

## **WILLIAM HILL TRIENNIAL REVIEW CONSULTATION RESPONSE**

### **Background to William Hill**

William Hill is one of the world's leading betting and gaming companies, employing around 16,000 people. Founded in 1934, it is the second largest UK retail bookmaker, with around 2,350 licensed betting offices across Great Britain and Northern Ireland. Revenue from Gaming Machine content accounts for over 50% of total retail business which in turn accounts for over 70% of William Hill's Group revenue.

William Hill is fully committed to responsible gambling and understands and supports the Government's desire to ensure that player protection is at the fore when considering the needs of 'at risk' and 'problem gamblers'. However, context is equally important and it should be remembered that over 90% of betting shop users are leisure customers who have proper control of their leisure spend; the focus should be about providing controls and tools for those who need them, making them readily available but, at the same time, not imposing unnecessary restrictions where there is no evidence to suggest that this is necessary.

William Hill is also a member of the Association of British Bookmakers and fully supports its submission to this consultation.

### **Introduction and Context**

- The Government's stated objective from this consultation is to strike the right balance between supporting betting sector growth (or avoiding disproportionate commercial damage) and the need for a socially responsible betting sector that is focused on protecting customers and communities. We are fully supportive of this goal.
- It is imperative that in striking the right balance the government does not take well intended decisions, only to find that they do not achieve the stated objective and worse still, create significant job losses (as a consequence of betting shop closures) and impact on horse racing whose finances are inextricably linked to shop numbers (because of media rights). The last thing we need is a solution that at face value is helpful in silencing media and campaign criticism but in reality, fails to help those who are at risk of becoming problem gamblers.
- There is extensive evidence on gaming machine play in betting shops particularly from the Nat Cen research for GambleAware - the largest scientific study of gaming machine data that has taken place in the world to date. This and further studies such as the Key Issues in Product Harm Minimisation paper by Jonathan Parke, Adrian Parke and Alex Blaszczynski (December 2016) state that stake cuts alone are unlikely to be effective in tackling gambling related harm.
- The Government's Responsible Gambling Strategy Board also make it clear that they "doubt that changing a single characteristic of one gambling product (i.e. max stakes) would make a significant impact on levels of gambling-related harm". The issue of gambling related harm is complex and the deployed solution must have a high likelihood of success.
- The RGSB paper analyses the theoretical average loss rates on machines taking into account spin speeds and returns to player as well as maximum stakes. In point 101 of the RGSB Advice dated 31<sup>st</sup> January 2017 it outlines that "The maximum stake which would give B2 machines broadly the same Estimated Actual Theoretical Cost per hour as B3 machines is £62.80."
- Therefore, at the current £50 stake for unregistered play the loss rate on B2 is already below that for B3 machines in arcades or pub slot machines. Given the higher standards of player protection in betting shops, and the benefit of tracked and registered play in enabling targeting at risk behaviour, it is clear that a significant stake cut is not supported by the

evidence. Worse still, it will not deal with the problem and therefore does not meet the government's objective.

- Knowledge about harm and how to identify such, has increased dramatically in recent months and together with the increased technology available in the retail environment, there is a significant opportunity for the industry to work to deliver the Government objectives through better player tracking and significantly strengthened suites of tools available to players both online and offline and increasingly, across channel.
- Continued public acceptance of licensed and regulated gambling is dependent on betting companies in Britain adopting more rigorous approaches in the area of harm minimisation and the Gambling Commission has been very clear on its expectations in this area.
- William Hill is committed to reducing gambling related harm through the identification of harmful play and targeting those players, whilst additionally developing suites of tools to help customers control their gambling. The wider retail industry through the ABB has responded constructively to the Responsible Gambling Strategy Board's strategic plan and we will detail a number of positive steps in this response, to ensure that in the coming years we do not just see stable rates of problem gambling but rates that are reducing.

