 (Amble & Kadafi, 2021; Ansari, 2017). Furthermore, the research field on the disorder is broad. A search on Google Scholar of the term "problem gambling" yielded as many as 37 700 results. This shows that this is an occurring issue and something worth researching further. However, this thesis does not look into problem gambling itself, but rather if this stigmatization followed by problem gambling, affects how gambling companies innovate their services. The following problem statement is developed:

*" How does organizational stigma affect service innovation processes in the gambling industry?"*

To research the problem statement chosen in this thesis, we have decided to compare the gambling industry to the Video - on - Demand industry. Both industries are online service providers, but one is characterized as stigmatized and the other is not. The main focus of this thesis will be the gambling industry, however - comparing these industries can provide useful insight as to whether or not stigmatization affects the innovation processes. Furthermore, to answer the problem statement, two research questions have also been chosen;

RQ1: How do the industries innovate their services?
RQ2: How is the gambling industry affected by stigma?

The first research question was developed to get an easier understanding of how the services are innovated, without the aspect of stigmatization, and to further conduct an easier comparison of the two industries. The latter research question was developed to get an understanding of how the gambling industry is actually affected by stigma, and to what extent this affects the people working in the industry and the customers using the services.

The research has additionally been limited to the Norwegian gambling market. Although this market is very restricted, with Norsk Tipping being the only licensed gambling company operating in Norway, unlicensed international companies do have a solid Norwegian customer base. As this thesis is focused on the Norwegian market, international companies will be referred to as "unlicensed" and international companies, as they do not have a license to operate in Norway. But as earlier noted, they do have licenses in other countries in Europe.

## 1.3 Outline

To answer the problem statement, the thesis has been structured into different chapters. In the following chapter, we will discuss the theoretical framework and introduce theories about service innovation. In chapter 3, we will introduce the methodological choices and execution of the research. The study has a qualitative approach, and the chapter will explain the choices made and the reasoning behind them. After the methodological review, the results and discussion will be presented in chapter 4. The analysis will identify possible differences and similarities of service innovation in stigmatized vs. non-stigmatized industries. At the end of chapter 4, we will answer the research questions and problem statement based on the findings and discussion of the paper. Finally, a conclusion of the whole study will be presented in chapter 5. Furthermore, the chapter will end with implications, limitations and suggestions for further research.

# 2. Literature review and theoretical background

A literature review has been conducted in order to describe and present the identified research area. To reach the purpose of this thesis, and provide a solid conclusion to the problem statement presented earlier, three key concepts are defined, which include services, innovation and stigma. Furthermore, relevant theory will be presented to assess how an organization built on services innovates, and to what extent they utilize a "set" methodology in these processes.

## 2.1 Service

According to Sako (2006), services account for nearly two – thirds of the GDP of today in advanced economies (Sako, 2006). In any key growth indicator, service has been a major source, and not only in the case of emerging service companies. It has also become important to goods producers, in fact – for many goods producers this is becoming a key revenue and profit driver (Lemon & Rust, 2014). It is generally recognized that a service differs from a physical good. A good can be defined as an "object", while a service can be seen as a "deed, act, or performance", and is importantly characterized as being intangible. However, intangibility is not limited to services, nor is tangibility to goods. A service and a good can be both, for instance a hotel which offers a tangible and intangible product (Brady et al., 2005). Furthermore, "product" can be used in conjunction with both a physical good or a service, as this is something that can be sold or marketed as a commodity (Merriam-Webster, 2023).

There exists a lot of different definitions, models, and perspectives on the concept of service due to the many ways one can provide services. One can say that a service is not a function itself, but a function performed on your behalf at a cost (O'Sullivan et al., 2002). This function has a collection of limitations, not just some monetary price. The concept of service in itself is a complex topic, and some authors have stated that "when customers make a purchase, they are not simply buying a product or service, they are buying a set of benefits to meet their needs and expectations. This is known as the concept of the product or service" (Clark et al., 2000). A service can therefore be seen as more than its elements. It is suggested that it is a mental picture or statement that summarizes the nature of the service and captures the value, form, function, experience and outcomes of the service, that is held by customers and employees, and can be defined as "service in mind" (Clark et al., 2000). In fact, the more intangible the product is, the more difficulties exist in describing exactly what the product entails and giving a specific definition of the many varieties of services (Agarwal et al., 2015).

The problem with the perspective "service in mind", which can also be related to most definitions and perspectives of service, is that there are different participants in the process. These participants might have different outlooks and priorities on the nature of the service. Customers might be concerned with price and experience (service delivery), and further have assumptions that differ from what is actually intended (service design). Operation/management might be concerned with costs and about the internal processes (Clark et al., 2000).

Figure 4 summarizes these different perspectives from different participants.

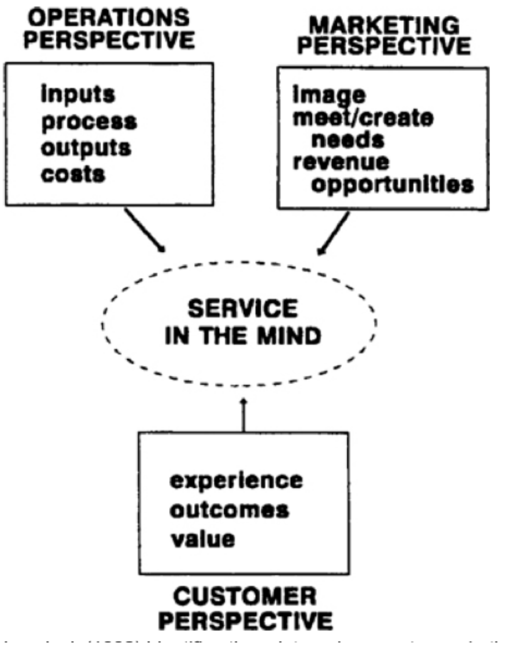


Figure 4: Perspectives of "service in mind"
Source: Clark et al. (2000)

In the last few years there has been a surge in technology-based services, also known as "e-services". This kind of service is becoming increasingly important, not only to understand the failure and success in developing services, but also in respect to providing consumers with an excellent experience (Rowley, 2006). Traditional - and electronic services are different, but important to understand – and both concepts are complex without any suitable standard for accurately describing them (O'Sullivan et al., 2002). As this thesis focuses on the gambling industry, which nowadays mostly provide an electronic service/online service, we have chosen to look at definitions and limitations of services that are based on technology. Some of these definitions use the internet as a channel to new revenue or task completion. Moreover, web services have also been described as a collection of functionality published for use (O'Sullivan et al., 2002). E-services has been defined as web-based services, which is very much intangible, and the definition by Rowley (2006) states that

*«E-service is deeds, efforts, or performances whose delivery is mediated by information technology (including the Web, information kiosks and mobile devices). Such e-service includes the service element of e-tailing, customer support and service, and service delivery.»*

In the rise of the surge of e-services and the change in how firms and consumers interact, some might say that e-services are relatively impoverished in experiences and gives poor service quality, due to the absence of face – to – face interaction. However, e-services are not constrained by distance and opening hours and are linked with convenience – which further can be linked with customer control. Since most of the service is delivered through a web site, customers can choose the channel through which they will get the product, how it is going to be delivered and, to some extent, get it more customized and personalized. E-service is to some degree different from traditional service, because it mediates through technology with little to non-face – to – face interaction (Rowley, 2006). Furthermore e-services have a minimal limitation on the time and location of the request, but there may be a delay between the request and the execution. This might occur due to human interaction in the delivery of the service, or just existing resource constraints. An e-service can often be characterized by the fact that it can be automatically used anywhere, anytime (O'Sullivan et al., 2002).

As mentioned, traditional - and e-service differ, but the notion in this paper is that both concepts has many similarities, as the experience for and expectation of the customer is the dominant feature of both, one basic perspective by Rowley (2006) is closely linking them

*" The e-service experience is the customer's experience that results from purchase through or engagement with information technology mediated service delivery."* (Rowley, 2006)

## 2.2 Innovation

The term innovation holds a lot of different definitions and the concept is highly debated in the literature. However, some definitions are broader than others and repetitive characteristics can be identified. For example, Edwards-Schachter (2018) uses the words “invention”, “novelty” and “change” to describe the nature of innovation. These words combined include a set of characteristics in line with the process and elements involved, among others, actors, resources, inputs and outcomes (Edwards-Schachter, 2018).

According to the general definition offered by Keupp et al. (2012), “An innovation can be a new product or service, a new production process technology, a new structure or administrative system, or a new plan or program pertaining to organization members” (Keupp et al., 2012). Grindbaum & Groves (2013) further add that innovation is “a future-creating activity: by bringing something new into the world, it changes the world itself – perhaps incrementally, perhaps more radically.” (Grinbaum & Groves, 2013). It is worth noting that the nature and variety of innovation are evolving as the world is changing and the elements continuously experience changes that challenge the classical scope and definitions of innovation (Edwards-Schachter, 2018).

## 2.3 Service innovation

According to Bessant & Tidd (2007) and Trott (2008), services are produced, delivered and consumed simultaneously, making it harder to differentiate between the product innovation, that is, what is being produced, delivered and consumed and process innovation, which is how it’s being produced, delivered and consumed (Bessant & Tidd, 2007; Trott, 2008). This implies that service innovation needs a high degree of interaction between the service supplier and the customers (Agarwal et al., 2015).

Moreover, service innovation is a complex topic and still loosely defined. Service innovation is becoming more important, due to the fact that the global economy is transitioning from being goods- or product-oriented to service or solution-oriented (Chae, 2012). The understanding in this thesis is that service innovation is new services or new service solutions (Agarwal et al., 2015). Innovation in services differs from that in products because services are often characterized by intangibility, heterogeneity, perishability, increased customer interactivity, and simultaneousness between production and consumption (Sampson, 2001, 2007; Sampson & Spring, 2012). Service innovation can be presented as radical or incremental forms of innovation. In most cases, they are incremental – meaning improvement of existing services or processes, or the introduction of a new feature of a service (Dahlgaard-Park, 2015b).

Table 1 summarizes radical and incremental forms of innovating services.

| New Service Category | Description |
|---|---|
| ***Radical innovations*** | |
| Major innovation | New services for markets as yet undefined; innovations usually driven by information and computer-based technologies |
| Start-up business | New services in a market that is already served by existing services |
| New services for the market presently served | New service offerings to existing customers of an organization (although the services may be available from other companies) |
| ***Incremental innovations*** | |
| Service line extensions | Augmentations of the existing service line such as adding new menu items, new routes, and new courses |
| Service improvements | Changes in features of services that currently are being offered |
| Style changes | The most common of all "new services" modest forms of visible changes that have an impact on customer perceptions, emotions, and attitudes, with style changes that do not change the service fundamentally, only its appearance |

Table 1: Incremental and radical innovations

Source: Johnson et al., (2000)

### 2.3.1 New service development

A perspective or process that has dominated a lot when addressing service innovation is New Service Development (NSD). This process refers to the development of new service offerings. A lot of literature has defined it differently, but the one thing they all have in common is that the new service development process is a model that consists of stages and activities, actions, or tasks that move the project from the idea stage to the final launch. Most importantly, the model is divided into different stages (Fitzsimmons & Fitzsimmons, 2000). The study of NSD started as early as in the late 1980s, and a lot of research was based on the New Product Development (NPD) process. Most studies from that time until today are built upon the NPD model and have laid the foundation for the new service development models (Leseure, 2010).

Papastathopoulou (2001) & Trott (2008) stated that in the new service development process, one cannot only pay attention to the core service attributes and features, but one also needs to focus on the service delivery system that increases the value for the customer as well (Papastathopoulou et al., 2001; Trott, 2008). The service delivery system refers to the formation of processes and resources that are involved in the delivery of a set of services to the customer. One of the key features of the service delivery systems is that customer input is essential to the execution of the service processes. It is important to manage the service delivery system effectively, as it influences customer experience. Some of the components of a service delivery system are service processes, resources, staff and technology (Dahlgaard-Park, 2015a).

Both technology and customer interface have been acknowledged as important factors to service delivery and design. This further implies that firms can focus on customer differences rather than similarities, with customers providing input to the service delivery process – and getting the notion of co-creation of the services. As the utilization of services has increased, more and more firms are looking into engaging with the customer in the pre-, during and post – service delivery, which allows firms to respond better to changes in the environment. Technology has further enabled organizations to differentiate individual needs for the customer in the service delivery system. The tool of technology can be used to explore new ways of determining how services can be tailored, delivered fairly and personalized. This presents new opportunities for innovation (Randhawa & Scerri, 2015).

As already mentioned, studies have been conducted on the NSD process already in 1984. From then until now, these studies can be grouped into three different categories:

1. Partial models
2. Translation models
3. Comprehensive models

The Partial models represent only a portion of the entire NSD process and are the ones who was studied in late 80´s – early 90´s. The Translation models are the processes that are built upon the NPD model, and might be the process/model that has been most studied. The last category is the Comprehensive models. These models try to represent the NSD process holistically (S. P. Johnson et al., 2000). Table 2 in this thesis shows the literature review of

NSD models conducted in this thesis. These are various NSD models - which represent the categories mentioned above.

| *Summary of litterature review* | | | |
|---|---|---|---|
| Models of NSD | Description | | |
| | Stages & Activites | Key concept | Model category |
| The BAH Model (Booz, Allen, & Hamilton, 1968) | Model focusing on seven stages of service development: new service strategy, idea generation, screening, concept development and testing, business analysis, service development, and testing and implementation. | • Systematic approach (New product development) | Translational |
| Shostack and Kingman-Brundag, Planning/Development Model (1991). | Service Planning/Development Model consisting of four stages: concept development, feasibility, planning, and implementation. | • Emphasizes importance of planning and managing<br>• Five key dimensions of planning<br>- Serivce delivery system design<br>- Service encounter design<br>- Service encounter management<br>- Customer experience management<br>- Post – encounter evaluation | Partial |
| Anderson and Pennington Model of NSD (1992). | NSD Model with three stages: idea generation, service design and development, and service testing and launch. | • Focuses on the process of NSD | Translational |
| Palmer and Cole Model of NSD (1995). | NSD Model with five stages: opportunity identification, concept development, concept testing, business analysis, and launch. | • Emphasizes the importance of integrating marketing and operations in the NSD process | Translational |
| Tax and Stuart, Integration of Service Systems (1997). | Model proposing five service systems that companies can use to integrate NSD: market research, planning and control, project management, risk management, and information management. | • Challenges of design and implementing new serviced, especially different service systems<br>• Four types of systems<br>- Delivery<br>- Support<br>- Enabling<br>- Enhancing | Comprehensive/Holistic |
| Models of NSD | Stages & Activites | Key concept | Model category |
| Johnson and Menor Generic, Integrative Model (1997) | Generic, integrative model consisting of four stages: opportunity identification, concept development, service design and development, and service launch. | • Generic integrative framework for NSD | Comprehensive/Holistic |
| Froehle et al. Strategic Determinants of NSD (1998) | Model identifying six strategic determinants of NSD success: competitive analysis, customer input, project team, process management, senior management support, and technical and organizational interfaces. | • Focus on strategic determinants of NSD<br>• Service packaged perspective<br>Identifying:<br>- Core<br>- Facilitating | Translational |
| Chesbrough, Open innovation model (2003) | Open Innovation Model suggesting that firms can benefit from external sources of innovation through collaboration with external partners. | • Empahsizes importance of external knowledge and collaboration in the innovation process<br>• Three key strategies<br>- Outside – in innovation<br>- Inside – out innovation<br>- Coupled innovation | Comprehensive/Holistic |
| Vargo & Lusch, Service - dominant logic (2004) | Service-Dominant Logic proposing that all economic activity is service activity, with value co-creation occurring through the integration of resources from various actors. | • Shift from product- centered view to a service – centered view<br>• Emphasize co – creation of value between customer and service provider | Comprehensive/Holistic |
| Bitner, Ostrom, & Morgan, Service systems (20 | Model of Service Systems that proposes that service is a system consisting of interdependent parts, including the service environment, the customer, the service provider, and the technology and information used to deliver the service. | • Service blueprinting<br>• Mapping out components of a service<br>- The front – and backstage activities<br>- The interaction between customers and employees | Partial |
| Sangiorgi (2009) | Model proposing an expanded understanding of NSD, including the role of customers, the wider network of actors involved in NSD, and the service system context in which NSD takes place. | • Transformative service perspective<br>• Three key dimensions<br>- Experience<br>- Meaning<br>- Identity | Partial |

Table 2: Summary of literature review on NSD models

## 2.3.2 The New service development process cycle

In this thesis, we have decided to use the NSD process cycle and NSD matrix created by Jonhson et al, which is a model built upon the NPD model and can be put in the category of translation models. This model has been chosen due to the fact that it is a well-known model, where the framework can be implemented in all industries. From earlier conducted research, it is also important to focus on the fact that customer input and external sources surrounding the industries are essential.

