

Annex D - Review of Gaming Machines and Social Responsibility - Submission template

Name:

Organisation: Inspired Gaming Limited

Introduction

Inspired and SG Gaming are the suppliers of over 99% of machines in the UK Licensed Betting Office (LBO) marketplace. Both suppliers are fully committed to supporting Responsible Gambling and have together worked extensively with stakeholders to facilitate the supply and analysis of data. We strongly support the Government's objective of protecting consumers and wider communities.

Inspired does not consider that a reduction in B2 stakes or prizes will help achieve the Government's objectives. Inspired contends that B2 stakes and prizes should be maintained at current levels.

Inspired have committed, and will continue to commit, considerable time and resource in support of both DCMS and the Gambling Commission to establish a clear evidence base regarding player behaviour, key metrics and player trends.

Inspired supports the comprehensive submission by the ABB in response to this call for evidence. We have provided both data and input to the ABB response document to support the retention of existing stake and prize limits as well as the retention of the current number of machines in LBOs.

Inspired supports the Responsible Gambling Strategy Board (RGSB) strategy and its objectives.

Executive Summary

1. **No evidence of harm:** There is no evidence to support any change to maximum stake or prize for machines in Licensed Betting Offices to support the Government's objective of protecting consumers. Since the introduction of B2 machines in 2002, UK levels of problem gambling have remained low and have not increased.
2. **The safest UK machine type:** The player protection measures available only on server based machines in LBOs should be deployed across all machine sectors. B2 Machines in LBOs are the only UK machine type that combine player monitoring, player "set levels" interaction and mandatory staff interaction. With these functions, they are the safest UK machine type and we strongly contend that this range of functionality should be mandatorily introduced onto other UK machine types in Pubs and other venues.
3. **Low Rate of Loss vs Other Machine Types:** 'Rate of loss' comparisons clearly demonstrate that B2 machines are placed in middle of the rate of loss hierarchy of all UK machine types. B2 machines are in fact placed lower than £1 Cat C machines in Pubs that serve alcohol.
4. Misinformed Political and Media hype must not be allowed to assume harm to players where no evidence exists to support it.

Gaming Machines in LBOs

Terminals with Best and Safest Player Protection Functions

Inspired supplies approximately half of all gaming machines currently sited in UK LBOs.

The terminals supplied by Inspired are touch screen server based machines which incorporate different categories of games. Each LBO is permitted to site up to 4 machines of category B2 or below.

Mandatory Player Staff Interaction for Cash Payout

To use the terminals, players have the option of inserting cash directly into the terminal or having the cash loaded from the counter by a member of staff who can transfer the cash deposit electronically to the terminal.

The machines do not pay out cash. When a player collects their returns a ticket is produced, which is redeemed for cash at the counter by a member of staff.

Anti Money Laundering controls – Unique to B2 Machines

In addition all machines have anti money laundering functionality which assesses the total amount of cash inserted into the machine during an individual player session and compares that figure with the total value of games played. If the ratio of the two figures falls outside of expected levels the ticket will be flagged up for further scrutiny and will not be immediately cashable by the player. This level of functionality is market leading and unique. It is only available in LBOs and as such other sectors of the machine industry are unable to tackle potential money laundering issues in the same manner.

Detailed Transactional Data Collection and Player Monitoring – Unique to B2 Machines

All of the machines are networked and linked to a central server, which allows for all transactions to be recorded and used for analysis. This data can be used for both commercial and social responsibility reasons including the analysis of individual player behaviour.

Mandatory Player Protection Journey Interaction – Unique to B2 Machines

All of the machines include functionality which offers players the ability to set spend and time limits, and which is offered as a default. This functionality becomes mandatory above certain levels of stake.

This functionality in LBOs allows operators to carry out far more player monitoring and intervention where necessary compared with many other sectors of the machine industry.

Games

Each terminal is able to provide a wide range of games to players. These games primarily fall into 2 categories – B2 and B3. There is also the option to supply category B4 and C games, however it is category B2 and B3 that generates virtually all of the Gross Win.

Category B2 games are defined as having a maximum stake of £100 per game with a maximum prize of £500. They can operate at a speed no greater than a game every 20 seconds.

Category B3 games are defined as having a maximum stake of £2 per game with a maximum prize of £500. They can operate at a speed no greater than a game every 2.5 seconds.

All games are independently tested for fairness by an external test house approved by the Gambling Commission to ensure they are random and operating within the guidelines set out in the Gambling Commission machine technical standards. No games are released for use without having a satisfactory test certificate.

Once games have been released to the live estate their performance is monitored on a daily basis to ensure continuing fairness to the player and that they are operating in the expected manner and are in accordance with technical standards. This functionality, which allows for the collation and subsequent analysis of data, is best in class and allows the LBO sector to monitor the fairness of all games offered to the player on a daily basis, something which is not replicated in other sectors of the machine industry.

Player Behaviour and Product Mix - Declining percentage of B2 Gross Win (Roulette)

B2 games account for just under 70% of total Gross Win for the machines.

The most popular B2 game is roulette which accounts for 92% of Gross Win and 95% of total stakes within the B2 category.

B3 games are generally slots games and make up just over 30% of the total Gross Win for the machines (see Table 1).

These two types of games, roulette and slots, are very different and as such they are used by players in contrasting ways.

B2 roulette games operate at a margin of 2.7% meaning that for every £1 staked by a player they will on average lose less than 3p.

B3 slots typically operate at a margin around 91% meaning that for every £1 staked by a player they will on average lose 9p.

In addition to these margins the differing speeds of play permissible for each category create lower expected 'rates of loss' for average staking roulette players than is the case for average B3 slots players (as per evidence provided in response to Q1). These differing rates of loss mean that players will have very different staking patterns when playing a B2 compared with a B3 game.

B2 only sessions last on average for 8 minutes 50 seconds (vs 9m 50s for B3 only sessions) and currently make up 61.8% of sessions.