### **Triennial Review – Executive Summary**

- Extensive research has taken place around stake size and, whether a stake reduction would be an optimum policy response, to achieve the Government's objective of reducing harm. Chief among this research was the December 2014 research by the National Centre for Social Research and Featurespace for the Responsible Gambling Trust (now GambleAware).
- Its key conclusions were:
  - That one element of gambling alone - such as a reduction in stake will not decrease the rates of gambling harm
  - The greatest number of bets were placed on B3 Category games (which have a maximum stake of only £2)
  - Machine gambling behaviour is clearly dynamic and changes over time, with people starting, stopping and switching between machine and sports gambling.
  - This means there is likely to be a diverse range of experiences among machine players at any given time.
  - Responsible gambling interventions and communications should reflect this diversity and reach those needs to cover as many different types of people as possible.
- Other studies include the key Issues in the Product Based Harm Minimisation paper published in December 2016 by Jonathan Parke, Adrian Parke and Alex Blaszczyński. William Hill has also commissioned research by customer decision making specialists, Decision Technology, that reached the same conclusion – namely that stake cuts would be an ineffective method of reducing product-based harm.
- The RGSB has looked extensively at this issue and made it clear that “when looked at dispassionately and with due attention to all the available evidence, the position on B2 machines is more complex than may initially appear.”
- At £50, the loss rates per hour are similar between B2 and B3 gaming machines whilst AGCs have a far higher entitlement to machine numbers. To reduce B2 stakes below £50 would mean that AGCs become more attractive environments and players could be pushed to environments with lower regulatory controls.
- The RGSB also recognised the effort and resource being committed by LBO operators into their responsible gambling activities though it also calls for these efforts to be considerably

stepped up. Whilst the complexity of the problem should not be lost, we accept the challenge and have a road map of further harm minimisation measures which we intend to deploy.

- The betting industry has made significant improvements based on an increasing research base as well as trial and evaluation of its social responsibility measures and is now in a position to take this work to a much more advanced and coordinated level in both identifying problem gamblers or at risk gamblers and intervening to allow customers to help themselves.
- As such, we are pleased to see acknowledgement that the social responsibility measures the betting sector have already introduced are recommended to be extended to other sectors.
- Whilst policy makers, under pressure from campaigners and the media may be tempted to act on a precautionary basis, due consideration must be given to the negative social effects of cutting stakes and the potentially serious economic consequences to a responsible industry and on the thousands of employees whose jobs may be lost. Any precautionary measures must be proportionate, reasonable and objectively justifiable with due weight given to all factors. The retail betting sector is already in decline with KPMG forecasting that by 2020 c.1,400 betting shops will close and c.6,500 jobs will be lost as a result; this assumes that the status quo is retained on gaming machine stakes. A drastic stake cut is predicted to have far more serious consequences with up to half Britain's betting shops closing and over 20,000 people losing their jobs. With each shop currently paying media rights fees to racing of circa £30,000 the knock on impacts on racing will wipe out any benefit from the recent extension of the Horserace and Betting Levy to online revenues.
- There are far more effective regulatory interventions (than stake reductions) that can be deployed and we are keen to demonstrate our commitment to making them effective and seeing them adopted across the industry.

## **The Way Forward**

Moving forward, we do not believe that Triennial Reviews of stakes and prizes are an appropriate mechanism to progress harm reduction. The reviews were designed to facilitate stakes keeping pace with inflation and have now become an opportunity for various sectors to seek to gain commercial advantage over others.

It is however, accepted that the pace of change needs to be accelerated and with this in mind the ABB (working with the Gambling Commission) are looking at the earlier introduction of a number of measures which are summarised below:

- Hard stops at agreed maximum loss levels
- Debit card blocking capability for self-excluding customers
- A single set of algorithms to underpin the account-based Player Awareness System, so that player experience is matched across operators
- Simple and clear spend and time limit setting at the commencement of play
- Enhancements to the multi-operator self-exclusion system with extension of telephone helpline opening hours and launch of multiple languages

We believe that annual harm reduction evaluations should take place between the Gambling Commission, Responsible Gambling Strategy Board and individual sectors, as well as cross sector bodies with the aim of evaluating approaches, sharing best practices and ultimately measuring reductions in gambling related harm. In doing so it would mirror what the Government is recommending in the consultation for the online sector – something William Hill fully support.