The innovation cycle below illustrates that the NSD process is not linear and also shows the importance of "enablers". These are present during the process, and facilitate the design or redesign of the delivery system. Enablers are the elements of a service firm that makes it good at innovation. This includes the people, technology and systems which are present during the development process, and are further considered the teams, tools, organizational context and culture. The NSD process cycle shown in figure 5 is a continuously looping system. This represents the iterative nature of service designs, and, furthermore, shows how the development process quickly can offer new forms of innovative services (Leseure, 2010).

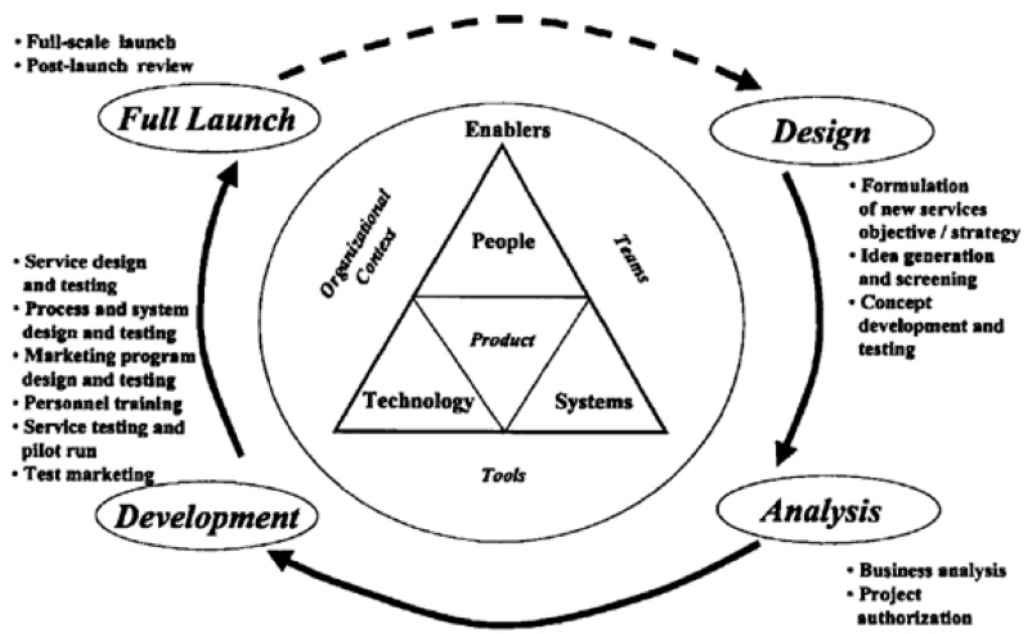


Figure 5: The NSD Process Cycle

Source: Leseure (2010)

In this cycle, there are four stages. The first two represent the planning phase of the cycle. This is where market viability, internal resources and capabilities are considered (S. P. Johnson et al., 2000).  In the first stage, the design stage – innovative service formulas are generated, selected and refined into a full-service concept. The second stage, the analysis, focuses on specifying the business model and assessing financial feasibility (Leseure, 2010).

The two last stages are development and full launch, which represents the execution phase of the NSD process cycle. This is the service delivery system design, use of enablers and cross-functional development efforts that become critical NSD managerial issues (S. P. Johnson et al., 2000). In the development phase, the concept of a service becomes an actual service. In this phase, both service design and testing are included, where the activities range from training personnel to a pilot run of the service. The last phase of the cycle is the final launch. This is where the service is released at its target operating scale. The final step is often perceived as the most delicate step, as last-minute adjustments might be needed. In addition, further resources might be required to ensure a consistent delivery of the service through the service delivery system according to the initial specifications (Leseure, 2010).

### 2.3.3 The New service development innovation Matrix

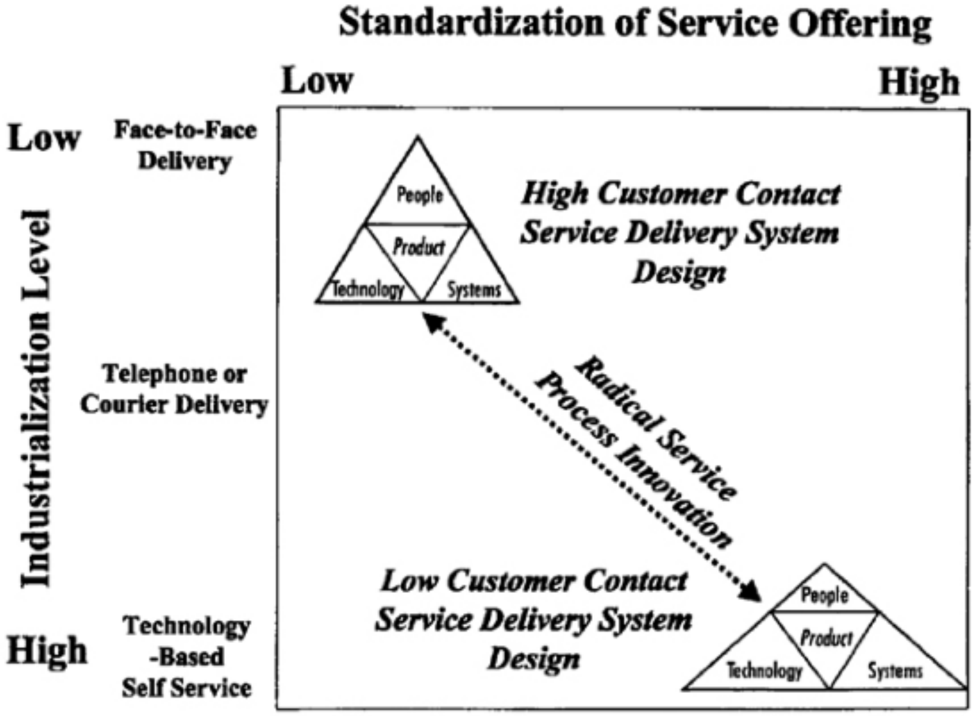


Figure 6: The NSD innovation Matrix
Source: Johnson et al. (2000)

Figure 6 is the service innovation matrix, which shows that service delivery systems can be designed to a level of customer contact. The service delivery system forms a continuum along the diagonal, from high-level customer contact that is suitable for customized services to low-level customer contact that is appropriate for standardized services. From this, service innovation can be represented on the matrix in two ways; one, as innovation within an existing service delivery system. Second, an innovation that involves an existing service delivery system that must be completely changed because it is necessary to deliver the new service (S. P. Johnson et al., 2000).

Moreover, a conceptual framework that was presented by Chase & Bowen (1991) illustrates the importance of the strategic choices of service firms in technology, people and systems because these choices are critical for achieving effectiveness. The components of the service delivery-systems influence the decision about the structure of the service bundle. Further, it is evident that the matrix accounts for the role of the customer contact in the delivery system, but also accounts for several other important and unique characteristics. The matrix shows that the delivery system may differ depending on the amount of intangibility of the service offering. As shown, both enablers in the NSD process and specification of the service delivery system are critical components of the NSD process and how to overcome obstacles to successful new service development (S. P. Johnson et al., 2000).

When we are integrating the NSD process cycle with the NSD innovation matrix, it accounts for both incremental and radical innovations. Further, we can account for one more type of service innovation, the technology-driven service innovation. In incremental service innovation, the NSD process cycle is more focused on the development and launch stages of the cycle. As mentioned, incremental innovation is mostly “tweaking” of the service offering or the service delivery system. As a result, there are fewer resources used and less effort put into the planning phase of the cycle. On the other hand, in radical innovations, both the planning phase and the execution phase requires a significant amount of effort. The third type of innovation is technology-driven service innovation. Here, incorporating more technology into the service delivery system permits greater customization of the service offering – which also can lead a firm to be more agile in its operations (S. P. Johnson et al., 2000).

These three types of service innovations show just how important it is to bind the NSD process cycle to the NSD – innovation matrix. This forces developers to consider the suitable stages and activities that are necessary to create or recreate the service delivery system and to achieve the preferred innovation (S. P. Johnson et al., 2000).

## 2.4 Stigma

The literature on stigma is broad and still evolving. There are a lot of different definitions to consider and evaluate, and criticism related to the different formulations. The definition of this social construct from Goffman (1963) greatly influenced the literature that came after his publication. He defines stigma as “an attribute that is deeply discrediting” and reduces the possessor “from a whole and usual person to a tainted, discounted one.”(Goffman, 1963). Later on, the definitions have been further discussed and developed.

An alternative definition is offered by Link and Phelan (2001) as they define stigma “as the co-occurrence of its components-labeling, stereotyping, separation, status loss, and discrimination-and further indicate that for stigmatization to occur, power must be exercised." (Link & Phelan, 2001). This definition was formulated based on the criticism of the concept being defined in different ways depending on the investigator in question, in addition to the way the concept has been applied by these different investigators (Link & Phelan, 2001).

### 2.4.1 Organizational stigma

Because we are looking into service innovation processes in stigmatized organizations, it makes sense to investigate the concept of stigma put in the organizational context. The theory of the concept of organizational stigma is on its way to maturation (B. A. Hudson et al., 2022). Sutton and Callahan were the first to applicate the concept of stigma to organizations (Sutton & Callahan, 1987) and other researchers were soon to follow. Since then, research within the field of organizational stigma has expanded, especially in more recent years. A popular definition is inspired by the definition of Goffman. Organizational stigma can be defined by Devers et al. (2009) as "a label that evokes a collective stakeholder group-specific perception that an organization possesses a fundamental, deep-seated flaw that deindividuates and discredits the organization" (Devers et al., 2009).

Although the definition above draws partially from the individual-level concept of stigma, Devers et al. differentiate organizational stigma from individual-level stigma and other more theoretically developed organizational-level constructs. Key distinctions include three dimensions- the types of conditions that stigmatize, the prevention and removability of a stigma, and the pervasiveness of stigmatizing categories. In the figure below, the differences are outlined. The differentiation along these dimensions clarifies how important it is to recognize organizational stigma as a distinct organizational-level construct(Devers et al., 2009).

| | Individual stigma | Organizational stigma |
|---|---|---|
| Types of stigmatizing conditions | Abominations of the body<br>• e.g., physical deformities, illnesses<br>Tribal stigma<br>• e.g., race, religion, gender<br>Conduct stigma<br>• e.g., dishonesty, deviant behavior | Primarily conduct stigmas based on actions<br>• e.g., bankruptcies, scandals, firm failure<br>Some tribal stigmas possible based on presence in particular product or geographic markets<br>• e.g., "Made in China" |
| Prevention and removability | Prevention and removal is difficult<br>Conduct stigmas may be removed through successful complete identify change, but removal is rare and difficult<br>Tribal stigmas and "abominations of the body" are even more difficult to remove.<br>• plastic surgery and/or medical treatment may remove the mark of some stigmas (e.g., disfigurements and illnesses) | Increased capacity to prevent, remove, or dilute through active removal of (decoupling from) certain component (e.g., firings and divestitures) |
| Pervasiveness | Generally more pervasive across contexts | Generally context specific |

Table 3 : Distinction between individual and organizational stigma

Source: Devers et al. (2009)

Furthermore, some of the literature argues that it is possible to create economic value from positive reputations, but in relation to the concept of stigma, it is more commonly addressed how negative reputations might affect the organization (Hall, 1993). Devers et al. (2009) claim that there is a lack of understanding of stigma and the consequences of the negative social assessments it represents. They further define a general theory that explains the conditions under which organizational stigmas are likely to arise. In addition, they investigate how the process (of stigmatization) unfolds as well as explain the initial effects stigmas inflict on organizations (Devers et al., 2009). A few of the points in this theory are specifically relevant to our research study. Among other things, organizational stigmas, compared to individual stigmas, are often more context specific.

On the other hand, stakeholder groups are often part of broader interconnected social systems, and an organizational stigma can move beyond its initial context and diffuse more broadly. Moreover, stakeholders might be expected to disidentify and negatively adjust both the quantity and quality of the interaction with the stigmatized organization in question. These two adjustments are likely to affect the organization in a negative manner both socially and economically (Devers et al., 2009). Furthermore, other researchers suggest stigma may be part of reducing the power the bearer of the stigma holds (Jones et al., 1984). However, Devers et al. (2009), claim that this relationship does not necessarily always hold because stigmatized organizations may have complete control or partial control over assets that other organizations require (Devers et al., 2009).

Relevant to this thesis, stigma associated with the gambling industry itself, and not only gambling disorders, has received poor attention in the research world. However, existing literature on the subject of organizational stigma can be put in context with the gambling industry. Accordingly, Hudson (2008) separates between recoverable *event-stigma* and *core stigma* that is not adequately recoverable. He further proposes that "core-stigma is the result of a negative social evaluation by some audience(s) of an organization because of some core organizational attribute, such as core routines, core outputs, and/or core customers." (B. Hudson, 2008). This is the most relevant for the gambling industry, compared to event-stigma, and might be a more helpful construct for understanding organizations that do not, and are not able to, achieve broad-based social acceptance (B. Hudson, 2008).

Hudson further adds that being a core-stigmatized organization implies that there exists something about the organization that others deem incompatible with ordinary standards of organizational accounts or reasonable explanations for the organization and its efforts. As a result, the organization is perceived as somehow suspect, untrustworthy, damaged, or in a way "less than" what acceptable organizations should be. To summarize the definition, two things are suggested; first, core-stigma is an external evaluation by social audiences so that the judgment is in the eye of the beholder of the organization. Second, some aspect of the core or fundamental nature of the organization itself exists, that allows for the negative judgment of the social audiences (B. Hudson, 2008).

### 2.4.2 Organizational stigma and new service development

Core-stigma and stigma transfer are significant threats to survival and renewal for gambling companies. A study by Hudson & Okhuysen (2009) found that stigma from a core-stigmatized company was transferred onto their customers, suppliers and regulators. Through significant evidence, it was discovered that the customers of the organization in question, a bathhouse, thought their association with the company stigmatized them. Furthermore, stories were told about suppliers who did not want to work with the stigmatized organization, regardless of financial reward. The fear of being seen working for a stigmatized organization, in the example of the bathhouse, was substantiated by the fact that other clients got "uncomfortable" when the marketing executive told them he was handling the accounts of the bathhouse. In addition, the possible transfer of stigma is also concerning for statutory regulators, such as state banks and law regulators. This is because statutory regulators might face public and political criticism that forces them to stop work involving the core-stigmatized organization. Also, stigma transfer has proven to complicate the situation for the organization in question because regulators can respond to public pressure by engaging in overly aggressive enforcement (B. A. Hudson & Okhuysen, 2009).

Therefore, addressing and overcoming organizational stigma is critical to the successful launch and growth of new services. As previously explained, stakeholders might be expected to disidentify and negatively adjust both the quantity and quality of the interaction with stigmatized organizations and they may therefore be hesitant to adopt new services from organizations carrying this negative reputation (Devers et al., 2009). This limits market penetration and revenue generation. To overcome organizational stigma and successfully develop new services, organizations must address the root causes of stigma. In relation to the gambling industry, this might involve operations to enhance transparency, accountability, and ethical behavior. This is done through delivery systems, and the presentation of the services is crucial as to how the customer might respond. The suppliers and regulators are resources that make up components of these service delivery systems so stigma transfer is an important element to consider (Dahlgaard-Park, 2015a).

The most practical manner to avoid the fallout from organizational stigma is perhaps to seek to avoid engaging in stigmatized behaviors in the first place. However, as the stigma around the gambling industry is not related to a specific behavior or incident as earlier shown, the stigma is not something to be avoided, but rather something the industry has to cope with to survive. This core stigma can significantly impact different aspects of the organization, including its ability to innovate and develop new services. Related to the theory of new service development, organizational stigma can therefore create barriers that hinder the successful launch and adoption of new services (B. Hudson, 2008).

# 3. Methodology

## 3.1 Research design & method

The main research design of the thesis is a comparative case study. Commonly defining a case study has been proven difficult because of the vast selection of different definitions, but Kaarbo & Beasley (1999) states that a *case study* is a "method of obtaining a "case" or a number of "cases" through an empirical examination of a real-world phenomenon within its naturally occurring context, without directly manipulating either the phenomenon or the context.". Furthermore, they identify the *comparative case study* as a systemic comparison of two or more data points or "cases" collected by using the case study method (Kaarbo & Beasley, 1999). George (1979) writes that the comparative case study is focused on the way it selectively deals with just some specific aspects of the historical case. In addition, the research is structured because it uses general questions to guide the data collection analysis in that historical case (George, 1979).

Kaarbo & Beasley (1999) identify six major tasks in designing a comparative case study. The first step is shared with any other method; the formulation of a specific research question which has been done in Chapter 1. Next, is the identification of variables from existing theory which Chapter 2 represents. Step 3 is case selection, which is both the most important and perhaps difficult step. In Chapter 3.1.1, it is argued how and why the applicable sample is chosen. Step 4 is to operationalize variables and construct a case codebook and this is executed through the semi-structured interviews and the coding after. Step 5 is to code-write the cases. In relation to this step, the results are presented in Chapter 4 with the belonging analysis. Lastly, step 6 concerns the comparison and implications of the theory. Again we have corresponding subchapters under chapter 4 with a discussion and conclusion around the theory and discoveries in this thesis (Kaarbo & Beasley, 1999).