Declining percentage of B2 Gross Win (Roulette) vs B3 Gross Win (Slots) over Last 4 years.

Table 1 shows the comparison between B2 and B3 industry revenues over the last 4 years. It is worth noting that there has been a downward trend in the percentage split of B2 Gross Win vs B3 Gross Win in each of the last 4 years. This trend is continuing in the current year. In real terms, Gross Win from B2 Roulette in 2015/16 was at the same level as in 2012/13.

Table 1 – UK LBO Gross Win percentage figures by gaming category

COMBINED - % OF GROSS WIN BY CATEGORY					
Machine Category (£m)	Apr 2012-Mar 2013	Apr 2013-Mar 2014	Apr 2014-Mar 2015	Apr 2015 to Mar 2016	Apr 2016 to Sept 2016
B2	74.0%	73.8%	72.9%	69.7%	68.7%
B3	26.0%	26.2%	27.1%	30.3%	31.3%

As supplied to the GC by Inspired & SG updated to Sept 2016

This information is not widely documented elsewhere as invariably reporting is required to be done with reference to the highest category of game which is available on a particular terminal. This means that any terminals which have both B2 and B3 games on them have their reported revenues grouped together under the B2 category thereby disguising all B3 revenues made from the machine and erroneously reporting them as B2. This of course results in B2 revenues being overstated and B3 revenues being understated in certain reports¹.

¹ Gambling Commission Industry Statistics April 2013 to March 2016.

Q1. What, if any, changes in maximum stakes and/or prizes across the different categories of gaming machines support the Government's objective set out in this document? Please provide evidence to support this position.

1.1 Summary

- It is Inspired's understanding that the Government's objective is to establish if any changes are needed to strike the right balance between socially responsible growth of the industry and the protection of consumers and wider communities, and that any change should be evidence-based.
- Inspired believes that based on the evidence, including the 2015/16 provision of extensive player and machine data to the Gambling Commission, there is no evidence, and therefore no justification to support any change to stakes or prizes at this time.

1.2 Background – Rate of Loss (not Stake) is the relevant metric

- Inspired have supported the ABB's response in the provision of data and as such, support the view submitted by the ABB.
- In previous calls for evidence and Triennial reviews, there has been no evidence of harm to warrant any change to B2 stakes. This remains unchanged after the 2015/16 provision of extensive player and machine data to the Gambling Commission.
- Inspired are aware of extensive reporting from media and other interested parties regarding staking on B2 games based on the misleading notion that stake size is a clear proxy for harm. From a player perspective 'Rate of Loss' is a far more relevant metric (see section 1.3 below). Although the evidence in fact suggests that problem gambling levels in the UK are low and stable.
- Long-term trends in problem gambling levels in the UK have remained stable since 1999² and are lower than many comparable jurisdictions³. There has been no material increase in the period since B2 gaming machines have been available in LBOs, following their introduction in 2001.
- During the period since B2 gaming machines have been made available there has been no increase in the long-term trend of problem gambling. While it is impossible to equate the cause of problem gambling directly with a specific product, due to problem gamblers typically using a number of different gambling products, the fact that other sectors such as remote gambling have increased significantly in size over the same time period does suggest that the impact that machines have on problem gambling has not increased since the introduction of B2 content.

² GAMBLING BEHAVIOUR IN BRITAIN: Results from the British Gambling Prevalence Survey (June 2000)
<http://www.gamblingcommission.gov.uk/pdf/Gambling%20behaviour%20in%20Britain%20results%20from%20the%20BGPS%202000%20-%20Jun%202007.pdf>

& Gambling behaviour in England and Scotland – Findings from the Health Survey for England 2012 and Scottish Health Survey 2012
<http://www.gamblingcommission.gov.uk/pdf/gambling%20behaviour%20in%20england%20scotland%2010072014.pdf>

³ British Gambling Prevalence Survey (2010)
<http://www.gamblingcommission.gov.uk/PDF/British%20Gambling%20Prevalence%20Survey%202010.pdf>

- Standard Roulette makes up 95% of the total staked on B2 games and therefore is used as the focus for B2 games through this response.

1.3 Evidence

Rate of Loss by Gaming Category – B2 Actual Rate of Loss Lower Even than Pub and Arcade Machines

- Potential losses can be calculated using a combination of staking level, speed of play (minimum game cycle) and the percentage Return to Player (RTP %). Table 2 sets out this ‘Rate of Loss’ based on the average stake for a range of gaming machines licenced by the Gambling Commission. *NB ‘Rate of Loss’ is measured as ‘Gross Win per Minute’.*

Table 2 – Actual Rates of Loss by Gaming Category and Average Stake

Actual Rate of Loss by Average Stake				
	Average Stake	Minimum Game Cycle (secs)	RTP %	Gross Win per Minute
B1	£0.95	2.5	93.0%	£1.60
B2 Roulette	£19.66	20	97.3%	£1.59
B3	£0.75	2.5	91.0%	£1.62
B4	£0.68	2.5	86.0%	£2.28
Cat C (Pub)	£0.60	2.5	78.0%	£3.17
Cat C (AGC)	£0.60	2.5	87.0%	£1.87

Average Stake and RTP % figures based on B2 & B3 factual UK LBO industry data; B1, B4 & Cat C figures based on market intelligence

- The facts show that at the actual average stake of £19.66, **B2 Gross Win per minute is the lowest of any category**. This is the average stake with the current maximum stake of £100. If that maximum stake were to reduce any further, the gap between B2 Roulette and other gaming categories would widen.
- It should be noted that the game cycle duration used to calculate ‘Rate of Loss’ is the minimum legal duration. In reality the B2 Roulette average game cycle speed is almost twice the minimum at 37.5 seconds. **This equates to a Gross Win per minute of 85p, less than half that of typical arcade and pubs machines with £1 or £2 stakes.**
- Table 3 shows the equivalent B2 stake needed to match the rate of loss on low stake B3 games based on the B3 staking levels typically available in LBOs and Arcades.

