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CEO Breakfast briefing - Neil McArthur October 2019



Good morning.

Thank you for coming along today. It's great to be able to host this meeting at the Southbank Centre, a world class arts venue which is funded by the National Lottery.

We know from the feedback we get that senior industry figures want more opportunities to come together to:

- talk about what's working and what isn't

- hear the Commission's thoughts on the challenges and opportunities ahead
- ask us questions and discuss, with other industry leaders, key subjects

We plan to run our next Raising Standards Conference in the Spring, but – providing you find it useful - we would like to bring CEO's together bi-annually, so we keep track of progress, issues and opportunities.

In a few minutes I will discuss three specific opportunities to collaborate -- in the hope that we can see demonstrable progress on them by the time we next meet.

A look back at the year

I want to start by looking back on what has changed since we last came together in November. Back then I asked you:

- to engage in a 'race to the top'. A race to create the best - the fairest, safest - gambling market in the world.
- to work together to know your customers, putting their enjoyment and their safety, at the top of your corporate agenda
- And I asked you to ensure that everyone in your companies was focussed on keeping customers safe.

I also asked you to trust me and my colleagues to deal firmly but fairly with anyone that tries to compete by bending the rules or being non-compliant. I think the Commission has shown we can and will do that:

- We carried out more than 160 regulatory and criminal investigations last year, more than in the previous two years combined;
- We dealt with over 2,000 intelligence reports;
- We carried out 1,172 risk-based compliance assessments;

We also saw consumer complaints to us rise to 8,944 in 2018/19, which is up 47% from 6,093 the year before. I don't know if you saw 'Panorama - Addicted to Gambling' or Ross Kemp or 'How to beat the bookies' but, for my part, I welcome the continued focus on safer gambling and continued scrutiny of the industry and the Commission. I also meant it when I said that I want your

consumers to demand more from you. And on behalf of those consumers, you can expect the Gambling Commission to be more demanding as well.

What came over less clearly on TV was the fact that progress has been made.

In November I called on you to know your customers better and I know you have been working to do that. Progress has been made on:

- markers of harm
- customer interaction
- affordability checks.

There has been an encouraging increase in the number of operators investing in and developing algorithms and machine learning to identify customers who may be experiencing harm.

We have also seen increasing numbers of operators evaluating the effectiveness of their identification tools and customer interaction processes.

Evaluation

Evaluation is the key to ensuring that resources are focused on the areas that have the biggest impact on the safety of consumers.

I don't think it's wise to continue to pursue initiatives that have limited impact on consumer safety. A very high-profile example, which many of you in the room will be involved in, is the 'When the Fun Stops, Stop' campaign.

More than a year ago I questioned the effectiveness of 'When the Fun Stops, Stop'. My concerns turned out to be well founded, recent independent research indicated that it has no significant effect on gambling behavior by consumers. Now, I am not a marketing expert, but if you had received that feedback about marketing or advertising related to your own brand I suspect you would be reviewing it. And it needs to be reviewed: gambling related harm is a public health issue, not a public relations issue. The effectiveness of campaigns needs to start from that basic premise, so reading claims about the effectiveness of the campaign by the same marketing team that invented it

doesn't carry much weight in my view.

I am not going to say any more about it, other than to say I think we all need to focus on the outcome we want, which is safer gambling and check our interventions are having a real, positive impact on that outcome.

The launch of the National Strategy to Reduce Gambling Harms in April was an important moment. We are clear it will not make the impact it can in reducing Harms without the active involvement of all of you.

In the last few weeks we have seen some encouraging steps taken by the industry

- The announcement about increased commitments to RET are welcome
- The announcement that Lord Chadlington will oversee an independent committee to review where the money should be spent is also welcome

But we need these initiatives to be properly coordinated and fit under the strategy, otherwise good intentions and significant increases in funding will not deliver the outcome we all want, which is:

- Better prevention and education
- Better treatment and support

It's also very important to understand that the National Strategy is not 'The Commission's Strategy'. We have a part to play, but, most importantly, so do you and all the other partners.

On the subject of Prevention and Treatment, I am pleased to welcome the new Chair of our newly reformed Expert Advisors the Advisory Board for Safer Gambling, Dr Anna van der Gaag today and she will later share her thoughts on the ABSG's important work and how they want to work with you.

At the assurance statement workshops we are seeing more and more of you wanting to share your initiatives as part of the process. This is encouraging.

You and your teams have also been signing up to the collaboration sessions that our Industry Insight team have been running.

- You have been sending your experts in specialist areas to share your journey and initiatives, what's working and what isn't.
- Topics explored have included
 - customer interaction, including co-creating with consumers
 - data
 - marketing
 - In one workshop, 14 operators trialled an online community approach, sharing individual approaches to evaluation of safer gambling messages.