### 3.1.1 Case Study

In this part of the chapter, the gambling industry and the Video-on-Demand (VoD) industry will be presented. Firstly, the choice of case studies will be argued, followed by an introduction to the gambling industry in Norway, and how it is threatened by the international gambling market, even though the market in Norway is very much restricted. Lastly, an overview of the Video-on-Demand industry will follow.

## Choice of case study industries

The two case study industries involved in this thesis, the gambling industry and the Video-on-Demand industry were purposefully selected. As both industries are online service providers with fast entertainment and accessibility throughout the day, they offer a good basis for comparison. The cases selected allow us to compare similarities and differences, as well as focus on the aspect of stigmatization. The two industries have gone through some of the same development that came with the internet. In addition, they are both service industries that offer entertainment made accessible to all with a connection to the Internet.

VoD services are available on a wide range of devices, on your smartphone, laptop and TV-set-top box. This is similar to the gambling industry. It is possible to both gamble and watch videos anywhere one pleases. You can also watch videos at any time, similar to playing online casinos ect., any time. In other words, they are both online services consumed immediately and offer some form of entertainment to the consumer (Mahbub, 2022). These are some of the basic similarities between the industries, which make them comparable for this thesis, and a basis for analysis of service innovation in light of the existing stigma related to the gambling industry.

## The gambling industry

The gambling market in Norway is special compared to the rest of Europe. According to the Norwegian Gaming and Foundation Authority, Norsk Tipping is the only company that can legally offer online casino games and betting (Lotteri- og stiftelsestilsynet, n.d.). In 2003, the government implemented the exclusive rights-model to prevent problem gambling and to effectively enforce the 18-year-old age limit. However, the Norwegian gambling market faces a threat opposed by unlicensed and international online gambling operators that still market themselves and operate in Norway. The implementation of the exclusive rights-model highlights the fact that international gambling companies that operate in Norway are unlicensed companies, and are therefore considered illegal (Norsk Tipping, n.d.-a) . Norwegian regulation is built on the fundamental assumption that some appetite for gambling exists among the general population, and because of this, an offer that is regulated must be available that is more attractive to the public than the unlicensed offerings (Norsk Tipping, 2021).

Each year the Norwegian Gaming and Foundation Authority carries out surveys that portray how many Norwegians gamble on both licensed and unlicensed websites. The surveys have shown that almost half of the Norwegian population takes part in some kind of gambling each year. Norwegian Gaming and Foundation Authority, estimates that approximately 90 % of these, use Norsk Tipping to play during the year (Lotteri- og stiftelsestilsynet, 2021). In the competitive segments that entail sports games and casino games, which are a direct competition between international actors and Norsk Tipping – statistics provided by the Norwegian Gaming and Foundation Authority portray that the market share is approximately 50/50 (Lotteri- og stiftelsestilsynet, 2021).

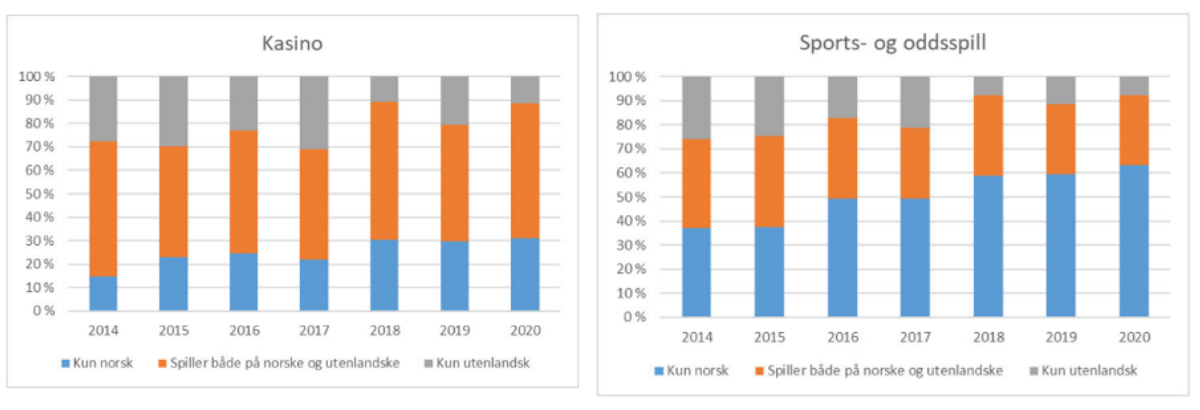


Figure 7: Casinogames & Sports – and Oddgames.
Source: Lotteritilsynet (2021)

Figure 7 depicts the percentage of Norwegians who gamble on both licensed and unlicensed websites. The blue parts in the columns show Norsk Tipping, the orange columns show both Norsk Tipping and international websites, and the gray area shows gambling on just international websites. Furthermore, both GBGC & H2 gambling capital, who are two independent analytical companies that analyze the gambling industry and estimate turnovers in the gambling industry worldwide have shown that the market share in Norway between the licensed and unlicensed companies are approximately 50/50, which can be seen in figure 8. However, the chart to the right includes the lottery provided by Norsk Tipping, giving them a market share in Norway at roughly 85% (Lotteri - og stiftelsestilsynet, 2021).

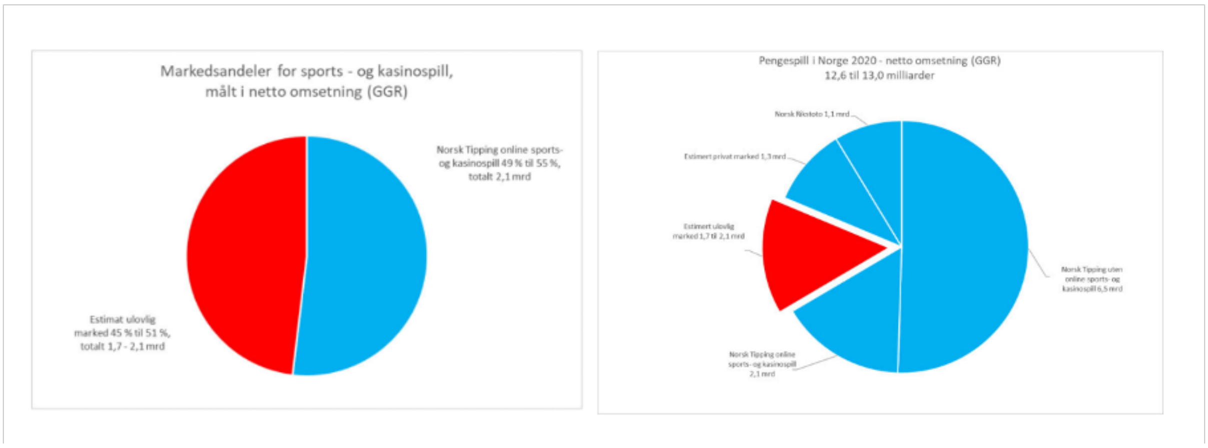


Figure 8: Market shares in Norway
Source: Lotteritilsynet (2021)

Due to implementations such as the exclusive rights model and the payment-blocking by the Norwegian authorities, the development of licensed companies, such as Betsson, Leovegas and Kindred group has leveled out in the last years. In Figure 9 one can observe the development of these companies. The payment – blocking was first implemented in 2010, in which the law forbids banks and financial institutions that provide payment services in Norway to mediate payment of stakes and winnings to gambling sites/games that are not permitted or have a license in Norway (Kulturdepartementet, 2021). Additionally, in 2021, they introduced a ban on TV-advertising broadcasted from abroad directed toward the international gambling companies (Lotteri- og stiftelsestilsynet, n.d.).

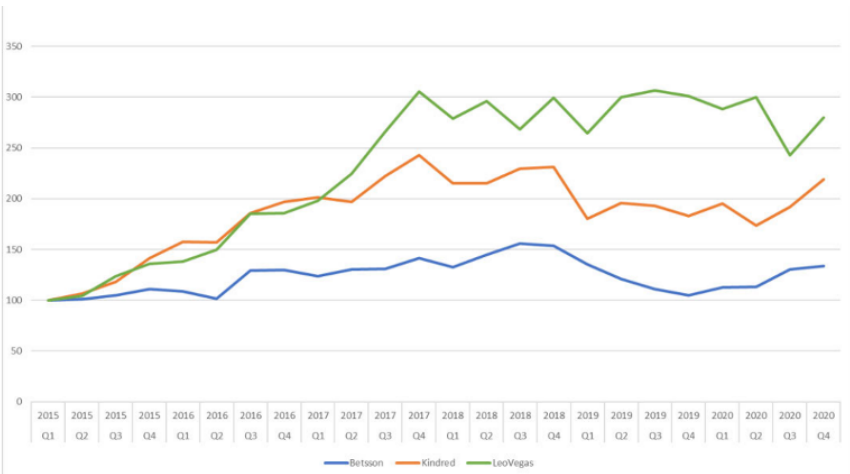

Figure 9: The Development of Bettson, Kindred and LeoVegas
Source: Kulturdepartementet (2021)

As a result of new technological developments, the gambling industry has come to use innovative technologies like artificial intelligence, which is simulation of human intelligence processes by machines, and cryptocurrency. Created and transferred by computers, cryptocurrency or “crypto” is digital money in limited supply that is not restricted by any bank or country. In contrast to cash, crypto is held and traded with an anonymous user ID providing the user with anonymity and freedom from asset disclosure. Advanced technology makes it possible to ensure security and data integrity and it hides the value of the crypto currency and the identity of the holder without the digital key (Singhal et al., 2018). Because of this, gambling activities can be kept private when using crypto and with less risk of getting the money blocked when gambling via international companies.

**Responsible gambling measures**

The European Commission has posted its recommendations on principles for the protection of consumers and players of online gambling services and for the prevention of minors from gambling online (2014). Among the recommendations, it is stated that information such as a “no underage gambling” sign with the minimum age below which gambling is not allowed should be displayed on the operator’s website. Also, a “responsible gambling” message should be available, only one click or less away, that provides information about the harmfulness of gambling if not controlled. In addition, the player support measures provided and self-assessment tests for players to check their gambling behavior are recommended (European Commission, 2014, §4 b-c). Furthermore, according to §4-d “a link to at least one organization providing information and assistance in respect of gambling disorders” should be displayed and accessible from all pages on the website (European Commision, 2014).

The members of EGBA consist of bet365, Betsson Group. Entertain, Flutter, Kindred Group and William Hill. Responsible gambling is a top priority among the members, and several of them have dedicated expert teams with professional training to deal with responsible gambling. Some of the measures include age restriction, pre-commitment on monetary limits and not providing credit to customers. The measures are tailored to the behavior of the customer with the purpose of protecting minors, vulnerable groups and problem gamblers. In addition to these measures, the EGBA members have developed standards that are evidence-based and self-regulatory for the promotion of responsible gambling and to reduce the lack of harmonization of consumer protection for gambling in the EU. These standards complement existing regulations and therefore reinforce the protection of consumers all over Europe (EGBA, n.d.). Norsk Tipping, as well, has implemented measures like obligatory loss limits with an absolute limit for all customers of 20 000 NOK per month regardless of income. Moreover, they offer both voluntary and mandatory breaks after a while of gambling, in addition to an overview of the accounting of the gambling behavior of the specific customer over the last 12 months (Norsk Tipping, 2022).

## The Video-on Demand industry

The Video-on Demand industry has roots in the television and movie industry, and took form when the rental companies first began using the Internet in their business strategy (Abby, 2022). Video-on Demand content is defined as premium over-the-top content that is distributed through the Internet. Three fee-based business models exist and those are; rentals as a single transaction or pay-per-view (TVoD), rentals as subscription-based services (SVoD) and digital purchases through downloading or permanent cloud-storage (video downloads) (Statista Research Department, 2022b). The biggest and perhaps most relatable to the gambling industry, are the subscription-based services. Already in 1997, the Subscription Video-on-Demand industry started to emerge when online video delivery rental became possible. However, it was not until 2007 that Netflix introduced the first actual Subscription Video-on-Demand platform (Abby, 2022).

In 2021, people spent 44 percent of their overall time watching TV, watching content through streaming services worldwide (Statista Research Department, 2022a). The global video streaming market has experienced enormous growth over the last few years and has transformed the global media landscape and greatly impacted viewing behavior globally. This has occurred due to rapid leaps in internet adoption, increased availability of mobile devices, and online video content becoming more and more popular (Statista Research Department, 2022b). Numbers from 2021 show that in 2020, over three billion internet users of any age watched streaming or downloaded video on devices once or more than once a month. This number is projected to increase each year and reach approximately 3.5 billion by this year, 2023 (Statista Research Department, 2021).

The Video Streaming (SVoD) segment of the Video-on-Demand market was responsible for the highest number of users globally with a number of 1.1 billion users in 2021. The Video Downloads segment generates the least with approximately 700 million users, but all segments are expected to grow in the following years (Statista Research Department, 2022c). In 2022, SVoD revenue reached 103.5 billion U.S. dollars, and the revenue is expected to increase at a rapid rate up to 132 billion U.S. dollars globally in 2028 (Statista Research Department, 2022d). As for their revenue, the main part of this is generated through a monthly subscription fee from customers (Gomez-Uribe & Hunt, 2016). Additionally, both the number of SVoD subscribers and average SVoD subscriptions per user are expected to increase because of more competition entering the market. On the other hand, subscription costs are rising and an overabundance of content is leading to subscribers terminating their subscription among several providers. Therefore, non-subscription based video streaming options also contribute to shifting millions of users every day away from linear broadcasting and live consumption TV (Statista Research Department, 2022b).

### 3.1.2 Qualitative research

In this thesis, a qualitative research method has been utilized, based on semi-structured interviews with different companies in the gambling industry. This is appropriate research for our problem statement as this area is not sufficiently investigated in the existing literature. Furthermore, qualitative research focuses on explaining social phenomena, for example, organizational stigma, and developing some understanding of why things are the way they are (Hancock et al., 2009). In other words, qualitative research tries to find the answer to how participants of research understand their own experiences. It can be characterized by the view that people create their reality in interactions with their social worlds (Merriam & Tisdell, 2015).

It is a basic advantage of qualitative research that it supports in-depth research and is more flexible in nature than quantitative research. The researcher observes, interviews, summarizes, describes, analyzes and interprets a social phenomenon in their true dimension (Miles & Huberman, 1994). It is important, however, to be aware of possible subjectivity because the research might be influenced by the culture, attitude and ethos of the researcher (Eisner, 1991).

### 3.1.3 Interviews

In basic qualitative research, interviews are a common way of collecting data and this allows for in-depth explorations of different topics (Merriam & Tisdell, 2015). Most often, qualitative interviews are categorized into unstructured, semi-structured and structured. Structured interviews usually produce quantitative data so the research in this thesis is done using semi-structured interviews. These interviews are often organized around some predetermined open-ended questions, but allow for other emerging questions during the dialogue between the interviewer and the participant. In qualitative research, semi-structured in-depth interviews are the most common format and they can be conducted with either an individual or a group (DiCicco-Bloom & Crabtree, 2006). In our case, the semi-structured interviews have been conducted with an individual from each of the firms that have contributed. The interview guide was also, in most cases, sent in advance to the informants so that they could take some time to prepare for the interview.

### 3.1.4 Sampling

The key to qualitative data collection is purposive or strategic sampling (Hancock et al., 2009). Kaplan and Maxwell (1994) and other supporters of the qualitative approach claim that the quality of the recording, comprehension as well as analysis of an experience is radically reduced when the data basis is quantified (Kaplan & Maxwell, 1994). Therefore, to be able to achieve the quality required for this research, a small sample to investigate is preferred as opposed to quantitative research where large numbers are key.

For this thesis, non-probability purposive sampling, also known as just purposive sampling has been chosen. This type of sampling selects a specific portion of the population that will be able to answer the questions necessary for the study at hand. Therefore, our sample consists of individuals with specific and relevant characteristics in relation to the context, which is people from private and state-owned gambling firms with operations in Norway

(Cohen et al., 2007). We also made an effort in collecting informants with relevant working backgrounds so that they would be able to answer our questions based on their experience. Dörnyei (2007) claims that the ideal sample size is between 6 and 10 informants, but because we were occasionally turned down and the sample size was limited, we were unfortunately only able to get five informants to talk to us (Dornyei, 2007). The respondents were contacted primarily via e-mail and LinkedIn, but due to the lack of responses, we found ourselves forced to reach out by telephone as well.

## The informants

Following, the gambling companies that have been interviewed for this thesis will be presented. These consist of the one legal company in Norway, that is Norsk Tipping, and four international companies that are not licensed in Norway – and yet with a solid Norwegian customer base.