Table 3 – Rates of Loss by B3 Stake and Equivalent B2 Stake

B3 Rate of Loss by Stake vs Equivalent B2 Stake				
Stake	Minimum Game Cycle (secs)	Average RTP %	Gross Win per Minute	Equivalent B2 Stake (calculated at 97.3% RTP)
£0.25	2.5	87.1%	£0.77	£9.56
£0.50	2.5	89.7%	£1.24	£15.26
£1.00	2.5	91.1%	£2.14	£26.37
£2.00	2.5	92.3%	£3.72	£45.87

Average Stake and RTP % figures based on B2 & B3 factual UK LBO industry data

- This demonstrates that to 'lose' the same amount on a B2 Roulette game as on a B3 slot with a £2 stake, a player would have to stake £45.87.
- At current average stake levels, the average B3 player at £1 stake would experience a higher rate of loss (£2.14) than the average B2 player staking £19.66 (rate of loss of £1.59 as per Table 2).
- A restriction of the maximum B2 stake to £50 would lead to a reduction in average B2 stake and further accentuate this, leading to inequality between the gaming machines which are available on the same machines and therefore create an imbalance in the machine hierarchy.

Actual Volatility of Roulette Play Reduces Rate of Loss Further

- In reality the majority of players play Roulette in such a way as to reduce the 'volatility' of their returns by covering multiple numbers. This is a fundamental trait of the entertainment and enjoyment of Roulette. This significantly reduces the actual player rate of loss below the theoretical maximums above.
- The average amount of numbers covered by a player per spin is 20 (out of a possible total of 37) and the average stake is £19.66 (from Table 2). The image below therefore shows a typical staking pattern of an average player.

Figure 1 – Typical Roulette Staking Behaviour



- It is this behaviour of covering many numbers and therefore creating a high proportion of modest sized returns which is typically used by many players, rather than trying to win large amounts on a lesser amount of potential outcomes.

- Table 4 shows the percentage of numbers covered at various stake ranges. The row highlighted in yellow shows that at stakes between £15 & £20 (which includes the average stake of £19.66), 54.4% of players cover more than half the numbers on the table on each spin. Rate of Loss tables as shown above are as a result of this typical behaviour.
- This also shows that more than 1 in 6 (17.6%) players in the same stake range cover over 80% of the numbers on the table on each spin.

Table 4 – % of Roulette Board Covered by Stake Range

Stake >	Stake <=	% of board covered		
		> 20%	> 50%	> 80%
£0	£5	70.8%	25.8%	6.4%
£5	£10	88.1%	48.5%	12.0%
£10	£15	91.7%	60.3%	18.8%
£15	£20	89.1%	54.4%	17.6%
£20	£25	93.2%	64.6%	24.5%
£25	£30	93.0%	62.5%	23.6%
£30	£35	94.6%	65.8%	26.5%
£35	£40	93.0%	58.4%	20.5%
£40	£45	93.3%	62.2%	24.4%
£45	£50	90.8%	48.5%	15.3%
£50	£55	92.6%	64.1%	25.1%
£55	£60	94.5%	60.2%	22.0%
£60	£65	94.5%	64.5%	25.6%
£65	£70	90.6%	58.1%	21.6%
£70	£75	97.4%	65.3%	23.3%
£75	£80	96.8%	59.5%	20.9%
£80	£85	95.4%	60.1%	21.9%
£85	£90	98.6%	62.1%	21.6%
£90	£95	96.4%	58.7%	20.3%
£95	£100	98.9%	45.8%	12.0%

Based on 40m Roulette plays

Slots Equivalent	
All Stakes	14.1% (average across all games)

- This illustrates the range of volatilities experienced by the player at each stake range. Evidence from Inspired Roulette play in 2016 shows that more than half of all spins generate a return (vs 1 in 7 spins on a B3 slot).
- It is interesting to note that the percentage of possible outcomes covered in each game by players in the £45 to £50 stake range (highlighted in orange) is lower than at other similar stakes. This is because it includes the current non-account based play maximum stake of £50 and therefore contains data from a number of players who previously would have staked at over £50. These players are now forced to take a more volatile approach, covering fewer numbers, if they want to try and generate the same potential maximum returns per game as were possible at higher stake levels. Similar evidence is also seen in response to Q3.

1.4 Conclusion

- Inspired support the ABB in advocating no need for any change to maximum stake or prize levels to any machine categories.
- Based on the 'Rate of Loss' evidence provided, B2 machines are correctly placed in the hierarchy of all machines and therefore any reduction of stake would create an imbalance.
- The majority of B2 Roulette players play a low-risk strategy, covering on average more than half the available numbers.

Q2. To what extent have industry measures on gaming machines mitigated harm or improved player protections and mitigated harm to consumers and communities? Please provide evidence to support this position.

2.1 Summary

- Both machine suppliers have been instrumental in leading the innovation and developing the functionality required to meet the ABB Responsible Gambling Code, ensuring that machines located in UK LBOs are worldwide industry leaders in terms of social responsibility and player protection measures.
- This results in breaks in play for the longer or higher spending sessions and facilitates personal Responsible Gambling Interactions (RGIs).
- All Responsible Gambling functionality operates on all Inspired customer machines regardless of Trade Association membership and across all categories of games.
- Similar technology is not currently available in other UK machine sectors hence they are unable to offer the social responsibility controls to provide this level of protection for players.
- When taking a more complete multi-dimensional view of B2 games in comparison with B3 and Cat C games, there is no clear evidence that B2 games offer any greater risk of harm.