In summary, this will create more consistent and prominent messaging; increase opportunities for interaction; improve self-exclusion processes and importantly, use algorithmic and behavioural science to spot and help control signs that suggest problem gambling or at risk behaviours.

We do not believe that there is evidence to support a stake reduction (that will meet the Government's objective of reducing harm). If, however, the Government's decision is led by the 'precautionary principle' then we believe that a two-tier stake proposition is the only sensible way forward. The lower level would set the barrier for fully anonymous play and the higher for those players who are willing to provide greater personal detail, thereby enabling improved tracking and messaging.

#### **Q1. Do you agree that the maximum stake of £100 on B2 machines should be reduced?**

If the purpose of a stake cut is to meet the Government's stated objective then, there is no evidence to suggest that this will be successful. In reality, the available evidence strongly indicates that this action will fail.

Similarly, it should also be borne in mind that the B2 stake was effectively halved to £50 as a consequence of the Government's introduction of the Gaming Machine (Circumstances of Use) (Amendment) Regulations in 2015. A fact highlighted in the RGSB advice to the Gambling Commission in part one of this consultation.

A summary of the evidence is detailed below:

#### **NatCen and Feature Space<sup>1</sup>**

The average losses per session on B2 gaming machines were low with gamblers losing, on average, £7 per session with an average stake on a B2 game of £14 and only 3% of sessions including the maximum possible £100 stake and gambling sessions lasting around 11 minutes on average.

Most importantly however, by looking at the key markers of harm that would identify problem gambling or at risk behaviour, the study was clear that "a focus on a single factor such as reduction of stake size will not effectively prevent or reduce gambling harm."

#### **Messrs Parke, Parke and Blaszczyński<sup>2</sup>**

Concluded that a stake reduction was not an optimum policy response for the following reasons: -

- A stake reduction fails to adequately target problem gamblers because problem gambling exists at all stake levels
- Players may adapt to staking restrictions – as with the reduction in B2 stakes to £50 players may just stake lower for longer
- Potential displacement to other forms of gambling
- Game speed and theoretical loss ignored

---

<sup>1</sup> *Patterns of Play: Analysis of data from machines in bookmakers - published by the Responsible Gambling Trust in December 2014. As part of this programme, NatCen led the Patterns of Play and Loyalty Card Survey reports and contributed to "Predicting Problem Gambling" led by FeatureSpace.*

<sup>2</sup> *Key Issues in Product Based Harm Minimisation December 2016 prepared for The Responsible Gambling Trust, Authors Jonathan Parke, Adrian Parke, Alex Blaszczyński*

The report found that following a period of adjustment, the fall in stakes above £50 was close to being exactly offset by an increase in total stakes from bets just within the soft cap of £50. The findings indicated that it may be optimistic to focus just on one element in the choice architecture of players (the stake) while neglecting others. The study also noted some negative impacts such as players staking for longer and losing similar amounts – amounting to a potential increase in harm.

At this stage it is also worth noting that whilst B2 stakes may be higher than other forms of machine categories, importantly they operate at a significantly slower speed and provide a higher return to the player. This leads into the notion of the regulatory pyramid principle which, is long established.

The concept of a regulatory pyramid has long been held in gambling policy and it is clear that a significant reduction of stakes on B2 gaming machines risks putting this pyramid out of balance. Expected loss rates per hour on a B2 game (at £50) are around £243, with those on a B3 game at £302. In reality in both real play spin speed in betting shops is significantly slower than the 20 second limit with theoretical loss therefore lower than those of B3 machines, many of which offer ‘autoplay’ options. Therefore, a reduction below £50 would create unnecessary imbalance and potentially displace customers to other products and venues where loss rates are greater and supervision/responsible gambling measures far weaker than a betting shop environment.