**Norsk Tipping:** Norsk Tipping was founded in 1946 and is a fully state-owned company. Throughout the history of the company, they have often been an innovative company and at the forefront with their innovations. As previously stated, the market share of Norsk Tipping is about 50 %. Further, Norsk Tipping is also very concerned with preventing problem gamblers. Responsible gambling and prevention of problem gamblers lies at the heart of the social mission of Norsk Tipping (Norsk Tipping, n.d). The informant from Norsk Tipping has a long-standing history working in this industry, and had a lot of knowledge regarding both themes we were looking into.

**Informant 1:** Informant 1 works for a company that holds many licenses in the world, but Norway is not one of them. However, the company does have a solid customer base in Norway and is counted as a competitor to Norsk Tipping. They own multiple different brands and are present in several markets. They also have different departments in multiple countries. With the growth of the company, the "responsible gaming" concept has been implemented in all their developments. The informant from this company also had a long-standing history of working in the industry, with a lot of knowledge about the whole company and the industry.

**Informant 2:** Informant 2 is a representative from another global gambling company with licenses in multiple countries of the world. The company is a leading player focused on regulated markets, and it has had a solid economic growth since its founding. Like many other gambling companies, the company of informant 2 provides their customers with different tools to help them gamble responsibly. The informant from this company had a little less experience from the industry compared to the other informants. However, the informant had a lot of knowledge regarding one of the concepts we were looking into, and helped greatly with the understanding of this.

**Informant 3:** Informant 3 also works for a market leader company which owns multiple different brands globally. The company claims to provide a secure, innovative player-experience led by entertainment across their casino and sports betting business. Additionally, the informant argued that the company holds 15-20 % market share in Norway, leaving Norsk Tipping out of the picture. The informant from this company also had a long standing history within the industry, and had a lot of knowledge about the international and Norwegian market which was useful.

**Informant 4:** Informant 4 works for yet another international gambling company. Similar to the other companies, this is also a market leader and owner of multiple brands and licenses in different parts of the world. The company has a strong focus on responsible gaming measures and works against encouraging problem gamblers. The fourth informant has also been working in the industry for many years, and had a lot of knowledge regarding especially one of the concepts we were looking into.

## 3.2 Data sources

As already mentioned, the primary data source in this research is the semi-structured interviews. A primary data source is an original data source which is collected firsthand by the researcher for a specific research purpose or project (Persaud, 2010). Furthermore, secondary sources, which are data collected earlier by other researchers such as statistics or administrative records, were also used (Hox & Boeije, 2005). Available data online from the websites of the companies and statistical data from the European Gaming & Betting Association (EGBA), Statista Research Department and the Norwegian Gaming and

Foundation Authority have been proven useful in this thesis. These sources have been helpful especially in gaining some insights regarding the background of the industries, in addition to preparing for interviews and to support statements from informants.

Furthermore, we have talked to one firm in the regulated market and four in the unregulated market that operate in Norway. The interviews were conducted during the period of February to April 2023 and were transcribed shortly after each interview. The process of transcription is about reproducing words, for example, in our case from an audiotaped interview, into written format (Halcomb & Davidson, 2006). All of the interviews were conducted online through Microsoft Teams or Zoom using a recorder to make it possible for us to transcribe afterwards.

### 3.2.1 Audio-recordings and transcription

Representation of audible data into written text is an interpretive process that involves making judgments and, therefore, is the first step in the analysis of data. Transcripts are never objective in nature because written representations reflect the researchers' interpretations of data. We had to decide to which degree of detail the transcripribation was required to be for our thesis and how the data were to be represented in written form. It is impossible to achieve an accurate representation of the full complexity of human interaction on a transcript, but we have included most details because, at the time, we were not entirely sure what would be of importance for the analysis later on (Bailey, 2008).

However, the transcription method used in the thesis is called *intelligent verbatim transcription*, which implies that discourse fillers and markers such as "uhm" and "like" were excluded (Nestel et al., 2019). Also, the interviews were conducted in Norwegian and then translated by us in the transcribing-process. This has possibly also influenced some of the results to a certain extent as choice of words might affect the overall meaning of the arguments. In addition, we did not choose to include dialects because of privacy, although some dialect-words might have special meanings (Bailey, 2008).

### 3.2.2 Coding and analyzing the data

After transcribing the interviews, the next step in the analysis process is to code the written texts. We first began reading through the transcripts a couple of times and searched for meaningful information in relation to our problem statement. According to Cohen et al. (2007) content analysis involves coding, categorizing, comparing and making theoretical conclusions from the text. Following an approach from grounded theory, we began inductively with open coding of the raw data (Glaser, 1992; Strauss & Corbin, 1990). An example of the open coding is presented below:

| Theme | Informant 1 | Informant 4 |
|---|---|---|
| What is responsible gambling? | -It is about making the enterainment of gambling sustainable | -Responsible gambling consists of different measures to keep our customers away from problem gambling |

Table 4: Example open coding

The process further consisted of splitting the themes informants talked about into categories and assigning the relevant quotes to these categories. This provided us with an overview of the total raw data at hand. However, because we wanted to bring together the data with our theoretical framework, we developed a multi-order data structure that displays the main elements of our two research questions and the overall theme of the thesis (Kelle, 2005; Strauss & Corbin, 1990). An example of this is presented below:

| Sample Quotes | First-order Categories | Second-Order Theme |
|---|---|---|
| *"All the different gambling companies have a large amount of the same content. The difference lies in the presentation of this content." -Inf. 2*<br>*"Today, around 85% of all turnovers is from digital channels." - Norsk Tipping* | Services | Service innovation processes in stigmatized industries |
| *"The big innovation was in the 2000's where one learned algorithm." - Inf. 3*<br>*"We have departments solely dedicated to the case of innovation in different parts of the world." -Inf. 1* | Innovation | |
| *"It would not be sustainable to exploit problem gamblers. We want the customers who have a good experience and a healthy gambling behavior"- Inf. 4*<br>*"Responsible gambling consists of different measures to keep our customers away from problem gambling"- Inf. 1* | Stigma | |

Table 5: Multi-order coding example

For the comparing and analyzing, we developed categories based on our literature review and arguments and put them into a table to visually get an overview of our data. We searched for differences and similarities between the answers of the companies and highlighted these using color coding. The outlined text was put together so that different words, phrases and sentences could be put up against one another and analyzed. Conclusions could then be drawn from the analysis of categories and links between them (Cohen et al., 2007).

## 3.3 Quality

In this subchapter, we are conducting a quality check in order to answer our problem statement and to give a valid and reliable conclusion. When analyzing the quality of the research, it is important that the conclusions made in the study are verified in one way or another. The conclusions derived must be plausible, reliable and valid (Bougie & Sekaran, 2019). Both validity and reliability will be defined and discussed in conjunction with this thesis.

### 3.3.1 Validity

In the context of qualitative research, validity refers to the accuracy of the collected data, and should establish how well it measures the right concept (Bougie & Sekaran, 2019). For validity to be ensured, multiple things need to be put in place and followed. Among other things, relevant and accurate interview questions without leading or biased language should be designed in relation to the research objectives  (Creswell, 2014). To achieve this, our questions are open-ended and clearly formulated without putting our own thoughts and ideas too much into them.

Another way validity can be ensured is to use a representative sample of participants (Creswell, 2014). This implies choosing relevant people with diverse perspectives and experiences so that the data gathered in the interviews are likely to be relevant and applicable to the research objectives. Our sample consists of individuals from five of the biggest gambling companies in Europe providing a diverse and relatively solid selection of reflections. However, it might not be clear whether or not the sample is representative enough given the wide range of different companies and brands throughout Europe (Creswell, 2014).

Additionally, Johnson (2019) argues that in order for validity to be credible and trustworthy, it has to be defensible. On the one hand, we have gathered data from some of the most dominant market leaders in the gambling industry which means that a replica of our research would most likely be centered around some of the same firms. Also, most of the firms have answered similarly to the questions answered, strengthening the credibility of the data. On the other hand, we have not interviewed every firm in the market, especially the smaller companies that might operate slightly different than the larger ones, have been somewhat neglected, and this challenges how well the data measure the right concepts (R. B. Johnson, 2019).

### 3.3.2 Reliability

Reliability within qualitative research can be perceived as "dependability". In the context of interviews, reliability refers to the extent to which different interviewers or multiple administrations of the same interview yield consistent results. High reliability is important for ensuring that the data collected are accurate and trustworthy (Babbie, 2016). In the data-gathering phase, a consistent procedure was established early on and followed throughout the research. The respondents were all sent an invitation to the online interview via email, and the same interview protocol and recorder was used. However, our interviews have been semi-structured as earlier written, and they therefor allow for some deviation from the protocol.

Another way to ensure reliability in interviews, is to use multiple interviewers or have multiple interviews with the same participant. This is to make comparison of the data gathered from different interviewers or in different interviews possible and to identify possible inconsistencies or variations in the data (Babbie, 2016). However, as this thesis is set by the University of Agder to be written in pairs, no more than the two of us could interview the participants. Due to limited time and not to bother the participants with conductiong multiple interviews, we conducted the interviews together. This allowed us to have two mindsets to help interpret and analyze the data.

Both validity and reliability should be applied in qualitative research while designing a study, analyzing results and judging the quality of the study (Golafshani, 2015). Appropriate methods such as coding and categorizing of the data in systematic and consistent manners are important in order to analyze and interpret the data in an unbiased, relevant and applicable way. By ensuring that the data gathered via interviews is both reliable and valid, we can be confident in the accuracy and relevance of the data to the research objectives (Babbie, 2016). These requirements are hopefully fulfilled, but it is important to underline that we have only interviewed one person from each company so that the statements might have been slightly different if we had talked to others from the same company.

# 4. Results and discussion

## 4.1 Service

In the first part of this chapter, the thesis will analyze how the gambling industry and the Video-on-Demand industry can be related to the concept of service. Furthermore, this part will also look into service innovation in the industries. To analyze this, the thesis will try to answer research question 1; (RQ1): How do the industries innovate their services?

To this date, all the gambling companies interviewed in this thesis are online service providers. Additionally, the VoD-companies can also be seen as online service providers, as they have gone from movie rental at a local store to offering their services and products online. When the internet was established in late 1990/ early 2000, a large number of companies had to transform their delivery of services from a physical location to the internet (Andersen & Sannes, 2017). This was because the internet got more popular in the general population, subsequently increasing the use of various devices connected to the internet in the following years.

*"We have always said that "we must be present where the people are". When understood correctly, people are one their phones. It would simply be irresponsible of us to ignore this. We have always said that "people can use this when they want to use it". We have maintained that line all along. I think this has been extremely important. It is a natural transition." -Norsk Tipping*

Similarly, informant 1 said:

*"When I started, it was impossible to play casino or sports on the phone. It was only something that appeared a few years later. Now we know that 80% of everyone who plays uses a mobile phone... When we say we want a license in Norway and apply in other countries – It is on the online part that goes to sports, casino and poker." – Informant 1*

Which now has been established and proven, the companies interviewed for this thesis are all providers of e-services. Their products are mediated through their online websites or apps. Furthermore, the element of e-services does not only consist of the product they are offering, but also the customer support (Rowley, 2006).

*"All of our customer support is done through our website. Furthermore, now we are trying to use the AI -models and looking more at them being able to communicate directly with the customers"*
*– Informant 2*

Norsk tipping on the other hand, still has some face- to – face communication with their customers. Their customer interaction is mostly digitized, but they still have commissioners who provide face – to – face customer support and sales, but this way of providing service have been reduced throughout the years.

*".. That reaction was both internal and external - especially with the commissioners who had this as their livelihood. Within 6-7 years, they halved their income." – Norsk Tipping.*

O´Sullivan (2002) punctuates in his definition of e-services that in the delivery of services, limitations may occur due to human interaction. As for the aspect of customer support, the informants said their customer support service had some limitations due to only being open in the hours of approximately 0900-1700. In these hours, real life people as opposed to a chatbot was available. They further claimed that their chatbot was not as evolved and could not help with all the same complex questions as a human. Moreover, in the Video-on-Demand industry, these factors are almost the same. They also provide the possibility of chatting with a real life human, in addition to also give you the option of calling. The constraints are the same as in the gambling industry, customer service has its specific opening hours (HBO, n.d.; Netflix, n.d.; Prime videos, n.d.).

One of the main characteristics of e-services, is that they can be used anywhere, anytime – automatically (O´Sullivan, 2002). This is an important aspect for the informants in this paper. They all stated that "we have to be available where the people are – when they want it". Through websites and applications on the phone, most of their services are not constrained by time and distance. At any time during the day, anywhere, people have the possibility of playing online or watching TV-shows or movies – making this a convenience for the people using the gambling and streaming websites and apps.

According to Clark et al. (2000), services are also more than the product being offered by the company. The concept/perspective of "service in mind" can be implemented in a traditional service or an e-service. As the companies interviewed in this thesis have grown, all the unlicensed participants have developed different brands. Like the informants explained, these brands are developed to target different customer groups, and to meet their expectations and give them a more personalized experience - as people do expect differences in the service delivery and service design. Similarly, the VoD industry operates with different brands or segments within their own platform. As this industry targets all age limits, their customer reach is bigger than the gambling industry. For the VoD industry this might present a bigger challenge, as their brands or segments for different age limits are all on the same platform. This can result in customers abandoning one VoD provider for another, as there is a lot of content on their platform - leaving the customer with disappointment of not having their expectations and needs fulfilled.

In the concept of "service in mind", the customers are not the only judges with concerns of the service being provided. Both people involved with marketing and operational management might have different outlooks and priorities on the service. This is also where the brands are relevant, as they differ from each other, they operate with different images, create different needs and have different processes and costs, especially for the gambling industry.

## 4.2 Service innovation

Service innovation is the development of new services or new service solutions (Agarwal et al., 2015). The innovation can be both incremental or radical (Dahlgaard-Park, 2015b) . The case companies' ways of operating are very similar, where both are offering fast entertainment anytime – anywhere. However, looking at service innovation and the new service development is a crucial step in this analysis to further answer research question 1.

### 4.2.1 The Gambling industry

For the gambling industry, both radical and incremental innovations have been part of their journey. Most of the radical innovations in this industry were launched in the early 2000´s, which was pointed out by all the informants in this thesis, from ID registration cards to the first online launch. The processes for innovation have also gone through a change in those years, like Norsk Tipping explains:

*"These processes have changed a lot from the early 2000s until today. How to create processes for both innovation and business development has undergone a radical change. You can imagine back in the late 90s and 2000s, until around 2006/2007, it was very traditional project organization. You set up a project, you had a hierarchical management system, i.e. a waterfall methodology. You set goals etc. That is the traditional way of doing it, but today we do it quite differently."* – Norsk Tipping.

As most radical innovations came in the early 2000´s, this thesis will now look further into the processes of incremental and technology-driven innovations. These consist of the "tweaking" of existing products and delivery systems and the incorporation of technology in the delivery system. Furthermore, the aspect of service delivery systems and its importance for both customers and the companies will be analyzed (S. P. Johnson et al., 2000). The service delivery systems consist of not only the product offered from the companies, but also the "enablers" which are highly important for the innovation processes. These "enablers" include technology, people and systems (Dahlgaard-Park, 2015b). Furthermore, customer input is essential for the development and execution of the service delivery system, as this will influence the experience for the customer (Dahlgaard-Park, 2015a). All informants in the thesis agreed upon the fact that both people and customers are important for the execution of the delivery system. As they informed, without the right human resources to produce and develop the technological advances available, and customers to use them - there are no companies. Even though regulations and laws are strict in the industry, the customer input is an essential factor for their developments to succeed, and to meet the needs and expectations of the customer.

*"Personalization is becoming more relevant. GDPR is an issue and we have our guidelines, but we know that customers wish to feel seen and appreciated so a lot of the time spent on development is spent on these kinds of matters» - Norsk Tipping.*

Accordingly, technology – driven innovation and the implementation of these new systems has played a big part in the innovation of the delivery system and services. As personalization has become a bigger and more important factor of the innovation processes, many of the gambling companies have incorporated recommendation systems in their platforms. These systems are incorporated to personalize the user experience but are also supplemented with models to achieve responsible gaming, in the form of having the ability to identify which customers might be problem gamblers. As informant 2 stated *"We try to make it more personal. Also, we have used models that responsible gaming-analytics worked with to identify which customers we should contact."*

Additionally, in relation to the technology driven innovation, all informants agreed upon the fact that technology as an enabler has driven a lot of innovation and is an important factor in their service delivery system.

*«Within the industry and our firm, from the data technology-perspective, it has moved from business support to working more directly towards integrating our products and customers with our solutions. » - Informant 2*

As noted earlier, the innovation processes have changed over the years, being quite different today. When asked about the innovation processes, the answers of the informants were divided. Some of them stated to have a specific method when innovating, while others claimed that their processes are not "set in stone". This is due to a continuously updated process as there are constantly new developments to take into consideration. As for the development of new products, all the companies buy most of the casino games and instagames from other companies. On the other hand, some of the companies interviewed for this thesis do develop some of their products themselves. The consensus was when developing their own products, the firms followed a methodology – where this process is very much iterative. The quote below explains:

*«I think the processes are pretty similar in all modern companies, where ideas are generated and the customer is included as early as possible in the developing phase. We try to improve this process all the time. We have certain points where it is possible to toss the idea and start over and use this as our methodoly. This is fantastic compared to how things were done back in the days where the methods were much more complicated, and the idea was developed and launched. We also use a school in Hamar to test our ideas.»* - Norsk Tipping.