2.2 Background

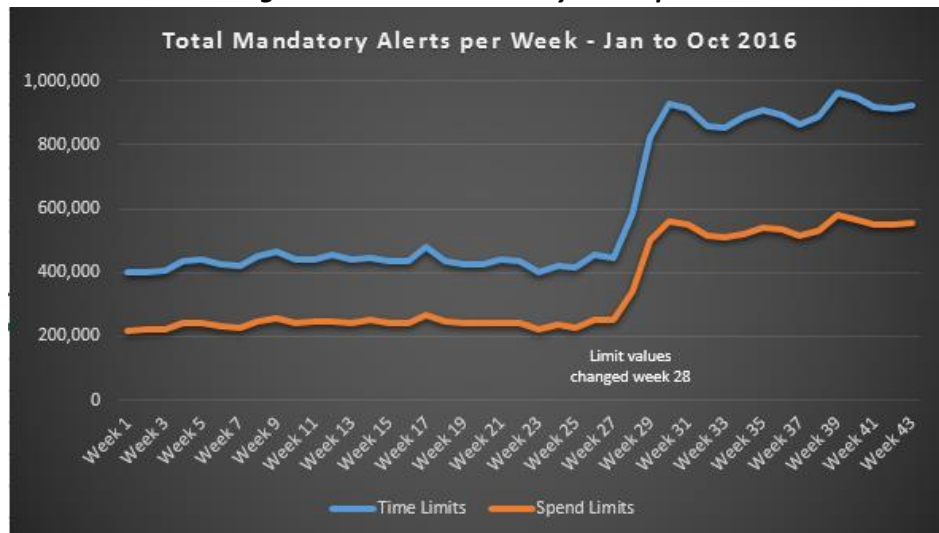
- Inspired have implemented and recently reviewed the ABB Code of Conduct limits, giving players control by allowing them to set spend and time limits at the start of their session (voluntary alerts) and informing players when they have been playing for longer than 20 minutes or have inserted more than £150 cash (mandatory alerts)⁴. On receiving an alert, the player's session is interrupted for up to 20 seconds giving a break in play.
- Inspired have implemented a Player Awareness System (PAS) running an algorithm to identify those players most at risk of harm based on key 'markers of harm' identified in the RGT Research (Dec 2014).
- The real-time link between the machines and a back-office terminal ensures that all alerts are immediately made visible to staff and enables staff to conduct effective Responsible Gambling Interactions.
- Account-based players have access to a player statement providing them with control over the history of their play.

⁴ In July 2016 mandatory alert values were changed from £250 cash in and 30 minutes duration to £150 cash in and 20 minute duration so as to increase the number of players able to benefit from the alerts. NB these limits in no way relate to profit and loss.

2.3 Evidence

- Approximately 900,000 mandatory time alerts and 500,000 spend limits, both resulting in a break of play, are triggered each week⁵. This has doubled since an ABB review of time and spend values led to both Inspired and SG implementing new parameters in July 2016.

Figure 2 – Total Mandatory Alerts per Week



- Over 100,000 sessions per week (approx. 2.5% of all sessions) are immediately ended on receipt of a mandatory alert. A further 600,000 sessions result in no further cash being inserted once a mandatory alert has been received.
- Therefore 50% of sessions which receive a break in play following a mandatory alert do not have any further cash inserted during that session.
- Voluntary limits are set in over 200,000 sessions per week (approx. 5% of all sessions). This is evidence that a significant proportion of players are controlling their machine play in LBOs via means that are not available in many other land-based sectors.
- Of those reaching their voluntary limit, 44% end their session immediately. A further 36% set a new voluntary limit, further ensuring control over their session, while fewer than 20% continue to play preferring to revert to mandatory limit values.
- There is evidence to support that breaks in play with warning messages have beneficial effects⁶ and in New Zealand where pop-up messages with a break in play are a legal requirement, research has shown a positive harm minimisation effect with a quarter of gamblers believing the messages helped them control their spend on gambling⁷.

⁵ All figures on volume of alerts as supplied by Inspired & SG to the ABB

⁶ Breaks in Play: Do they Achieve Intended Aims? Journal of Gambling Studies, 32: 2, (2016)

⁷ The Effects of Pop-up Harm Minimisation Messages on Electronic Gaming Machine Gambling Behaviour in New Zealand

- Academic evidence shows that setting a limit is also an effective Responsible Gambling strategy. Research found that setting a time limit on a gaming machine reduces session length when compared with those not setting a time limit⁸.
- Account-based players also now have access to their player statement, showing time and spend on LBO machines over the last 7 and 28 days. Figures show that over 40,000 statements are accessed each week (approximately 1 in every 5 account-based sessions), further evidence that LBO machine players are able and willing to control their levels of gambling and therefore mitigate harm.
- Inspired send weekly reports to all customers detailing any players at a high level risk of harm as highlighted by our PAS algorithms. However it is the operators who carry out the first-hand interventions with players and we would therefore refer to the ABB and individual operator submissions with regards to positive effects on harm minimisation from Player Awareness systems.

2.4 Conclusion

- Given the extensive range of Responsible Gambling and player protection measures introduced over the last 2 years in the LBO sector, we support the ABB's view that the LBO sector has made the most progress of any sector in mitigating harm and improving player protection.
- There is compelling evidence that the LBO measures on gaming machines improve player protection and mitigate harm to the benefit of consumers and communities. As explained in 2.1, these measures are not available in any other machine sectors.
- Inspired, in conjunction with SG Gaming and the ABB, has a range of product developments scheduled to continue to build on the existing Responsible Gambling measures. This 'roadmap' is in line with the RGSB strategy document and is set out in more detail in response to Q6.