### **Solution**

So where does the answer lie if a stake cut will not meet the Government’s objective? We believe that the following are key: -

#### **Player Tracking of Registered Players to include Targeted Messaging**

- Player tracking and behavioural analytics is a key approach to tackling gambling related harm and one that the Responsible Gambling Strategy Board believe has significant potential.
- William Hill has been operating player tracking in its shops since 2015 and has recently updated and rolled out a new algorithm. The company is a leader in this field to date and has committed to sharing best practice with other members of the ABB to contribute to an industry wide common standard.
- The algorithm developed by the company with independent insight from Decision Technology uses a number of markers of harm to identify problematic play. If the play persists then a message appears on the gaming machine on his/her next visit to a gaming machine within the William Hill estate.
- Decision Technology used the data from their work with William Hill to look at the question of whether staking limits would be effective for controlling problem gambling. They concluded they were not because:
  - A stake cut is a blunt instrument that could have unintended consequences. At risk gamblers may simply alter their play pattern or displace to other products or worse move into unregulated markets. There is clear evidence these outcomes could occur.

---

<sup>3</sup> *FOBTs in British betting shops: Further analysis of machine data to examine the impact of the £50 Regulations in bookmakers. This research was requested by the Responsible Gambling Strategy Board, and conducted by Professor Ian McHale, University of Salford & Professor David Forrest, University of Liverpool.*

- Behavioural analytics (Player Tracking) does make a substantive difference. This ground-breaking technology is rapidly evolving and we have only recently launched a next generation algorithm.

### **Player Tracking for Unregistered Players**

- In addition to the algorithm that is applied to registered player data, William Hill is working with the machine suppliers and the ABB to develop an Anonymised Player Awareness System. This will enable harmful play to be identified within a session without the need for player registration and warning messages will be displayed on the screen during the gaming session. This Anonymised Player Awareness System II has been successfully trialled and received positive quantitative and qualitative evaluation. These evaluations will be made available with the ABB Consultation response and full roll-out of the system will take place in 2018, incorporating minor amendments suggested by the evaluations.
- All players (low and high staking) will be monitored by the APAS II system and we believe that this provides an effective monitoring mechanism for relatively low-staking individuals who may be experiencing problems.

### **Hard breaks at agreed maximum loss levels**

- In its consultation paper DCMS flags the levels of £500 losses as a potential measurement of harm. William Hill has committed to working with the ABB to establish a player journey to ensure a session ends automatically at a loss of £500 and appropriate player messaging appears on the screen with an enforced break for the customer, thereby allowing time for reflection.

### **Debit card blocking capability for self-excluding customers**

- The betting industry has already been proactive in removing cash machines from premises as part of the ABB Code of Conduct. Evidence from the Key Issues in Product Based Harm Minimisation paper by Parke, Parke and Blaszczyński highlighted access to debit card deposits as a potential risk for problem gamblers. The ABB is therefore working to enable betting shop operators to block debit card usage (by self-excluded customers) providing a significant strengthening of the self-exclusion system. It should also be remembered that cash is an effective control on spend for many customers so blocking debit card access has the potential to be a successful control mechanism for some problem gamblers.

### **Mandatory spend and time limit setting at the commencement of play**

- The OKO<sup>4</sup> evaluation of APAS has shown that customers appreciate the ability to set limits and that the vast majority of players who set limits, stick to them. However, it is clear that the uptake of limit setting is relatively low and there is some customer confusion about what limits mean. We are therefore developing a new user interface with the machine suppliers that should be much simpler with a 'cash point' style series of options for customers to select.

### **Improvements to MOSES**

---

<sup>4</sup> OKO evaluation for ABB on Responsible Gaming Alerts.