As for the NSD process cycle presented by Jonhson et al. (2000), this is a model that can be applied in this industry, and the NSD process cycle can be seen again in figure 10 below. From what some of the informants have said, they follow certain phases with different activities and stages when developing or tweaking a service. All of them informed us that every new project starts with ideas, followed by concept development and checking for financial feasibility. Furthermore, as this industry often experiences new technological developments, these are implemented in the process cycle. Regarding the product or service development, the process cycle can be applied to the innovation processes of this industry.

The cycle counts for iteration, which are the most important aspect for any processes they all said.

Furthemore, the gambling industry uses an “enabler” in their delivery system called A/B-testing. This procedure is used to test a new feature or an update in their services. At this point in their development phase, they separate their customers – so some of them can test the new feature or update and give feedback. In this industry, everything is tested on some customers before full launch – which is the most important step when “tweaking” an existing product or introducing a new feature.

Finally at the end of the interviews with the informants in this thesis, they were asked about what the next big innovation in their industry will be. The answers were divided, with, for instance, Norsk Tipping wanting to focus on innovating their marketing. Admittedly, they all agreed upon the fact that AI and IT was where their focus was now, and this was the driving force for all next big innovations, as informant 4 said *“In a sense, technology knows no boundaries.”* Subsequently, as a part of service innovation, some of our informants mentioned both E-sports and Cryptocurrency. These are a part of their services, and ,furthermore, are concepts that already exist - but they are looking into new ways of exploiting them. This puts them in the design phase, the first phase of the NSD cycle with these concepts. Even though they already exist, the companies have to develop ideas on how to use them, they all agreed.

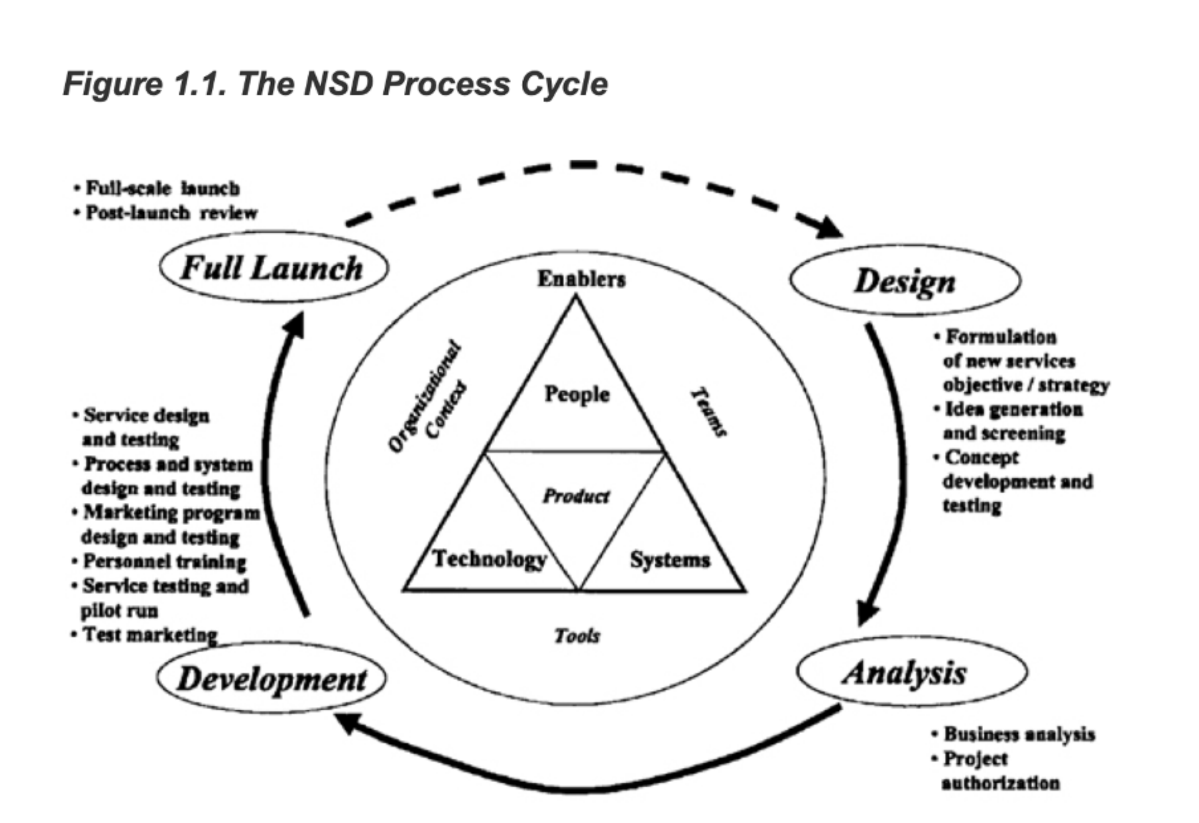


Figure 10: The NSD process cycle

Source: Johnson et al., (2000)

### 4.2.2 The Video-on-Demand industry

The Video-on-Demand industry went through some of the same radical innovations as the gambling industry, also in the early 2000's. Therefore, the basis for analysis will be in regard to the incremental and technology-driven innovations, additionally, in the Video-on-Demand industry. Furthermore, Netflix has become a global representative of subscription-based video on demand and will, because of this, be the center of attention in comparison with the gambling industry. Netflix changed the definition of television and became the pioneer of the shifting era of the watching television experience (Anindita, 2021). However, the analysis will be supplemented with data on service innovation from other major market leaders in the industry.

As previously stated, the industry have gone through enormous changes, but only incremental service innovation is happening today. These changes are in the development and full launch-phases of the NSD process cycle. Only minor adjustments to the service offering or the service delivery system are the most common innovation. However, Netflix is known for disruptive innovation and in order to stay competitive, they have utilized innovations since its establishment. Disruptive innovation is recognized by the introduction of a product/service that performs better and is cheaper than already existing offerings, making it more affordable to the general population which Netflix has done (Anindita, 2021). Furthermore, Netflix illustrates a design principle that any company aspiring to succeed at disruptive innovation must adopt. Its four parts are: think big, start small, fail quickly, scale fast (Mui, 2011).

In the new service development process it is also important to pay attention to the service delivery processes and the resources that are involved in the delivery of a set of services to the customer  (Papastathopoulou et al., 2001; Trott, 2008). In this regard, Netflix has a recommender system that consists of a variety of algorithms that collectively define the Netflix experience, similar to the gambling industry. The company uses vast amounts of data on its consumers that describe their watching pattern, where each video was discovered, as well as the recommendations shown, but not played in each session. Algorithms such as "Personalized Video Ranker" and "Continue Watching" make up the complete Netflix recommender system. Especially the Personalized Video Ranker algorithm is where the algorithm orders the entire catalog of videoes for each member profile in a personalized way (Gomez-Uribe & Hunt, 2016).

Netflix also uses other "enablers" in their innovation processes such as A/B-testing to compare the medium-term engagement with Netflix along with member cancellation rates across algorithm variants. These tests randomly assign different experiences to different members to measure for example member behavior from a statistical perspective. Algorithms that improve these A/B-test metrics are considered better. Correspondingly, they build algorithms toward the goal of maximizing medium-term engagement with Netflix and member retention rates. For them, A/B-testing results are the most important source of information for making product decisions (Gomez-Uribe & Hunt, 2016).

Also Amazon Prime Videoes (APV) recommends videos to customers using trained algorithms to predict desired content for the consumer (Roettgers, 2019). However, as opposed to the A/B-testing Netflix uses, APV relies on Customer Queue Service (CQS) which covers a wide range of functionality from subscriptions to content discovery. Even though their methods for moderating their services are different, some of the functionalities and the purpose of the systems, remains the same.

The new service development for the gambling industry and Video-on-Demand industry is very much alike. “Enablers” have proven to be important factors when doing both incremental and radical innovations. For the innovation aspect itself, it turns out that both industries have followed each other, where technology and digitalization have been the driving force in the processes. Throughout the analysis of the NSD in this thesis it has been discovered that some differences occur during the innovation processes. As mentioned, most innovations in both industries are incremental now, where the last two steps of the cycle are where the effort is put. The difference in these industries occurs in the development phase, as seen from figure 10, is step 3 in the innovation cycle.

A/B- testing is used when both industries launch new features on their platforms, or in their delivery systems. However, for the actual product delivered, the gambling industry is more focused on pilot-testing and test marketing compared to the VoD industry. The A/B-testing is used on the product to test different metrics, like if the new feature or product is a high risk/high reward game and addictive. The gambling industry uses customers and schools to test if their products need updates, are usable and gives the perceived expectations they have created - which is also an important step in the “post launch review”.  Furthermore, A/B - testing in the VoD industry is used to measure retention rates, where the metrics often is if the service delivery is personalized enough to keep members, and if they watch more films or tv-shows.

### 4.2.3 The service innovation matrix

The NSD innovation matrix is designed to the level of customer contact that determines the design of the service delivery system (S. P. Johnson et al., 2000). High customer engagement should be customized, and low level of customer engagement should be standardized. The model connects service design with innovation. The level of industrialization in the model refers to the ability of the mobility to substitute humans in service creation with technology and processes, i.e. the amount of customer contact required (Shamsuzzoha et al., 2023).

The services provided by both the Video-on-Demand industry and the gambling industry are located on low standardization on the face – to – face delivery as seen in figure 11. The service delivery requires a lot of communication with customers, but they actually do not have face – to – face communication. The exception in this thesis is Norsk Tipping, which still have commissionaires – who still provide some face – to – face delivery. Both industries have gone from being in the top – left corner in the NSD matrix, to higher, but still in the low part on the standardization of the service offering and higher in the industrialization level. As for Norsk Tipping, they would be lower than the other companies on the standardization level, but still be equally high on the industrial level.

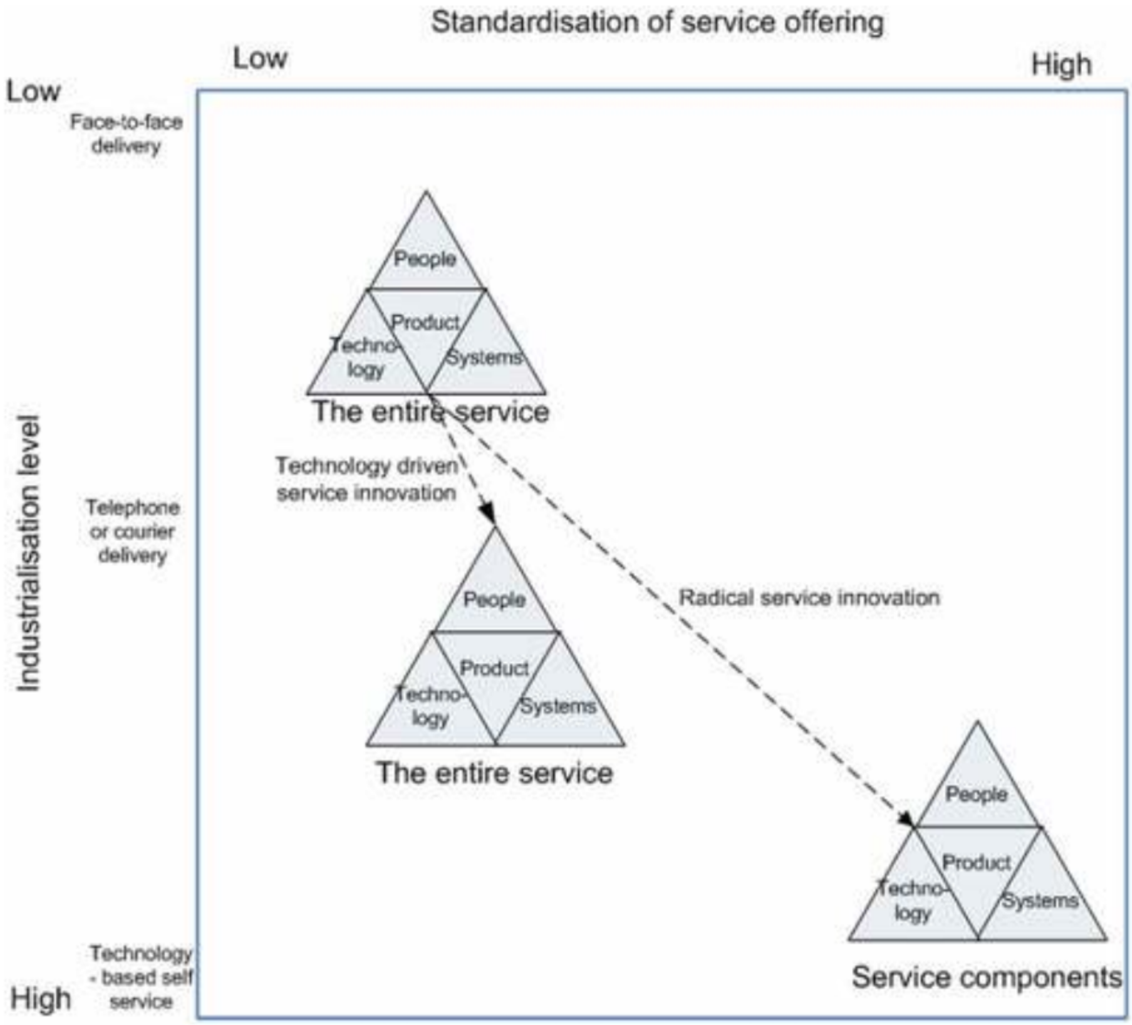


Figure 11: NSD Matrix in the industries

Source: Shamsuzzoha et al. (2023)

Both industries are technology – driven, where higher standardization of the service offering is better than face – to – face delivery. It is important to note that even if the industrialisation and standardization of the service offering are higher - the aspect of personalisation and customization of the services provided are not necessarily affected by the processes being standardized. This concept is becoming more important for the service providers, and with algorithms - they are personalizing the actual services.

## 4.3 The effects of stigma

In the third part of this chapter, the effects of stigma on the gambling industry will be discussed. The Video-on-Demand industry is not relevant to this matter and will not be discussed here, as this focus is a non-existing aspect related to the industry. Research question 2; How is the gambling industry affected by stigma? will be addressed.

### 4.3.1 Perceptions of stigma

As per the definition of organizational stigma earlier stated, it is "a label that evokes a collective stakeholder group-specific perception that an organization possesses a fundamental, deep-seated flaw that deindividuates and discredits the organization" (Devers et al., 2009). Norsk Tipping questions the term "stigma" itself;

*"We are very concerned about the responsibility-dimension in potential problem gambling, but stigmatization implies that the population views our business as something that they really want nothing to do with. This is wrong when looking at our research which shows almost the opposite"*
*- Norsk Tipping*

Norsk Tipping were much more accepting towards the term "responsibility" when addressing the matter of social evaluation of the business. Responsibility refers to the duties and obligations the gambling industry has to fulfill, which means that Norsk Tipping is more concerned about their own actions instead of just the perception of the society surrounding them. The international companies feel that Norsk Tipping is less stigmatized because of the exclusive rights-model and that Norsk Tipping is known for giving some of its profits back to the society, through supporting sports teams financially for example.

On the contrary to Norsk Tipping, the respondents working for the private firms admit to the stigma around the gambling industry being present and something that affects them. It has also been confirmed that the stigma is a core stigma, at least through the answers of some of the informants. Furthermore, informant 1 also explains that the way business was done before has contributed to the existing stigma:

*"Earlier, people working in the gambling companies, would call out to the customers and ask them to take out a mastercard and gamble some more" -Informant 1*

Moreover, one of the respondents stressed that the stigma is especially located in Norway. The informant further explains that:

*"In 2006 everyone was moving down to Malta, getting licensed was a big change. At that time, no one thought about responsible gambling, in 2006 I mean. And no one had set boundaries for how the money should be taxed or treated. From 2006 to 2012, it was all about fast money and unscrupulous people running the companies. This stigma has perhaps remained a bit longer in Norway than in other countries. Whereas now, the responsibility-aspect is taken more seriously in general.»*
*- Informant 3*

### 4.3.2 Firm competitiveness and stigma

The gambling companies offer a lot of the same content, but the presentation of the content is what differentiates them. According to informant 2 *"It should be easily accessible and personalized and I believe the way of presenting the content will divide who performs the best and not."*

Additionally, in Norway, it has been mentioned that there is a differentiation between the regulated and unregulated market. However, informant 1 said:

*"we are ISO-certified in the same way as Norsk Tipping is. We have the exact same banking requirements as all Norwegian and EU-registered banks with regard to AML and terrorist financing. We have licenses in 17 different countries and states. In other words, there are 17 different lottery inspectors and regulators who sit and make sure that every little part of the license agreement is followed to the letter. And we also have independent auditors who sit around the clock and audit absolutely everything that takes place on all sides in all countries, so that if there is an industry that is regulated, it is the gambling industry." -Informant 1*

As informant 1 said, the industry is highly regulated. Hudson & Okhuysen (2009) stated that regulators could respond to public pressure and criticism by either stopping the work involving core-stigmatized organizations or engaging in overly aggressive enforcement.