⁸ International Gambling Studies Volume 14, 2014 – Issue 2, Limit your time, gamble responsibly: setting a time limit (via a pop-up message) on an electronic gaming machine reduces time on device

Q3. What other factors should Government be considering to ensure the correct balance in gaming machine regulation? Please provide evidence to support this position

3.1 Summary

- The Government need to consider that problem gamblers use multiple products and different channels. Simply targeting measures on one product is unlikely to have any noticeable impact on problem gambling. Therefore there is a need for a comprehensive evaluation between sectors and products.
- Machine-based player protection measures continue to evolve and Inspired are committed to implementing all ABB initiatives in line with the 2 year Responsible Gambling product development roadmap (as outlined in response to Q6). Any reduction in the B2 maximum stake would require a significant amount of development effort and resource to implement and would therefore impact the existing planned Responsible Gambling development by up to 12 months.
- The Government should also consider the potential unintended consequences of a reduction in maximum stake, such as 'crowding out' of lower staking players (see section 3.2) or the operator choosing to reduce the player value for money by a reduction to RTPs in line with other sectors.
- It has been proven that the majority of customers prefer not to use card play. Therefore, were requirements for card-based play to be extended beyond current levels, this would likely have the impact of driving players to other less monitored non card-based environments.
- As will be evidenced by this document, server based gaming terminals which are used in all LBOs provide the functionality for the provision of comprehensive levels of data which can be evaluated to help create and deliver more effective player protection controls. Other sectors do not operate server based gaming and therefore are unable to replicate this enhanced level of social responsibility activity.

3.2 Evidence

Crowding out

- Analysis carried out by Inspired and SG following the £50+ regulatory changes in April 2015 shows a shift in the distribution of Roulette plays by stake range as illustrated in table 5.

Table 5 – UK LBO % of Roulette Play by Stake Range

	Pre £50+ Regulations	1st Year Post £50+ Regulations				2nd Year Post £50+ Regulations	
Roulette Stake Range	Weeks 1 to 10 2015	Weeks 13 to 24 2015	Weeks 25 to 36 2015	Weeks 37 to 48 2015	Weeks 1 to 10 2016	Weeks 13 to 24 2016	Weeks 25 to 36 2016
£0.01 to £10	54.5%	52.6%	51.5%	50.9%	50.7%	50.2%	49.0%
£10.01 to £20	18.8%	19.0%	19.0%	19.0%	18.8%	18.8%	19.0%
£20.01 to £30	8.6%	9.0%	9.1%	9.2%	9.2%	9.2%	9.4%
£30.01 to £40	5.2%	5.8%	6.0%	6.1%	6.1%	6.2%	6.4%
£40.01 to £50	2.9%	10.5%	11.6%	12.0%	12.3%	12.7%	13.2%
£50.01 to £100	10.0%	3.2%	2.9%	2.9%	2.9%	3.0%	3.1%

NB weeks 11 & 12 are omitted as the regulatory change took place in those weeks;

- This table shows the percentage of Roulette plays by stake range prior to the £50+ regulatory changes and for subsequent periods following the change.
- The major shift in the volume of plays from the '> £50 range' to the '£40.01 to £50 range' was expected as players adapted their behaviour.
- However, the shift in plays away from the '£0 to £10 range' was unexpected. Noticeably, the percentage of plays in this range has fallen every period since the start of 2015 from 54.5% prior to the regulations to 49% of all plays in the most recent period (as highlighted in table 5).
- Analysis of the average session duration of B2 only sessions pre and post the £50+ regulatory changes shows that session lengths have increased by an average of almost 1 minute between the start of 2015 and the most recent period in 2016 (see table 6). This is equivalent to an 11.3% increase.

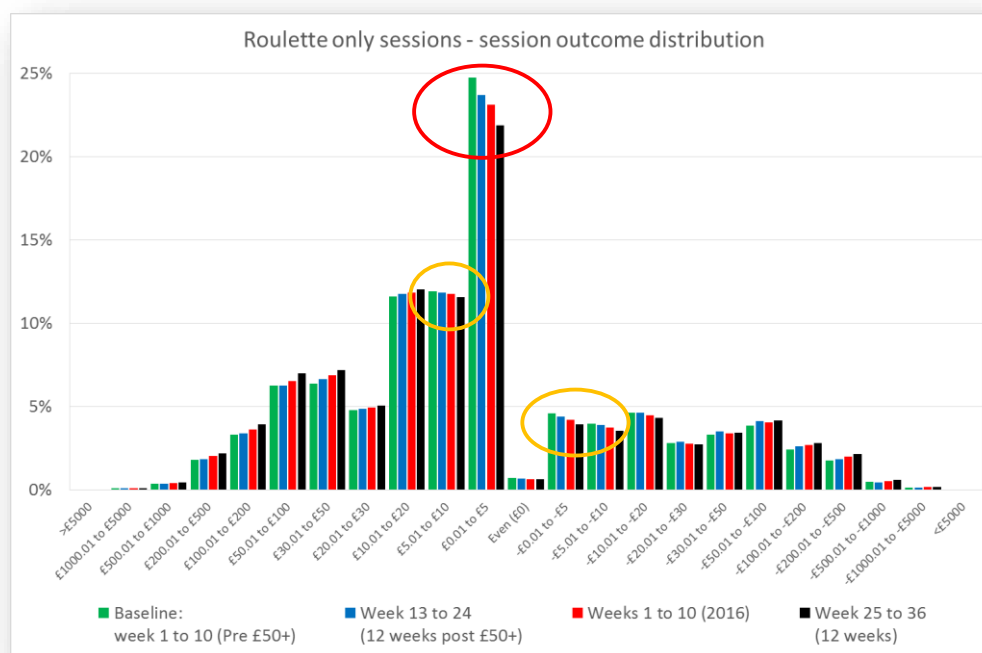
Table 6 – UK LBO B2 Only Session Duration

	Pre £50+ Regulations	1st Year Post £50+ Regulations				2nd Year Post £50+ Regulations	
Metric	Weeks 1 to 10 2015	Weeks 13 to 24 2015	Weeks 25 to 36 2015	Weeks 37 to 48 2015	Weeks 1 to 10 2016	Weeks 13 to 24 2016	Weeks 25 to 36 2016
Average 'B2 only' session duration	8m 13s	8m 31s	8m 34s	8m 53s	9m 05s	9m 07s	9m 09s

NB weeks 11 & 12 are omitted as the regulatory change took place in those weeks;

- Furthermore, analysis of the session outcome of Roulette only sessions (measured by range of Gross Win as per figure 3) shows a clear reduction in the proportion of roulette sessions where the player loss was between 1p and £5 (circled in red on figure 3).
- In addition, the relative number of all sessions where the player has won or lost less than £10 (additionally circled in orange in figure 3) has decreased (and continued to decrease) since the introduction of the £50 regulations.