But I need your help to turn those ideas into tangible actions. We've received feedback that operators aren't always taking ideas forward for reasons that you – as the leaders of those operators – can easily fix. For example, we've heard:

- it can be a struggle to get resource and investment in compliance and safer gambling
- there are issues with business culture and understanding the expectations around evaluation.
- it can be a challenge to get the commercial teams to engage with compliance projects.

I need you to make sure your teams are getting the support and resources they need and by removing any barriers that prevent them making progress.

We also want to support you to overcome challenges where that will help consumers. For example - recently one of you told me a challenge for you was consumers not understanding why you were asking to see proof of affordability. So we've added a page to our website so consumers can see why we ask you to make those checks, which you can link to or point consumers toward if they ask.

Whilst serious investment in this area will be critical to success, I think there are also opportunities to leverage more from existing work by working smarter together. For example, I hear operators telling me of the important research they have commissioned and the internal projects they are working

on to improve how they interact with consumers or protect the vulnerable only to hear another operator in the market has commissioned similar research from the same researchers. We need greater coordination.

It would be great to be able to see even greater progress by the Spring.

In terms of advertising, we welcomed the announcement by Industry Group for Responsible Gambling of the whistle-to-whistle ban, as an important first step. We need to see rigorous evaluation of the ban's outcomes as well as other initiatives, such as GambleAware's new Bet Regret campaign. As I said a minute ago, evaluation is the vehicle for ensuring that resources are focused on the areas that have the biggest impact on the safety of consumers.

In a spirit of openness and collaboration I want to be clear with you about some of the areas that are concerns for us and our plans for the coming months.

Gambling on credit

Our Call for Evidence has shown the level of concern and we are now consulting on what action we should take. We have a little more work to do, but I need to make it clear that the question is what action, not whether we should take any action to address our concerns.

We will be gathering data on online play and what that means for stakes limits. We already know that harm can occur for consumers at any stake levels and that effective use of account-based play data can be used to protect players. Nevertheless, we are looking closely at the case for introducing further protections for consumers online and this includes the evidence for imposing stake limits online as a means of further reducing the risk of harm.

We remain concerned around the offer of VIP status and associated incentives and bonuses. The extent of wider public concern about these was highlighted in the recent Panorama programme, but more importantly they have been a constant feature in our enforcement work over recent years. We cannot remain in a perpetual state of enforcement investigations into similar failings

so, if the industry cannot or will not drive improvements in this area, we will need to explore the use of all our tools to encourage or mandate changes in the interests of consumer protection. We will be examining these issues in more detail in the coming months and I'll say a bit more about this in a moment.

We are constantly reviewing the impact of changes in consumer behavior and technology on the licensing objectives. We all know that the constant march of digital technology has changed the gambling market.

- As this graph shows, excluding lotteries, the GGY brought in online now outstrips that brought in by 'bricks and mortar' gambling. Since the year 2014/15 online GGY has risen by 58% whilst 'bricks and mortar' has stayed relatively stable.
- This next graph shows that online gamblers who use their mobile phones has doubled over the last 4 years. That means that 44% of 10.5 million consumers now gamble on their phone. What are you doing about the new risks that a shift in the way people play brings?

Another set of statistics, which have been published in recent months, has also got my attention.

- In July we published three reports, based on data from 2007, into the connection between Suicide and Gambling. The reports found that 5% of problem gamblers had attempted suicide in the previous year. The research also found that 5% of people who had attempted suicide in the previous year were problem gamblers, with a further 5% classed as 'at risk' gamblers.
- Whilst further research and more timely data collection is essential, nonetheless the findings clearly showed a connection between suicide and gambling, something that has a real and devastating impact on people's lives.

Shortly, after our research was published the Office for National Statistics published figures that showed:

- suicide rose last year (in 2018) by almost 12%
- and the rate among 20 to 24-year-old males leaped 31% to 16.9 per 100,000, from 12.9 a year earlier.
- What we also know from our own research is that there are an estimated

4.7m male gamblers aged between 16-34 who account for 20% of the 24m gambling population overall.

- We also know that 2% of men aged between 16 and 34 are classed as problem gamblers. With a further 11% of men in that age group being at low or moderate risk of becoming a problem gambler

Now I want to be very clear that I am not saying that there is a link here. But there are some questions that you should be asking yourselves:

- how have your own risk assessments changed as a result of that data?
- what additional thought has your company given to how it can minimize the risk of harm to groups we know are at greater risk of mental health issues and, in some tragic cases, greater risk of suicide?

We all need to do more to address Online Harms. Both our Advisory Board for Safer Gambling and our Digital Advisory Panel have been looking at online gambling and the harms it can lead to. Even though the groups looked at the issue from very different perspectives, they draw similar conclusions.