Accordingly, the existing regulation of the gambling industry that the respondents describe, might be a response to a fear of stigma being transferred to the regulators. In this sense, the public stigma surrounding the industry possibly affects the competition and market as a whole.

Informant 4 further adds that they wish to be regulated in the same way as Norsk Tipping and pay taxes in Norway. This desire to change the regulation and stigmatization towards the international companies has also been shared by other informants. They believe the Norwegian system and the continuation of the exclusive rights model is outdated because *"the international companies have come to stay"- Informant 4*.

Even though there is still a desire for change, the industry has gone through drastic changes over the years, and we wondered whether stigma and competition had been affected by these changes. Norsk Tipping said *"We thought it would be harder during Covid, that more people would have the time to gamble and get addicted. We set limits on various games in addition to the absolute limit earlier set, but we didn't see any remarkable increase in problem gambling."*.

Lastly, a completely different matter was mentioned when discussing challenges related to stigma in regard to the competitiveness of the firms:

*"The most difficult competition we have is recruitment. We sit in Stockholm and advertise jobs in the same place as Spotify, for example, and compete against other less stigmatized companies even though we need the same expertise. We are 6 different nationalities on my team. Recruitment is a big part of that, and the most difficult part for us regarding competitiveness." -Informant 2*

Like previously mentioned, stigmatized organizations are likely to be affected in a negative manner both socially and economically because of stakeholder adjustments (Devers et al., 2009). The issue informant 2 addresses here is an example of this negative impact. Along with this and the regulations mentioned, it is clear that competition in the industry is affected by the organizational stigma.

### 4.3.3 The importance of responsibility

All informants agree that responsibility is essential to implement in everything that is done in the business. Some of the relevant statements are as follow:

*“It is the basis for everything that is done. You yourself know that when a country, whether it is Norway which has a monopoly or another that has a licensing scheme. After all those schemes, no matter which method you use, are subject to liability. From being an industry that really gave a damn 15 years ago, this industry has grown up and is perhaps today the most regulated business you will find in general. Then I'm talking about the companies that are regulated and licensed. Because you have a black market that still gives hell. But we try to get rid of them ourselves.” -Informant 1*

*“We have taken that stigma quite seriously for a long time. In 2017, after pressure from the authorities, of course, Malta introduced a stricter regime, "source of wealth", where you must show disposable income, ergo, this shows with how much money you are able to gamble. So that responsibility has, in a way, come and been a bit forced because there was a lot of crime and irresponsibility in the past.”- Informant 3*

Several of the informants argue that responsibility is at the core of the business and implemented in all departments and aspects of the operation. In addition, informant 4 especially mentions the term sustainability as well in relation to operations and the stigma around it:

*“It would not be sustainable to exploit problem gamblers. We want the customers who have a good experience and a healthy gambling behavior”- Informant 4*

From the interviews, it is clear that the gambling industry has some additional concerns compared to the non-stigmatized industries. It is a general understanding from the market leaders that to survive the stigma, the business should be permeated with responsibility and do its best to avoid problem gambling. If a company in the gambling industry is careless about the responsibility of its operations, it risks being discredited by the rest of the industry and society. The stigma is also clear on previously mentioned impacts like recruitment and regulations and these findings therefore provide an answer to research question 2.

## 4.4 Are the service innovation processes affected by stigma?

### 4.4.1 The new service development process cycle

Lastly in this chapter, after looking into the research questions and connecting them with findings from the interviews, the problem statement will be discussed. From the earlier discussion, there are no noteworthy differences in the service innovation of the two case industries. However, the gambling industry has an extra aspect to its business in the form of core organizational stigma. The problem statement in this thesis is; “ How does organizational stigma affect service innovation processes in the gambling industry?”

The NSD process cycle consists of four stages, with different activities in each stage. In figure 12, the NSD process cycle has been applied to both industries in this thesis, as a summary of the earlier discussion. Like already mentioned, there are few differences that occur when applying the theoretical framework to both industries. However, as this is a translational model, it is easily applied to multiple industries compared to other models.

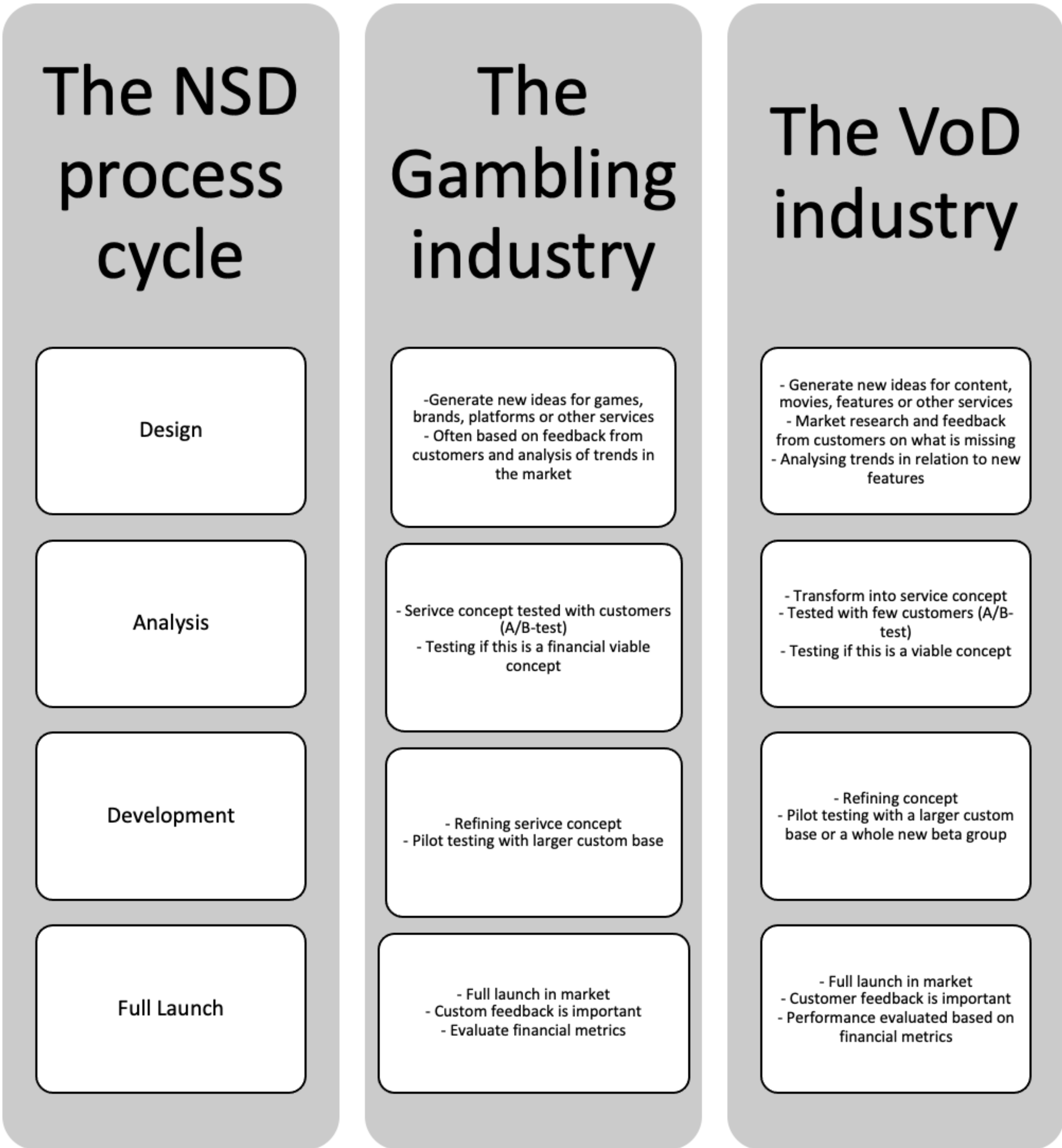


Figure 12: NSD process cycle in the industries

However, when applying the aspect of core-stigmatization in relation to the service innovation processes in both industries, differences do occur. The organizational stigma related to the gambling industry, forces the companies to act responsibly to survive in the market. The regulations that have been explained earlier, are a result of the occurring stigma and are not something that the Video-on-Demand industry has to worry about. It is clear that the Norwegian government does not approve of the international gambling companies, and this affects how the companies operate and innovate because they need to take current laws and regulations into a high degree of consideration. They currently work around the regulations regarding advertising for example, by using non-Norwegian television channels instead, to be able to operate in the Norwegian market.

The stages and activities in the figure above are influenced by stigma even though they operate in almost the same way, following the same "steps". As the gambling industry does have an extra aspect with stigmatization, responsible gambling is incorporated from start to finish in the innovation process of services. From the beginning of the journey of the gambling industry, as mentioned, the gambling companies have gone through a big change in their way of operating. Stigmatization can be a term that is lingering from when the industry first was established, when everything was about making money fast – with no restrictions in how they operated. Regarding the innovation processes, responsible gambling has been a big part of the industry in the last few years. As our informants said, this industry has gone from being a child to a young adult in the last years.

In the initial phase of developing a new game, service or feature, stigma can affect the idea generation because the industry or company developing games has to limit themselves. Developing new games or features that increase problem gambling or harmful behavior can increase the stigma that is currently surrounding the industry, and has to be avoided. For the second stage in the cycle, financial viability has to be checked. Furthermore, regulatory compliance has to be followed, which impacts the gambling industry. There are different regulations in different countries, especially in Norway - where international companies, who do not hold a license, are not allowed to market themself. In relation to Norsk Tipping, as they are the only licensed company in Norway, if a new feature, game or service does not follow regulations, the process is stopped at an early stage.

From the analysis earlier in this thesis, one can see that the term responsibility is a major factor, especially in the development phase of the cycle. In the gambling industry, one of the main focuses is pilot – testing i.e. to make sure that the feature or product they are developing or launching, does not increase the risk of more problem gamblers. As core stigma has proven earlier to be applicable to the industry and is a negative evaluation by audience(s) (B. Hudson, 2008), it can affect this phase by, for instance, having customers being cautious to participate in pilot testing due to concern of being associated with the gambling industry. Subsequently, this can lead to the industry/company having to stop their product or feature from being launched, as they do not get enough feedback on whether this is generating more problem players. This is where one of the biggest differences occur when comparing the industries chosen in this thesis. The VoD industry does not have to account for stigma in any of the stages in their processes. Even though they are doing pilot – testing on new features or other services, the industry is not associated with stigmatization, and customers might not have the same concerns with participating in this stage of the process. Furthermore, the VoD industry in their idea generation phase does not have to limit themselves or their ideas, the only thing that can limit them is feedback from customers being dissatisfied with the experience of their services.

For the full market launch of the service, yet again – stigma and responsibility are of importance to the gambling industry. At this point, an analysis based on feedback and financial metrics can be used by the industry, to evaluate whether the new launch is causing more problem gamblers, which in turn can create more stigma around the industry. With an increasing customer base consuming the new products or services, feedback from the customers is equally important in both industries. As for the VoD industry, post – launch review is important, but not in the same sense as the gambling industry. As they are not considered stigmatized, and do not risk the same dangerous consequences, this will not impact the VoD industry as much. On the other hand, if the expectation of the customer and the experience that they want is not met – both industries might lose customers, which will impact their finances.

Finally it is important to note that the whole cycle is an iterative process, meaning at every stage both industries can stop the process and discard the product or service concept, furthemore - the possibility to "tweak" and adjust the product can also be done until final launch, and even after. Figure 13 summarizes how each step in the new service development process cycle can be affected by the terms stigmatization and responsibility.

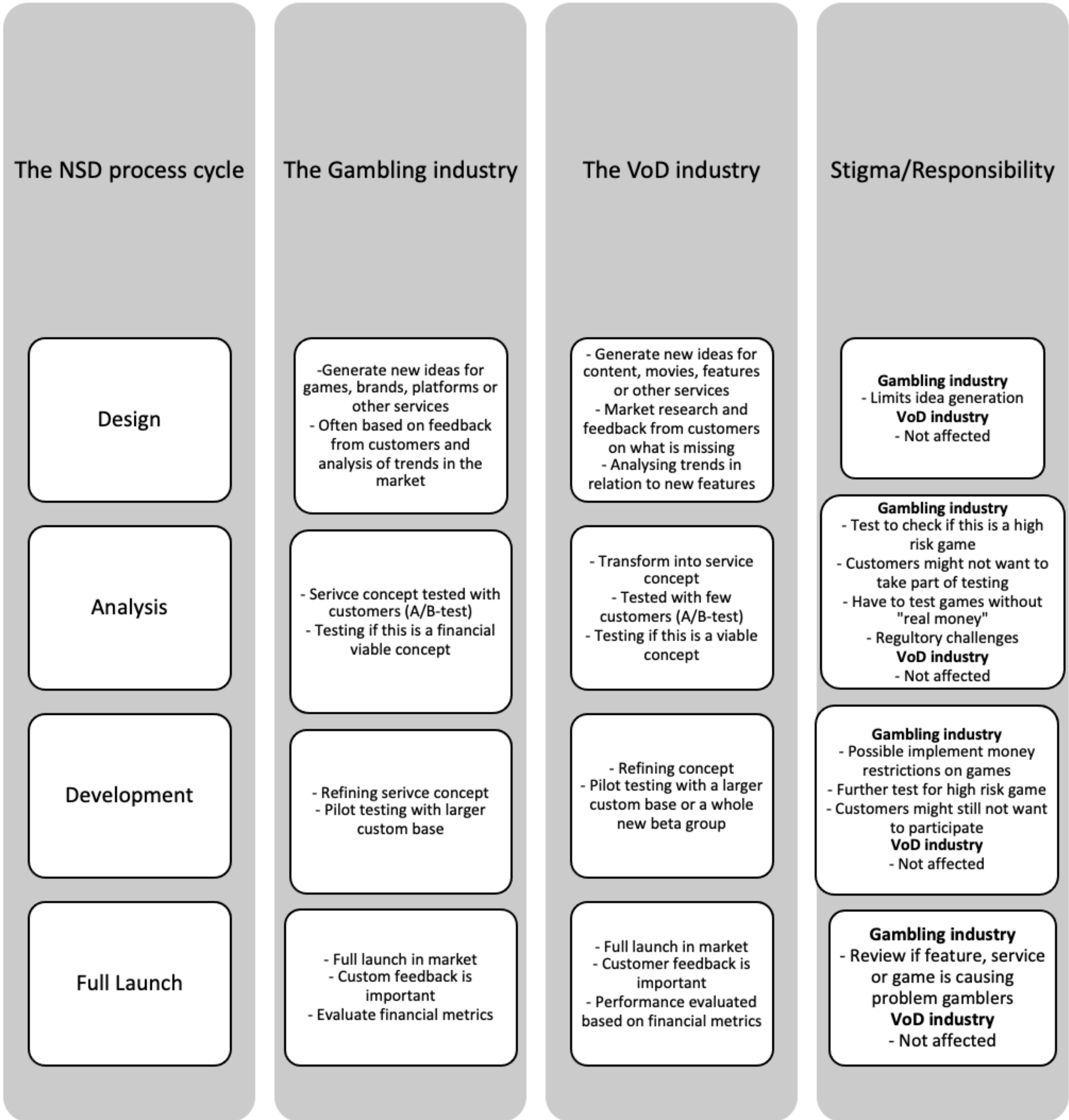


Figure 13: Summary of the NSD process cycle impacted by stigma and responsibility

### 4.4.2 Enablers

Enablers in the NSD process cycle is an important factor for the succes of the processes. In this model, these are people, systems, and technology (Leasure, 2010). Similarly to the NSD cycle, enablers are also affected by the core stigma surrounding the gambling industry.

As for the people, which are also considered as the "teams" in the NSD process cycle, this might be the enabler who is the most affected by stigma in the gambling industry. The teams are cross-functional, which requires recruitment from different departments in the company. The recruitment has been mentioned as challenging in the gambling industry, as they seek the same employees as the VoD industry, for example. Since the concept of stigma is associated with the gambling industry it can result in highly qualified people seeking jobs in other places. As a result, this can lead to the innovation processes being affected due to lack of appropriate human resource input. Although the business, in general, is more technology-based and artificial intelligence replacing some of the human interactions, human labor is still important. Losing the labor force to other industries harms innovativeness, because people likely stay in their jobs for too long, instead of being replaced by new and younger people which complicates generation of new ideas. Likewise, customers are an important factor for this concept, and also for the NSD process cycle to be successful and efficient. The key difference in the mentioned industries regarding customers are the target audience for their services. The gambling industry has a strict age limit, while the VoD targets all age groups. Since the gambling industry does have a strict age limit, this reduces their customer pool, and core - stigma can further affect this customer pool. Again, customers might be hesitant to participate and use current and new services launched by the industry.