Figure 3 – UK LBO Roulette Session Outcomes by Gross Win



- Therefore, combining all 3 pieces of evidence, we can see that the volume of Roulette plays at £0 to £10 has decreased, B2 session durations have increased, and the relative proportion of sessions winning or losing less than £10 has decreased. All of which leads to the conclusion that some lower staking, low-risk Roulette players have in some way been ‘crowded out’.
- The cause of this is likely to be the increased ‘utilisation’ of the machines (evidenced by the increase in session duration) meaning that these lower risk players can either no longer access the machine or that when they do access the machine, they in turn are playing for longer and staking more than previously, in order to make the most of their opportunity to play.

Change in Roulette Volatility

- A further unintended consequence of stake reduction alone is demonstrated in table 7 where we see the change in the ‘hit rate’ of Roulette pre and post the £50+ regulatory changes. The ‘hit rate’ is the frequency that a return is paid from each play (expressed as a percentage of all plays) – i.e. the percentage of plays in which the player does not lose their stake.

Table 7 – UK LBO Roulette Hit Rates by Stake Range

Stake Range	Hit Rate (% of plays returning > £0)	
	2014 (pre £50+ regs)	2016 (post £50+ regs)
£0 to £10	46.7%	45.4%
£10.01 to £20	63.0%	60.1%
£20.01 to £30	68.0%	65.3%
£30.01 to £40	68.5%	64.9%
£40.01 to £50	69.3%	60.0%
£50.01 to £60	69.9%	65.1%
£60.01 to £70	71.4%	66.4%
£70.01 to £80	72.0%	67.8%
£80.01 to £90	72.3%	67.1%
£90.01 to £100	65.3%	59.5%
Overall	55.8%	54.3%

- No doubt driven by some of the ‘crowding out’ evidence described above, we can see that at all stake levels, players are playing a more ‘volatile’ game. As described in response to Q1, a Roulette player can control the volatility of their game by the percentage of possible outcomes covered in any individual play. This then has a direct impact on the ‘hit rate’ – e.g. at the extremes, a player covering all numbers would have a hit rate of 100% whereas a player covering only one number would have a hit rate of 2.7%.
- Hit rate levels in 2016 have dropped as players at all stake levels are covering relatively fewer numbers on the board. This is an indirect consequence of the regulatory changes as players take a more risky strategy.

Impact of Implementing Stake Reductions

- Any stake reduction will have a cost in terms of development time which will consequently impact not only all commercial development plans but also all planned work to improve social responsibility controls.
- Inspired’s estimated development and testing timescales of any stake change are shown in table 8.
- Due to previous development work carried out in response to the £50+ regulatory changes in April 2015, the work required to bring all machines into line with a £50 maximum stake is significantly less than any other amended value.

Table 8 – Stake Reduction Implementation Timescales

Revised Maximum Stake	Development Time Required to Implement Changes
£50	12 weeks
Less than £50	9 to 12 months

Financial Impact of Stake Reductions

- Inspired have carried out some internal analysis on the impact to our business.
- A reduction to a B2 maximum stake of £50, we estimate would result in a £1.8m annual revenue loss to Inspired, equating to a 6% reduction in the workforce (assuming two-thirds is absorbed by cost reduction).
- Broadly this then equates to a 7% reduction in our workforce for every £10 of stake reduction thereafter.

3.3 Conclusion

- Historical evidence shows that stake reductions can have unintended consequences on those lower staking players seemingly unaffected by such a reduction.
- The impact of implementing a stake reduction on the machines is significant and would have a knock-on effect on the Responsible Gambling development plan which is currently Inspired's key focus.
- As evidenced by the KPMG report in greater detail in ABB submission, any stake reduction would have a significant financial impact on Government revenues from taxation as well as a direct impact on retail jobs.

Q4. What, if any, changes in the number and location of current gaming machine allocations support the Government's objective set out in this document? Please provide evidence to support this position.

Inspired support the view of the ABB and their response to this question.

Q5. What has been the impact of social responsibility measures since 2013, especially on vulnerable consumers and communities with high levels of deprivation? Please provide evidence to support this position.

5.1 Summary

- As detailed in response to Q2, both machine suppliers have been instrumental in leading the innovation and developing the functionality required to meet the ABB Responsible Gambling Code (first implemented March 2014), ensuring that a range of player protection measures are available on all LBO machines.
- The £50+ regulations in April 2015 adversely impacted revenue with no evidence of helping problem gamblers. Other measures have potentially helped to identify problem gamblers but these vary by sector with the LBO sector delivering the highest amount of innovation and intervention.
- It is Inspired's view that using machine based algorithms to identify and interact with the most vulnerable customers has proved successful to date and will continue to evolve. This approach will not in isolation capture all vulnerable players and nor is it intended to do so as it is just one of a suite of social responsibility measures we employ to provide support for such vulnerable individuals.

5.2 Evidence

- Areas of England are split into 'deciles' based on the Government's Index of Multiple Deprivation⁹ numbered 1 to 10 where 1 signifies the areas with the highest levels of deprivation and 10 the areas with the lowest levels of deprivation. This allows us to compare player behaviour in each area.
- Table 9 gives the average stake for 2016 in each of the deciles, showing that the highest area of deprivation has the lowest average stake, with areas 7 & 8 (relatively low deprivation) having the highest stake.