We plan to publish papers from both groups in the coming weeks that will draw a number of conclusions. I raise this because I now want to raise three challenges with you where the Commission want industry to start collaborating to raise standards.

Opportunity 1: Game and Product Design

We know that the success of many technology companies, digital content creators and gaming machine games designers depends on their ability to establish and maintain the engagement of their consumers on their web, mobile apps and – in premises - gaming machines.

We know that this can be done by behavioral techniques which can change behaviour without the consumer's knowledge and not always in good ways.

So, I am challenging you – both mobile and online game designers and the designers of gaming machine content – to work together to produce an effective Industry Code for Game Design, which can be published no later than

next spring's Raising Standards conference. If such a Code is developed to address the risks the Commission will move to bring it into LCCP and Technical Standards to ensure a level playing field for all.

We'd expect the code to set out:

- the techniques that the industry plans to use when designing apps, online games and gaming machine products
- the risk associated with each product and how they can be mitigated
- a clear explanation of what is not acceptable.

To support this the Commission will:

- provide support to you and act as a sounding board for ideas
- ask our Digital Panel to collaborate around the challenge
- run collaboration workshops ahead of the Raising Standards Conference to help frame and inform that discussion.

Opportunity 2: Inducements to gamble

I have already mentioned how concerned the Commission is about the prevalence and impact of the various incentives the industry offers to VIP consumers. We already have LCCP provisions which cover this but the evidence we get from our enforcement work, our compliance work and the feedback we receive from consumers suggest that the current requirements are not effective.

We know that conversations have already been taking place about the question of the treatment of VIPs and associated inducements to gamble. As a result, we recently received an offer from one major operator to lead the development of a code of conduct in this area.

We want to take up that offer and hope to see firm commitments in this area soon, including a pacy timetable for that work.

Opportunity 3: Advertising technology

We are still awaiting the final report from the major research report that

Gamble Aware commissioned on gambling advertising and its effects on children, young people and vulnerable adults. We do, however, have the interim report.

The Interim Report shows that ad spend has surged over recent years and that Children, Young People and vulnerable adults are being exposed to significant levels of gambling ads online - including via social media. This concerns us, it concerns the ABSG and it should concern you.

Whilst I am not suggesting that children, young people or vulnerable adults are being actively targeted – the research found very little evidence of ad tech being used to proactively target ads away from them either.

I want you to explore how you can make better use of technology to minimise the risk of exposure of gambling advertising content to children, young people and vulnerable adults.

But what does progress look like by April?

- We want you to come together and start work on a plan which sets out new standards for how industry will embrace ad-tech for social responsibility purposes – actively targeting away from vulnerable audiences.
- Again, the Commission stands ready to help bring you together for this work if necessary but however you do so, we want to see tangible progress.

Forthcoming Tech Sprint - How can we develop a 'Single Customer view'?

Having a single view of the consumer has previously been described to me by someone senior in the industry as potentially being the 'silver bullet'. While we remain of the view that a wide range of measures are necessary to put in place adequate protections, a single view would be an exciting development for all sorts of reasons. I also know that people have been looking into for a little while – it has been a constant feature of breakout sessions at a number of industry events, without yet becoming a viable tool for safer play.

We recognise the challenge of keeping a customer safe where operators currently only have a partial view of a customer's behaviour. It's similar to the position betting operators find themselves in when dealing with betting integrity cases, as each operator can only see it's own customers betting patterns, whereas the SBIU can see the whole of the market and all the betting by specific individuals.

So, the challenge is: how can you do better with the information you have?

We know the technology capability exists to facilitate a single consumer view and making that work would significantly enhance player safety.

We want to build on and accelerate the work that has already taken place, by holding a collaborative 'tech sprint' bringing together the gambling industry, tech providers, data scientist, academics, researchers, financial services providers and the Commission to plan a way forward.

- We need your organisations to step forward to provide the right resource from your companies – leadership, financial, technical expertise, data, to make this happen. We want these first steps completed ahead of an event we will organise to provide support for participants.
- We will organise this event for February.

We also know that GDPR compliance and compliance with LCCP will be at the forefront of your minds. With that in mind, while the tech sprint will be led by the Commission, we will be supported by the ICO in complying with data protection law and pushing ahead with innovative solutions in response to the challenge.

Our teams will be in touch with you after this event to take this forward.

Conclusion

As I have discussed today, progress has been made in many areas but there is still much more to do.

Where we can we will support you in kickstarting this work but where we see a

lack of commitment and failure to meet standards, we will continue to be firm.

If we work together I am sure we can make gambling fairer and safer.

Thank you.

I am now delighted to introduce Anna van der Gaag to talk to you about ABSG.