The tools, i.e., technology in the gambling industry can also be exposed to scrutiny. This industry are using a large amount of the same technology and systems as the VoD industry. The tools are an important factor for enhancing effectiveness of service planning and development. Furthermore, it is linking customer needs, design requirements and competitive performance (Tax & Stuart, 1997). Personalization of the service has been of importance to both industries in the last years and interestingly enough, many of the same algorithms are used in the two industries. However, the informants from the gambling industry all claim they implement responsibility into everything that is done and must be aware of creating and advertising games that encourage problem gambling. In the Video-on-Demand industry this algorithm is used to get the customers interested in watching new videos and keep subscribing. Although this algorithm might not lead to increased problem gambling and stigma itself, the companies should be aware of this context and that this contradicts a little towards what some explained about sustainable gambling behavior.

As informant 4 said, “technology knows no boundaries”, and has proven to be a vital tool for both industries when innovating their services and for the process itself. Technology is a part of enhancing customer experience and driving innovation in both industries. For the gambling industry, this tool has firstly gotten the industry online, providing a wider range of customers and the opportunity to gamble anywhere anytime. Moreover, this tool provides safer payment gateways and utilizes artificial intelligence in the development process, and risk assessing and identifying patterns of consumers. In the VoD industry, technology has also made this industry online. With higher-speed internet, and more advancement in the VoD industry, consumers are experiencing seamless streaming. Further, within the development process, highly advanced software and professional grade equipment are offered, making the process of content production easier and reducing barriers to entry and facilitating production and delivery of diverse content.

However, with this tool there are also downsides. The new technological advancements can play a role in an increase of stigmatization in both industries. Being available anytime and anywhere, it can lead to excessive use and addiction of the services, which furthermore can lead to social isolation and neglecting other important aspects in life. Within both industries, excessive use can be seen as a person or group lacking productivity, and detaching from reality. A person or a group can be interpreted to be lazy or lacking ambition, which can promote an increase for stigmatization in both industries. As for the financial risk, this is an aspect that is more relevant towards the gambling industry. The consumer can risk overspending, as the absence of physical cash can create a sense of detachment to the value of what is actually being spent. Additionally, as content is being easily created and distributed in the VoD industry, negative and harmful content can contribute to an increase in stigma. This can involve material with violent and explicit content and hateful speech.

The organizational context, i.e, the systems that are involved in both industries are, as mentioned, in which context the NSD takes place. As interpreted, this involves laws and regulations i.e that regulate the processes in the cycle. Furthermore, organizational culture needs to promote innovation (S. P. Johnson et al., 2000). As for laws and regulations, the question here would be if especially Norwegian regulation toward the gambling industry provides an added core – stigma. The payment-blocking system, for instance, contributes to maintaining the Norwegian stigma by denying bank transfers between customers and the international gambling companies. It can be assumed that this system is not something the whole population is aware of and that this has affected the reputation negatively which is seen in the media because the customers have not been paid what they are owed by the gambling company. As a result of this, many of the international companies are considering payment by cryptocurrency. This can be seen as a way of retaining Norwegian customers, but it is also a way of innovating the current payment method. By introducing this, the individual customer can bypass authorities and financial institutions, as this currency is not controlled by these groups in the same way a bank account with a Norwegian bank is.

On the other hand, since the current payment methods are strictly regulated for both the international companies and Norsk Tipping, introducing cryptocurrency can present a challenge. As this is one of the new innovative aspects of a service in the service delivery system in the companies, they now have to think about how to regulate the new payment methods according to their responsibility dimension. If this is not as regulated as the payment method of today, this can result in Norwegian and international laws and regulation becoming more strict. Earlier the industry was described as the "wild west", without regulations it can be assumed that this will occur again, resulting in an increase of stigmatization surrounding the industry. However, compared to the VoD industry, the gambling industry is not as affected by laws and regulations, and especially not in Norway where the main restriction and regulation is the age limit that has to be followed.

Throughout this thesis, the main question has been whether stigmatization actually affects the innovation processes in the gambling industry. As that industry now has been compared to the VoD industry, the answer to the problem statement is clearer. This paper shows that stigma can and likely do affect every part of the processes in the gambling industry, but that it affects some parts more than others. Furthermore, for the NSD process cycle to be successful, enablers are an important aspect. This accounts for the people involved in the process, and the users of the service, the technology implemented for an efficient and responsible process and lastly the regulations, laws and organizational context for an "smooth" and effective innovation process (S. P. Johnson et al., 2000). As they are offering money – based products, and have a lot of problem gamblers, the industry must always consider the term responsibility in every step – especially in the development and launch phase.

# 5. Conclusion

In this thesis the main goal was to research if and how organizational stigma can affect the service innovation processes in the gambling industry. This is a growing industry in Europe with a 108,5 euro bn gross gaming revenue per 2022, with an estimate that it will continue to grow in the following years. With this growth, comes an increase in the focus on responsible gambling and gambling harm as well. Therefore, it has been interesting to investigate the effects of a core-stigma surrounding the industry that has lead to a forced centre of attention on responsible gambling.

This thesis has been limited to the restricted Norwegian market, but it has been proven that international companies hold a solid Norwegian customer base. Furthermore, the gambling industry was compared to the VoD industry, since they are both online service providers. Two research questions were developed in order to answer the problem statement chosen for this thesis. Research question 1: How do the industries innovate their services?, was answered by applying both the New Service Development process cycle and matrix to our findings. Both industries are driven by technology, in which higher standardization of the service offering is better than face- to- face delivery. Also, the industries have gone from being in the top – left corner in the NSD matrix, to higher, but still in the low part on the standardization of the service offering and higher in the industrialization level. Only small differences separate the service innovation between the two industries. However, the organizational stigma of the gambling industry forces the companies in the market to act more responsible in the market compared to the VoD industry. This, for example, limits idea generation because the gambling companies have to restrict themselves, not to create high-risk games that can lead to problem gambling.

To investigate how stigma is affecting the gambling industry, research question 2: How is the gambling industry affected by stigma?, was answered solely by looking into the gambling industry and findings from the interviews. The industry is highly regulated, and a company that is careless about the responsibility of its operations risks being discredited by the rest of the industry and society. Therefore, gambling companies constantly has to bear in mind the possible consequences their actions can lead to, and has to implement special measures because of the core-stigma. In conclusion, this thesis answers the problem statement with showing that stigma can and likely do affect every part of the processes in the gambling industry, but that it affects some parts more than others.

## 5.1 Implications

First of all, the research of this thesis has been conducted in a Norwegian context only. Both the private gambling companies and the Video-on-Demand companies we have looked into, all operate in more markets than just the Norwegian market. Therefore, they do not necessarily operate in an adjusted manner towards the Norwegian population. This can possibly have affected the results from this research because the informants did not always have separate insights from the behavior of the norwegian customers and the norwegian market. Additionally, as the gambling industry is stigmatized, some of the participants were a little skeptical to participate. The skepticism could have influenced to what extent they are completely honest in the interview, since we first told the participants that we would prefer the companies to not be anonymous. As this was changed later on in the thesis, to keep them all anonymous - it could have resulted in different answers from the informants if this was decided before the interviews.

Furthermore, it is possible that the results would be different if we had compared with another industry. We limited the comparative case study to just two cases to not overcomplicate the thesis with the timerestriction involved. Hopefully, the choice of the case studies were comparable, but the choice might lead to implications we are not fully aware of. Comparing our results from the gambling industry with another comparable industry, could quite possibly have given different discussion.

## 5.2 Limitations & Further research

One of the main limitations of this thesis is the time restriction. Deciding on a topic and formulating a problem statement was challenging and required a lot of investigating of existing literature beforehand. Also, the data gathering process especially has been extremely time-consuming. Often, after talking to customer service of the desired companies and sending out an interview proposal, no replies came. We therefore had to start calling and contacting possible informants through different channels and spent additional time and energy on data gathering to get a hold of a sufficient sample. This also proved itself difficult as some companies turned us down which left us with quite a small sample size that probably has affected the quality of data for this thesis.

Moreover, although we feel like we covered a large part of the market by interviewing market leaders in the industry, we only spoke to one informant from each company. This resulted in interviews being conducted with individuals from different backgrounds that did not necessarily have knowledge on all the aspects we asked questions about. Some were more familiar with the tech-side of operations, whereas some had a lot of knowledge about responsibility-measures in the business. Therefore they complement each other, but it would most likely have been even more beneficial if all the informants had been familiar with all of the aspects we interviewed them about.

## Further research

Areas for further research were discovered during the data gathering process and in the implementation of new service development to our findings.

Firstly, it would be interesting to further investigate the regulation of the gambling industry in Norway. A possible change in this regulation has been discussed in court, and the international companies are fighting their case, we have discovered. Therefore, it would be worth looking into what would happen if the regulation were to change in the coming years, and how this might affect the organizational, core stigma of the industry. Subsequently, researching how problem gambling might change if international companies got a license in Norway, and implementations of laws and regulation across all the companies could help with this problem and stigma soúrrouding the industry.  Further, it might be interesting looking into how the economical aspect would change the industry if international companies got licensed in Norway, how this would contribute to future jobs and taxes. Additionally, also researching service innovation in this regard, could be exciting to work further on from our thesis if the regulations were to change.

Other aspects of innovation, such as business model innovation or technological innovation is possible to investigate in the industry. After some time, as we gathered more data and did more research of the companies, broader topics seemed interesting and relevant to research in relation to innovation. Generally, the industry as well has been fascinating to dig into, and especially because of the additional aspect of core stigma. We recommend looking into other stigmatized industries and executing another comparative case study to validate our results.

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# Appendix

## Interview guide

### Introduction

- Thanks! - Thank the respondent for participating
- Why? - State what the purpose of the interview is

→ The purpose of the interview is to gather data for our master's.

- Anonymity? - Explain how the data is processed. Clarify permission to record the interview.
- Content – Brief overview of what the interview will be about.

→ The interview will be about the innovation processes in the company, i.e. how you manage to innovate in today's society with so much competition.

- Time - How long can the respondent expect the interview to take?

→ About 1 hour.

The semi – structured interview

- How long have you been in this business and how did you end up in the position you are in now? Please tell a little bit about what you do in your position

- When did your firm get established in Norway?
  →How big of a market share would you assume the company has in Norway today? In which country does your company own the biggest market share?

- Have there been any big changes that have affected your business in a significant way in recent years? Specifically interesting to hear about customers, money spent, accessibility and efficiency. Examples; digitalization, covid

- Moving on to service innovation and your business, do you have specific steps you follow when launching a new “product”/service?

→ Also, how are the processes when you are further developing or renewing existing services?

- In theory, does some kind of “recipe” exist on how to innovate, especially in developing new or further developing existing products. How is this happening in the actual world in an industry that offers a service and not a tangible product?

- Is personalization of services important in the context of innovation processes & how?

- How do you experience stigma around the industry you work in?

- How is your firm's competitiveness affected by responsibility (regarding the stigma)?

- What about the service innovation, how is this affected?

→ We also see that there are groups/brands with the same owner in the market, how does this affect the competition? For example, if you develop a new game, is this game then launched to all of the firms in that group?

- Does stigma/responsibility affect any particular aspects of the operation?

- Would you say the concept of responsibility is important in the new development/further development of services and products and why?

- When would you say this responsibility became important for the company you work for?

- How do you innovate now and moving forward, to be competitive in the market?

- Is there something you wish to add that you think we should include?

- Thank you for participating!

## Information letter

### Do you want to participate in the research project? "Innovation processes in stigmatized companies"?

This is a question to you about participating in a research project where the purpose is to investigate innovation processes in stigmatized companies. In this document, we provide you with information about the aims of the project and what participation will mean for you.

**Purpose**
The purpose of the master's thesis is to carry out a qualitative analysis of the innovation processes in stigmatized companies, i.e. how these companies innovate in a competitive industry. Both Norsk tipping and foreign players have gained a large foothold in the Norwegian market, which makes it exciting to examine how these companies innovate in relation to competitiveness, but also responsibility.

**Who is responsible for the research project?**
The University of Agder is responsible for the project, which is part of the master's thesis of Lise Aase and Henriette Sture Reiersen. Lise can be reached at lisea18@uia.no, Henriette can be reached at henrir16@uia.no
The supervisor for the project is Andreas Erich Wald, who can be reached at andreas.wald@uia.no

**Why are you being asked to participate?**
You have been chosen to participate because you work in the company/industry in question that we want to investigate, and will therefore be able to shed light on the problem being posed.

**What does participating mean for you?**
If you choose to participate in this project, it will involve a personal interview. The interview will last approximately 45 minutes to 1 hour. An audio recording will be made of the interview, but the audio recording will be anonymised in the transcription and later deleted.

**Participation is voluntary**
Participation in the project is voluntary. If you choose to participate, you can withdraw your consent at any time without giving any reason. All your personal data will then be deleted. There will be no negative consequences for you if you do not want to participate or later choose to withdraw.

**Your privacy - how we store and use your information**
We will only use the information about you for the purposes we have described in this article. We treat the information confidentially and in accordance with the privacy regulations.

- Only the students writing the master's thesis and the project supervisor will have access to personal information.
- Your name and contact details will be replaced with a code that is stored on a separate name list separate from other data.

Participant may be able to recognize themselves, possibly through their age and position in the company. However, this is not included if the person concerned does not want to.

**What happens with your personal details when the research project is over?**
The project is planned to end 01.06.2023. All personal information will be deleted at the end of the project.

**What gives us the right to process personal data about you?**
We process information about you based on your consent.

Scope - The knowledge sector's service provider has, on behalf of the University of Agder, assessed that the processing of personal data in this project is in accordance with the privacy regulations.

**Your rights**

As long as you can be identified in the data material, you have the right to:

- access the information we process about you, and be given a copy of the information
- have information about you corrected that is incorrect or misleading
- have personal data about you deleted
- send a complaint to the Norwegian Data Protection Authority about the processing of your personal data

If you have questions about the study, or want to know more about or exercise your rights, please contact:

- The University of Agder by Andreas Erich Wald at email andreas.wald@uia.no
- Our data protection ombudsman: Trond Hauso, personvernombud@uia.no

If you have questions related to the assessment made of the privacy services from Sikt, you can get in touch via:

- Email: personverntjenester@sikt.no or telephone: 73 98 40 40.

Kind regards

| | |
|---|---|
| Andreas Erich Wald | Lise Aase og Henriette Sture Reiersen |
| *Supervisor* | *Students* |

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# Declaration of consent

I have received and understood information about the project regarding innovation processes in stigmatized organizations, and have been given the opportunity to ask questions. I agree to:

- [ ] Participate in interview

I consent to my information being processed until the project is finished, approximately 01.06.2023

-----------------------------------------------------------------------------------------------------------

(Signed by project participant, date)

# NSD

**Referansenummer**
344324

**Vurderingstype**
Automatisk

**Dato**
18.01.2023

**Prosjekttittel**
Innovasjonsprosesser i stigmatiserte bedrifter

**Behandlingsansvarlig institusjon**
Universitetet i Agder / Handelshøyskolen ved UiA / Institutt for økonomi

**Prosjektansvarlig**
Andreas Erich Wald

**Student**
Lise Aase

**Prosjektperiode**
10.01.2023 - 01.06.2023

**Kategorier personopplysninger**
    Alminnelige

**Lovlig grunnlag**
    Samtykke (Personvernforordningen art. 6 nr. 1 bokstav a)

Behandlingen av personopplysningene er lovlig så fremt den gjennomføres som oppgitt i meldeskjemaet. Det lovlige grunnlaget gjelder til 01.06.2023.

# Dicussion papers

## Discussion paper- Responsibility

The master's thesis I am writing with my fellow student, concerns the broad field of business strategy. More specifically, we discuss how industries innovate with an external factor and how this factor influences their methods. We have investigated businesses that operate in a stigmatized industry, that is, the gambling industry. To narrow the focus further, we are focusing on firms that operate in Norway and how the stigma around the industry affect how they do service innovation. To offer some basis for comparison, we have also looked into the video-on-demand industry to investigate how the gambling industry differs and in which ways the industries are similar, in relation to service innovation. This was to research whether or not the organizational stigma around the gambling industry is affecting service innovation. In addition, we have made a small comparison of service innovation in the stately-owned firm "Norsk Tipping" compared to the private and international firms that also operate in Norway, but illegally.

To start off this discussion paper, the term "responsibility" is extremely relevant in our thesis considering the primary industry we have been investigating. There is no way of hiding the fact that problem gambling is a serious issue and something that occurs mostly because of these firms' existence and accessibility. Because of the technology we have today and the internet revolutionizing the industry in the 2000's, people are able to gamble on their phones and computers anytime and anywhere. The number of people struggling from gambling addiction in Norway in 2021 were as many as 50 000 people and has increased from 35 000 struggling in 2017 (NRK, 2021, Ansari, 2017). This is a critical problem the society faces, and the industry must stop this trend to survive.