Table 9 – Average Stake by Decile of Deprivation

IMD Decile	Average Stake
1	£3.90
2	£4.36
3	£4.62
4	£4.68
5	£4.54
6	£4.43
7	£4.84
8	£4.84
9	£4.47
10	£4.23

⁹ <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2015> (England only as there is a separate index for Wales and Scotland)

- Analysing the volume of alerts in each of these deciles of deprivation, Table 10 shows the percentage of sessions receiving a mandatory alert (£150 cash in and 20 minute duration) or a voluntary alert (values set by the individual player).
- The mandatory alerts data shows that the more deprived areas are more likely to spend relatively less money/time on machines, hence fewer alerts per session in the lower IMD deciles.
- Voluntary alerts are set at a very similar rate across all areas and are therefore do not appear sensitive to the index of deprivation.

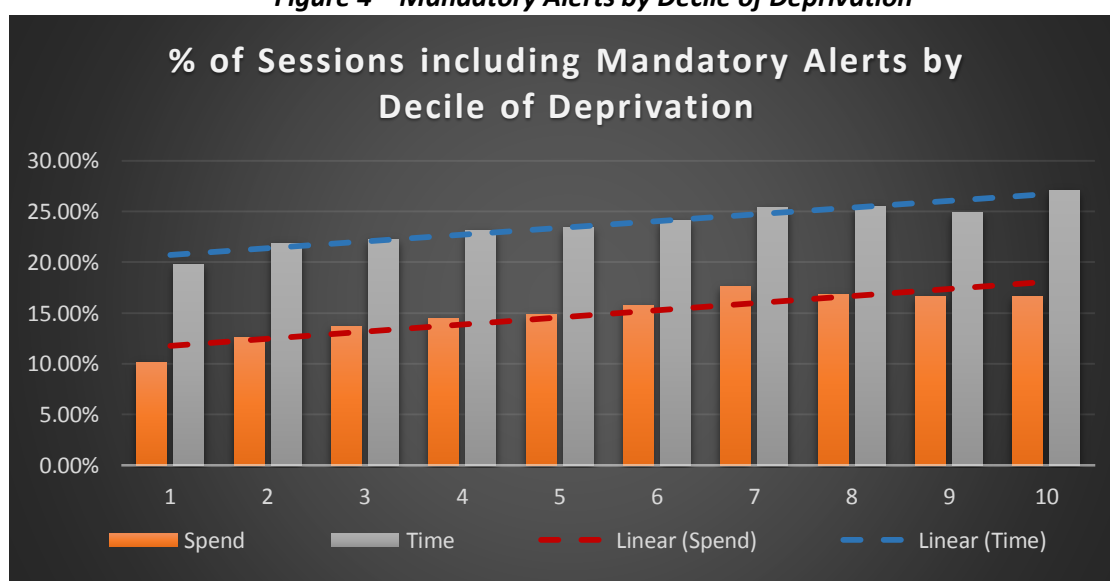
Table 10 – Alerts by Decile of Deprivation

IMD Decile	Mandatory Alerts		Voluntary Alerts	
	% Sessions including a Spend Alert	% Sessions including a Time Alert	% Sessions including a Spend Alert	% Sessions including a Time Alert
1	10.08%	19.79%	2.20%	2.08%
2	12.55%	21.84%	2.70%	2.58%
3	13.67%	22.27%	2.84%	2.73%
4	14.47%	23.08%	2.79%	2.68%
5	14.89%	23.37%	2.75%	2.65%
6	15.75%	24.12%	2.59%	2.52%
7	17.62%	25.38%	2.79%	2.68%
8	16.84%	25.45%	2.64%	2.52%
9	16.67%	24.94%	2.52%	2.41%
10	16.68%	27.03%	2.89%	2.82%

Figures are for all UK LBOs for July to October 2016

- These results are perhaps better illustrated in the charts below. The trendlines on the mandatory alerts chart (figure 4) clearly rise as the decile increases – highlighting that players in the most deprived areas spend relatively less money and time on machines.

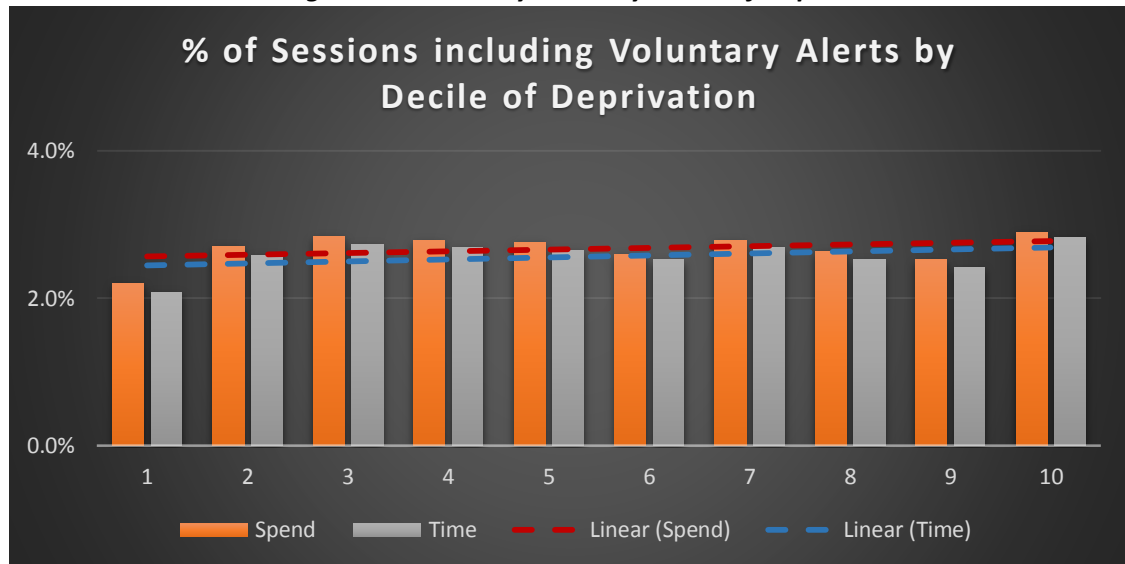
Figure 4 – Mandatory Alerts by Decile of Deprivation



Figures are for all UK LBOs for July to October 2016

- The trendlines on the voluntary alerts chart (figure 5) are both very flat, demonstrating that players set similar numbers of alerts per session across all areas of deprivation.

