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## DAVID CLIFTON: LICENSING EXPERT – DRILLING DOWN INTO THE LATEST INDUSTRY STATISTICS

 Posted by: Ted Menmuir July 7, 2016 in Comment, Features, Latest News, Slider Images, UK  
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David Clifton

An article has already been published by SBC News about the latest gambling industry statistics, recently published by the Gambling Commission and covering the period April 2011 to March 2015 (but updated to include October 2014 to September 2015); (see <http://www.sbcnews.co.uk/retail/2016/07/04/gambling-commission-reveals>)

However, I am going to drill down a bit deeper into those figures with a particular focus on the betting industry, particularly given that the figures include an initial eleven month view of Great Britain's remote gambling sector under the new licensing and regulatory framework introduced in November 2014 by the Gambling (Licensing and Advertising) Act 2014.

That last factor alone has largely accounted for the 11.6% increase in the gross gambling yield ("GGY") generated by the regulated British gambling industry in the period October 2014 to September 2015.

It is perhaps not coincidental that in the same period during which that increase has occurred:

- over the counter GGY in licensed betting shops has decreased by £55 million and
- there has been a near 15% decrease in GGY generated by the land-based casino sector.

What comes across loud and clear from the statistics is the increasingly heavy reliance by the total 8,809 licensed betting shops in Great Britain (that have fallen in number by 302 over two years) on Category B2 gaming machines (ie FOBTs).

Although the overall number of these machines slightly reduced to 34,890 after peaking in the April 2014 to March 2015 period, at £1.7 billion, they account for:

- 56% of total betting shop GGY and
- two-thirds of gaming machine GGY across all gambling sectors.

That state of affairs exists notwithstanding implementation in April 2015 of the Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015, that were intended to impose greater levels of control over staking behaviour, by requiring customers playing with higher stakes (ie over £50) to load

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cash via staff interaction or to use account-based play.

It also needs to be borne in mind that two private member's bills are presently wending their respective ways through the Parliamentary process:

- the Gambling (Categorisation and Use of B2 Gaming Machines) Bill, that proposes a reduction in the maximum stake for each use of a Category B2 machine from £100 to £2, and
- the Betting Licences (Category B2 Gaming Machines) Bill, that is designed to make provision for licensing authorities to restrict the number of Category B2 gaming machines that may be authorised under a betting premises licence.

Although private member's bills do not necessarily lead to legislative change, the Government announced in January that it would *"consider the findings of [a DCMS] evaluation before deciding if there is a need for further action"*, so debate on the future of these machines looks set to continue. A clampdown would have considerable effect on employment figures, given that 49% of all employees in the gambling industry work in the betting sector, according to the Gambling Commission's statistics.

With DraftKings and FanDuel (as well as other DFS start-ups) hoping to replicate in the UK the considerable commercial success they have enjoyed in the US, it is interesting to read the Commission's pool betting statistics. They show that in the period October 2014 to September 2015:

- the largest percentage of pool betting GGY was on horse racing and
- pool betting on dog racing exceeded betting on football for the first time.

However, those statistics relate to the non-remote sector so DFS operators may find more encouragement from the remote gambling sector statistics for the period 1 November 2014 to 30 September 2015.

In that period, there were 20.19 million active customer accounts and 19.88 new account registrations across the entire remote gambling sector.

In terms of remote industry operators, as at 31 March 2016, the following remote gambling activities were licensed by the Gambling Commission:

- 94 general betting standard (real event)
- 42 general betting standard (virtual event)
- 87 remote pool betting
- 16 betting intermediary

Other forms of remote gambling took the total of all licensed remote gambling activities up to 749.

Remote betting generated nearly £1.23 billion GGV (ie £883.61 million proprietary GGV and £395.13 million revenue share GGV) out of a total GGY from remote gambling activities of more than £3.63 billion.

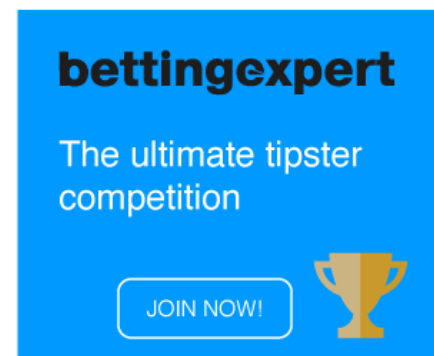
The total remote betting GGV is broken down as follows:

- Unallocated: 31.6%
- Football: 30.5%
- Horse racing: 21.8%
- Golf, dog racing, tennis, crickets and financials: 8.2%
- "Other": 7.9%

The Gambling Commission's industry statistics provide some interesting insight into self-exclusions:

- in the non-remote betting sector, the number of new self-exclusions in the period October 2014 to September 2015 fell (for the first time since the period April 2011 to March 2012) to 29,946; there were 19,635 known breaches of self-exclusions and 6,242 individuals who cancelled their self-exclusion after the minimum exclusion period, and
- in the remote gambling sector as a whole, during the first eleven months of the new licensing and regulatory framework, there were 417,176 self-exclusions, of which 10.2% (ie 42,411 individuals) cancelled their self-exclusion after the minimum exclusion period; there were 22,795 known breaches of self-exclusion.

With William Hill recently attributing poor online trading figures on more customers self-excluding or



timing themselves out after suffering losses, and with (a) participation in non-remote multi-operator self-exclusion schemes having become an LCCP requirement with effect from 6 April 2016 and (b) implementation of the online multi-operator self-exclusion scheme on next year's horizon, it will be interesting to see how self-exclusion patterns develop in future gambling industry statistics.

In the meantime, to put the above into some perspective, it is worth remembering that research statistics published by the Gambling Commission in February 2016 revealed that:

- at 0.5%, rates of problem gambling have remained static throughout the period 2013 to 2015, and
- those aged 18-24 are most likely to be problem gamblers (1.1%), and 1% of men were problem gamblers in 2015 compared with 0% of women

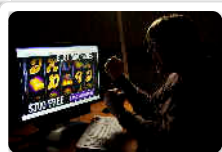
Finally, a quick word about the Sports Betting Intelligence Unit information contained in the latest industry statistics. Betting operators were the source of 179 of the total 220 reports notified to the Gambling Commission during the period October 2014 to September 2015. Football and tennis accounted for the majority of those reports (at 80 and 73 respectively), followed by horseracing (25), "other" (18), greyhounds (15), cricket (5) and snooker (4).

So there you have it: a wealth of statistical evidence on which to base your future business planning unless, as Benjamin Disraeli purportedly said, you are of the view that *"there are three kinds of lies: lies, damned lies, and statistics"*.

David Clifton – Director – Clifton Davies Consultancy Limited

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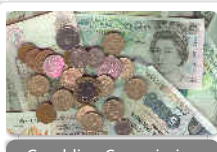
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