The gambling industry is a multi-billion-dollar global industry that continues to grow rapidly because of for example, new technology. The industry has, in fact, been around for centuries and has become an integral part of many societies around the world. In Norway, almost half of the population takes part in some kind of gambling activity each year (Lotteri- og stiftelsestilsynet, 2021). However, with this growth comes ethical challenges that must be addressed. These ethical challenges include issues such as addiction, fraud, and exploitation of vulnerable populations and individuals. In this response, I will discuss these challenges and some of the ways in which they can be managed, on industry- and organizational level. Lastly, I will conclude based on these challenges and the measures to solve them.

Firstly, addiction is perhaps the most significant ethical challenge associated with the gambling industry. According to the American Psychiatric Association (APA, 2013), gambling disorder is a recognized mental health disorder that can have a severe impact on individuals and their families. The accessibility of online gambling has made it easier for people to gamble excessively and lose large amounts of money quickly, exacerbating the problem. According to research, about 2.6% of the global population struggles with problem gambling, and this percentage is even higher in some countries (National Council of Problem Gambling, 2021). Gambling addiction is a serious problem that can have many negative consequences. In some cases, gambling addiction can lead to financial ruin, homelessness, and even suicide. The gambling industry has been criticized for exploiting vulnerable individuals, such as those who are unemployed or struggling with mental health issues, by making them addicted and continuing to drag money out of them (National Council on Problem Gambling, 2021). In addition, studies show that problem gambling has increased the risk of suicide, and that 51 suicides were committed in Norway because of problem gambling in 2019. Also, problem gambling and addiction is costing the Norwegian society over five billion NOK each year (Lotteri- og stiftelsestilsynet, 2022).

To address the issue of addiction, the gambling industry can and has implemented several responsible gambling measures. One such measure is self-exclusion programs. This is a tool for people who recognize their gambling behavior as harmful to themselves. These programs allow individuals to voluntarily exclude themselves from gambling activities for a period of time. During this time, the individual will not be allowed to enter any gambling establishment or participate in any online gambling activities. Self-exclusion programs are now mandatory in many jurisdictions, and operators must offer these programs to their customers (Gambling Commission, n.d.). This is proven helpful, study conducted in Australia found that self-exclusion programs were effective in reducing gambling behavior among participants, and similar programs have been implemented in other countries with positive results (Gainsbury et al., 2014).

Another responsible gambling measure is mandatory training for employees to recognize and respond to signs of problem gambling. This training can help employees identify when a customer is experiencing problem gambling behavior and provide them with information about support services. Advanced algorithms and artificial intelligence can also come on handy in relation to discovering dangerous patterns in the habits of the customer. Also, regarding the Norwegian market, the stately-owned firm "Norsk Tipping" have established loss limits which enables the individual to set their own limits as to how much they are willing to lose in advance of playing. There is also an absolute limit which cannot be exceeded per month regardless of your desire to play and your paycheck (Norsk Tipping, n.d.) Additionally, many gambling establishments now offer information about problem gambling and contact information for support services to customers.

In addition to these measures, the gambling industry can also partner with organizations that provide support and resources for individuals struggling with addiction. These organizations can offer counseling services, support groups, and other resources to help individuals overcome their addiction. By working with these organizations, the industry can demonstrate its commitment to responsible gambling practices and help those in need. The Helpline is one of these organizations. They recognizes gambling addiction as a diagnoses and that you therefor are entitled to getting treatment. With good effect, over 70 % of the ones who seek help, will be okay according to them (Hjelpelinjen, n.d.).

Secondly, Fraud is another ethical challenge facing the gambling industry. Fraud can occur in many different ways, including rigged games or misleading advertising. The industry must take steps to ensure that its games are fair and transparent. One way to do this is through independent audits and certifications. These audits can verify that the games are being conducted fairly and that the odds are being displayed accurately. Also, fraud analysts refer to gambling fraud from the other perspective where a scheme is carried out by professional or amateur fraudsters in order to extract funds, bonuses or different bonuses. This is not an ethical challenge opposed by the organization though, and will not be discussed further (Tanant, n.d.).

To prevent fraud, operators must also implement strict security measures to protect against cheating and other illegal activities. For example, physical casinos must ensure that their gaming equipment is tamper-proof and that there are surveillance cameras in place to monitor the games. Online operators must use secure servers and encryption technology to protect customer information and prevent hacking. With all the new technological developments, also new ways of making sure operations are fraud-proof. However, with all these possibilities the technology has to offer, the more ways it is possible to hack into systems that the gambling industry must be aware about.

Additionally, advertising and marketing materials must be truthful and not misleading. Operators must ensure that any claims made in their advertising are backed up by evidence and that they do not make false promises or guarantees. The payment-blocking in the Norwegian market, however, complicates this, but nonetheless, the companies still has to play their part and operate honestly. Advertising should also not be directed at vulnerable populations, such as children or individuals struggling with addiction. In 2021, in Norway, there was introduced a ban on TV-advertising broadcasted from abroad directed toward the international gambling companies. This limits the explosion for the vulnerable people, but a lot of the international companies has found ways to work around the ban and still manage to advertise to the Norwegian people through apps they use, for example (Lotteri- og stiftelsestilsynet, 2023).

Finally, the gambling industry must be aware of its impact on vulnerable populations. This includes individuals who are underage, low-income, or have a history of problem gambling. The industry has been criticized for its use of targeted advertising and promotions, which can encourage people to gamble more than they can afford. In some cases, gambling companies have been accused of deliberately targeting vulnerable people with their marketing campaigns (Markham et al., 2016). This might be because these people are considered “weak” and an easy target for the companies to seek profits.

To manage this ethical challenge, the industry must comply with strict regulations and enforce measures to prevent underage gambling. Operators must verify the age of their customers and ensure that they are not providing services to minors. The industry can also partner with organizations that provide support and resources for individuals who are at risk of problem gambling. These organizations can provide education and outreach programs to raise awareness of the risks of problem gambling and provide support services to those in need. The responsibility lies both in the hands of the gambling companies, but also in the hands of the customer that should be aware of their gambling behavior and accept the help when it is offered to them.

Lastly, the gambling industry can also have a negative impact on society as a whole. For example, the industry can contribute to social inequality by taking money from those who can least afford it. It can also lead to increased crime rates, as problem gamblers may turn to illegal activities to fund their addiction. In addition, gambling can have a harmful impact on families, leading to relationship breakdowns and social isolation (Abbott & Volberg, 2006). However, it is my understanding that the industry has bettered since its inception, with responsibility constantly shown to be an important aspect. It may perhaps be a forced aspects and that the companies feel required to follow recommendations and regulations, but this is nonetheless a positive development.

In conclusion, the gambling industry faces many ethical challenges that must be addressed. These challenges include addiction, fraud, and exploitation of vulnerable populations. To address these ethical challenges, the gambling industry needs to be regulated effectively. Governments must work to ensure that the industry operates in a responsible and ethical manner, with adequate safeguards in place to protect vulnerable individuals. Through responsible gambling measures, independent audits, truthful advertising, and partnerships with support organizations, the industry can manage these challenges and ensure that its operations are conducted in an ethical and responsible manner. It is crucial that the gambling industry continues to evolve and adapt. However, it is also important to strike a balance between regulation and the freedom to choose. Individuals have the right to gamble if they choose to do so, and regulation should not unduly restrict this freedom. Ultimately, the goal should be to create a safe and responsible gambling environment that minimizes harm and maximizes the benefits of this popular amusement (Gainsbury et al., 2014).

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## Discussion Paper - International

Innovation processes in a stigmatized industry

This discussion paper is a mandatory part of a master's thesis conducted at the School of Business and Law at the University of Agder in Kristiansand. Its purpose is to reflect on the concept of "international" in relation to the research questions, topic, and results of the master's thesis. This paper will provide a brief overview of the master's thesis and explore the concept of "international" and its relation to the trends and forces identified within the chosen topic. The discussion will conclude with final remarks.

The master's thesis focuses on the gambling industry, which has existed since ancient times and is considered the second-oldest profession (Schwartz, 2006). The thesis aims to examine the innovation processes in the gambling industry and determine whether stigmatization impacts these processes. Additionally, the thesis compares the gambling industry to the video-on-demand (VoD) industry. The service in the thesis is defined as an e-service, and the e-service experience is viewed as the customer's experience that arises from the purchase or engagement with information technology-mediated service delivery (Rowley, 2006). The theoretical framework used in the thesis is the new service development (NSD) process cycle (S. P. Johnson et al., 2000). The thesis explores stigmatization, which is defined as a social construction that discredits an individual's attributes and reduces them to a tainted or discounted one. The thesis focuses on core-stigma, which is a negative social evaluation of an organization resulting from some core organizational attribute, such as core routines, core outputs, and/or core customers. The definition of this social construction from Goffman (1963) greatly influenced the literature that came after his publishment. He defines stigma as "an attribute that is deeply discrediting" and reduces the possessor "from a whole and usual person to a tainted, discounted one." (Goffman, 1963) The thesis is fouces on core – stigma, which further can be defined "core-stigma is the result of a negative social evaluation by some audience(s) of an organization because of some core organizational attribute, such as core routines, core outputs, and/or core customers." (B. Hudson, 2008)

Through a comparative case study, data was gathered both through interviews and information from the various companies wed sites and statistics from lotteri – and stifeltesestilsynet and EGBA among others. The interviews were recorded and transcribed, and the results were then evaluated to discover similar and different themes, which were then compared. Through the master thesis, four international companies were interviewed and one Norwegian. As the thesis focus on the Norwegian market, the four international companies are considered illegal in Norway – as they do not have a license here, and the Norwegian market is very much restricted (Lotteri- og stiftelsestilsynet, 2021). The industry is compared to the VoD industry due to many similarities. In both industries, the service can be consumed through the internet, which can be done through your smartphone, laptop and TV-set-top box - they are both online services consumed immediately and offer some form of fast entertainment to the consumer (Mahbub, 2022). The results of the thesis indicate that there are similarities between the two industries' innovation processes, but stigmatization affects the gambling industry more than the VoD industry. The gambling industry is concerned about responsibility, and this affects the industry's innovations as it tries to avoid creating more problem gamblers. Additionally, the results suggest that stigma affects recruitment in the industry, which impacts innovation processes. These are some of the significant differences between the gambling and VoD industries.

**International**

The concept of "international" is relevant to the master's thesis since both the gambling and VoD industries operate globally, primarily through online platforms. The word "international" can be defined as "involving more than one country or relating to or including more than one country" (Cambridge dictionary, n.d.) . The research topic for the thesis was innovation processes in stigmatized industries, and if the stigma will affect these processes. The gambling industry and the VoD industry does exist all over the world, mostly online – which is reachable for anyone, anytime – meaning it includes more than one country. The aim in this discussion paper is to identify international trends and forces in the topic chosen, which consists of three different key elements, which are gambling, innovation processes and stigma. The term international is relevant in conjunction with these concepts. Furthermore, it is also important to relate the concept to the aspects of services in general.

In recent years, the gambling industry in Europe has experienced significant growth and changes due to technological advanced, changes in the market and regulations from various countries. A study conducted by the European Gaming and Betting association (EGBA) in

2022 shows that the European gambling market amounted to 100.8 billion euros in 2019 and is expcted to grow to 134 billion euros by 2027 (EGBA, 2022a). This is largely due to an increase in mobile usage and increasingly advancing technology, which has made it possible for players to play online from their phones, tablets i.e. anywhere, anytime. Moreover, the gambling industry is providors of services. It is generally recognized that a service differs from a physical good, a good can be defined as an "object", while a service can be seen as a "deed,act, or performance", and has an important characteristic of being intangible. However, intangibility is not limited to services, nor is tangibility to goods. A service and a good can consist of both, for instance a hotel (Brady et al., 2005).

One of the biggest international trends and forces that has driven the change in the gambling industry is primarily technology. Gambling can be seen as both an intangible and tangible service, as you can do it both online and land based (EGBA, 2022a). Technology is a trend in both services. As for online gambling, the first online casinos were launched in 1995. Today there exist over a hundred online gambling sites, who offer a variety of options, ranging from roulette to dice games (Schwartz, 2006) . This aspect turned out to be relatively profitable to companies and offered convenience and easy accessibility to customers (Fisher, 2022). Some of the newest trends and forces within this industry is technological, and are digitalization, virtual reality (VR), machine learning and cryptocurrency. The digitalization of the industry is an important factor for surviving in the market, having the service delivery thought an online platform makes for more customers and better customer experience. Machine learning is used in the industry to personalize the experience for the customer. It is used to obtain data on how customers acquisitions and purchasing is. Furthermore, this gives the companies an edge on advertising, and to personalize the experience more. Virtual reality (VR) is an new technology in the industry, which can further give the customer a more personal and unique experience. This has mostly to date been used in live casino but is now evolving. Cryptocurrency is also an aspect that is making the service new. This is used to protect the customers bank details, keeping them anonymous and giving an addition security. Furthermore, the risk of identity theft and hacking is minimal when using cryptocurrency (Kaylee, 2020). Consequently, new technology is changing customer preferences in the industry. Customers are seeking a more personalized and anonymous service.

As online gambling is growing annually, responsible gambling has also become a big and important trend for all serious gambling companies in the last years. Responibility can be defined as “something that it is your job or duty to deal with” (Cambridge dictionary, 2023) . Within the gambling industry, this concept has been incorporated due to increasing problem gambling. A report done by Norsk – tipping shows that possible causes for an increase in problem gambling is due to greater availability of the service, and more people are likely playing more high – risk games  (Norsk Tipping, n.d.-b). There has been an increase in regulatory requirements which are focus on providing responsible gambling. These regulations involve providing customers with responsible gambling features like being able to choose and activate deposits, time and monetary loss limits and voluntary self – exclusion. As different countries are imposing this pressure by requiring gambling companies to have protection measures for customers, which further has to be in place in order for the companies to get licensed and maintaining this license. Moreover, the aspect of technology has also been great assistance in the aspect of responsibility for the companies. This tool allows for companies to monitor their customers, which can analyze their risk factor when gambling. The companies are using this feature to give better feedback to their customers regarding their playing behaviors and gives the company the possibility of reducing problem gambling and gambling harm (Bonello & Griffiths, 2019). Additionaly, to prevent an increase in problem gamblers in the world, International Association of Gaming Regulators (IAGR) has been increased collaboration between countries to address problem gambling on a global scale. This includes initiatives such as the International Association of Gaming Regulators, which brings together gaming regulators from around the world to share knowledge and best practices (IAGR, n.d.).

As these technological trends are increasing problem gamblers, it is further important to note that these are also driving international innovation within the industry. These international trends can also be applied in other industries that resembles the gambling industry. The VoD industry is an example, this industry provides the same fast entertainment online. As for the technological advance that has occurred in the last years, both industries do use the same technology in different ways, for instance, A/B – testing (Gomez-Uribe & Hunt, 2016). But the difference in these international trends occur in the aspect of stigmatization. The VoD industry is not affected by either stigma or the responsibility perspective.  On the other hand, the overall international trends in the service industry has proven to be digitalization of the service. This has proven to be a more efficient way of delivering the service, while also giving the opportunity to increasing customer engagement. Furthermore, more and more service providers has gone from a product oriented – service to a customer – oriented service delivery  (Chae, 2012). As the customer today is becoming more important in the service innovation process, the processes itself has been more customer oriented. For an service provider to survive in the market, the company has to innovate in a way that meet customer needs and preferences. For instance, there exist a lot of different gambling sites and VoD sites, and for them to actually be competitive – the customer has to be seen and heard.

Apart from technology and digitalization being a big part of the international trends of services in general, and responsibility being a big part of international trends in the gambling industry - sustainability is another important aspect to account for both in services and service innovation. Services can be seen as a natural green solution by the comparison of a goods producer, but far more sustainable framework can be implemented in the innovation of new services. It is noted that service innovation has traditionally focused on improving efficiency and productivity, rather than addressing environmental and social concerns. However, it is argued that this approach is no longer sufficient, and that service innovation must become more sustainable in order to meet the challenges of the 21st century. The innovation processes itself has to become more sustainable, as it can be argued that companies that embrace sustainable service innovation will be better positioned to succeed in a rapidly changing business landscape, where sustainability is becoming an increasingly important consideration for consumers, investors, and regulators (Djellal & Gallouj, 2016).

In conclusion the global gambling industry is experiencing a significant growth and transformations. This growth and transformation have been driven by factors such as technological advancements and regulatory changes. While there are numerous opportunities withing the industry, these also presents various challenges, including the need for responsible gambling and effective regulations. Subsequently, an innovation process that includes the customer for an all over service industry is central for the actual service or product they are delivering to be successful. Lastly, sustainability should be a concept that is incorporated in to the innovation processes in the service industry. This concept is highly important and relevant in today society.

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