Figure 5 – Voluntary Alerts by Decile of Deprivation



Figures are for all UK LBOs for July to October 2016

5.3 Conclusion

- The relative proportion of mandatory alerts triggered during sessions on LBO gaming machines demonstrate that there is no correlation between staking levels and areas of higher deprivation or between time spent on machines and areas of higher deprivation.
- There is clear evidence to show that in fact, relatively longer sessions and relatively higher spend occur in areas of lower deprivation.
- Time and spend voluntary limits are used fairly equally across all levels of deprivation, showing players in all areas choose to control their play.

Q6. Is there anything further that should be considered to improve social responsibility measures across the industry? Please provide evidence to support this position.

6.1 Summary

- Inspired, in conjunction with SG Gaming and the ABB, has a range of product developments scheduled for the next 18 months to continue to build on the existing Responsible Gambling measures. As detailed in section 6.2.
- The implementation, continual evolution and ongoing evaluation of socially responsible player protection measures on LBO machines is a key focus of Inspired's current and future strategy.
- Inspired has developed industry leading technology for use in the delivery of player protection measures and have committed significant further technological resources to ensure that the required solutions needed to deliver the additional controls already agreed with SG Gaming and the ABB are delivered on time. In addition to this the fact that we also have access to a comprehensive set of player data ensures that we are best positioned to introduce any further machine based modelling which may be required.
- Inspired feel it's important to take a wider view of player activity and would support a long term strategy that ensures greater co-operation, best practice discussion and data sharing between operators and sectors in order to improve social responsibility measures across the industry.

6.2 ABB Initiatives

- In line with the RGSB strategy and in conjunction with both suppliers and its members, the ABB has set out a Responsible Gambling Roadmap.
- The below summarises the additional functionality currently in development by Inspired and SG in line with the ABB's priority initiative of improving methods of identifying harmful play.
 1. ***In-session real-time Player Awareness System (PAS) alerts for all sessions*** – using in-session markers of harm as identified in the RGT primary and secondary research to alert players in real-time if their play exhibits signs of harm. This alert will trigger to a member of staff on the back-office terminal as well as to the player on the machine resulting in an enforced break of play.
 2. ***Nom de Plume tracking system for non-account based players*** – allows staff to tag players as they play and then monitor their play over time. Built-in algorithms will also trigger the staff to tag a player if that player is not already tagged and is exhibiting signs which may lead to harmful play. This system has the advantage of keeping the feeling to the player of remaining anonymous whilst enabling operators to continue to protect the vulnerable (non-intrusive player tracking).

Numbers 1 and 2 will enable operators to track a far higher percentage of players than is currently possible via accounts.

3. ***Evolution of existing Player Awareness System*** – Inspired run a PAS for all customers, whether they are ABB members or not. This system continues to evolve based on ongoing evaluation and will always adhere to industry standards.
 4. ***Escalation of messages following multiple voluntary/mandatory alerts*** – escalating the tone and delivery of messaging throughout a session in order to increase the effectiveness of each alert.
 5. ***Modification of voluntary alerts for staff*** – triggering a staff member via the back-office terminal if a player plays beyond a voluntary alert to ensure the effectiveness of any Responsible Gambling Interaction.
- As referenced in response to Q3, any reduction in the B2 maximum stake would require a significant amount of development effort and resource to implement. This would impact the planned work which is designed to improve social responsibility controls for players at all stake levels.

6.3 Conclusion

- Inspired are committed to continually evolving social responsibility machine-based algorithms and modelling to continue the journey in line with the RGSB strategy.
- The next phase of player protection measures (as defined in section 6.2) will mean that LBO machines continue to lead the way in terms of social responsibility and will widen the gap further between LBOs and other sectors.
- These measures will also ensure that a much higher percentage of players will be actively tracked, facilitating more RGIs with those most at risk of harm.

Q7. Is there any evidence on whether existing rules on gambling advertising are appropriate to protect children and vulnerable people from the possible harmful impact of gambling advertising?

Inspired do not advertise directly to players and therefore are not best positioned to respond to this question.

Q8. Any other relevant issues, supported by evidence that you would like to raise as part of this review but that has not been covered by questions 1-7?

8.1 Summary of Key Points

1. Inspired support the ABB in advocating no need for any change to maximum stake or prize levels to any machine categories.
2. Based on the 'Rate of Loss' calculations, B2 machines are correctly placed in the hierarchy of all machines and therefore any reduction of maximum stake would create an imbalance.
3. When taking a more complete multi-dimensional view of B2 games in comparison with B3 and Cat C games, there is no clear evidence that B2 games offer any greater risk of harm.
4. The ABB Responsible Gambling Code has been fully implemented on all LBO machines covering all gaming categories, providing ground-breaking player protection measures. This facilitates breaks in play for those playing longer sessions.
5. The relative proportion of mandatory alerts triggered demonstrate the relatively lower staking levels and time spent on machines in areas of higher deprivation.
6. Time and spend voluntary limits are used fairly equally across all levels of deprivation, showing players in all areas choose to control their play.
7. There is a range of product developments scheduled over the next 18 months to continue to build on the existing Responsible Gambling measures, set out in line with the RGSB strategy document.
8. Unintended consequences of a stake reduction may include the 'crowding out' of many lower staking players and players adopting a more volatile approach to their Roulette play.
9. A precautionary move implies harm, or suggests that there could be harm. Whereas no harm or risk has been proven and no evidence exists, other than political and misinformed media hype.
10. Any reduction in the B2 maximum stake (particularly below £50) would require a significant amount of development effort and resource to implement. This would impact the existing Responsible Gambling product development roadmap by up to 12 months and would have a financial impact on Inspired's business.