- Self-Exclusion is a valuable tool for those that are having problems with their gambling and the launch of a multi-operator self-exclusion system in 2016 was a major step forward with an industry wide increase in self-exclusions of over 25%.
- The industry is committed to evaluation and improvement moving forward. The 2017 evaluation by Chrysalis<sup>5</sup> demonstrated that 83% of customers found the scheme had been effective in helping them reduce or stop their gambling and 71% had said they had not attempted to enter any of the shops they had excluded from. The evaluation made a number of recommendations which the industry is keen to progress with urgency. These include the adoption of a multiple language service and extended hours for the telephone service to mirror betting shop opening hours.

## Summary

In summary, the evidence for a stake cut being effective does not exist. The RGSB identifies a number of methodologies that they believe would be effective in reducing gambling related harm and the betting industry is not only committed to adopting such but also to evaluating them, improving them and then rapidly sharing best practice across the wider industry. To enforce a significant stake cut now would not only risk pushing problem gamblers to environments with less social protection and risk where they gamble for longer periods or, on to more volatile products or even with illegal or unregulated operators. It also jeopardises the very framework upon which the Government's responsible gambling strategy is based.

### ***Q2-7. Do you agree with the Government's decision to maintain status quo on various machine categories?***

We agree with the Government's decision to maintain the status quo on categories B1 and other categories. However, we believe a set of minimum standards must be introduced that bring in similar Responsible Gambling measures to the betting industry. These would cover:

- Set limits software to appear on screen before each session. Players should have to consider setting a time and money limit before they begin playing machines.
- No advertising of gaming machine product in retail windows.
- Hard stop breaks at losses of £500.
- Introduction of behavioural analytics to enable messaging on gaming machine screens to help provide improved player control.
- Problem and at risk gamblers exist in all sectors and across all products. Minimum basic standards should be required across all gaming machine products including arcades, family entertainment centres, casinos and pubs.

### ***Q8. Do you agree with the Government's proposals to increase the stake and prize for prize gaming, in line with industry proposals?***

We agree with the Government's proposals.

---

<sup>5</sup> Evaluation of the Multi Operator Self Exclusion Scheme submitted to MOSES by Chrysalis Research March 2017

***Q9. Do you agree with the Government's proposals to maintain the status quo on allocations for casinos, arcades and pubs?***

We agree with the Government's proposals.

***Q10. Do you agree with the Government's proposals to bar contactless payments as a direct form of payment to gaming machines?***

We believe that contactless technology could support some forms of player tracking and that with the appropriate levels of player protection measures (such as those in place or in development in the betting industry) in place, contactless technology should be something that is considered in the future.

***Q11. Do you support this package of measures to improve player protection measures on gaming machines?***

We agree with the Government's package of measures to improve player protection measures in line with the RGSB's National Responsible Gambling Strategy. However, we do not accept that there is sufficient evidence to abolish high stake slots altogether. Many of these games already operate a cap at £20 or £30 rather than the equivalent B2 stake of £50 and we would support a cap at £20 given RTP is higher than traditional B3 games and speed of play much slower.

***Q12: Do you support this package of measures to improve player protection measures for the online sector?***

We welcome the measures proposed and understand that as a market leader we need to continue to enhance and develop player protection; in this regard we will continue to work both independently and collaboratively with other industry operators and third parties.

***Q13. Do you support this package of measures to address concerns about gambling advertising?***

We support the package of proposals but feel overall it is unlikely to fully address public concern about the volume and tone of gambling advertising when the majority of the population do not gamble. William Hill will continue to explore voluntary options with other leading operators with the aim of seeing a significant reduction of gambling advertising before the watershed.

***Q14. Do you agree the Government should consider alternative options including a mandatory levy if industry does not provide adequate funding for RET?***

As a company that has always met its commitments regarding research, education and treatment, we would not oppose a statutory levy as this will ensure that non-contributing companies must pay something towards these important areas. That said, we believe a clear process should be established

for setting the rate at a level that reflects the scale of the issue relative to the substantial work undertaken and on-going within the industry itself.

With the National Lottery now falling under the Gambling Commission we see no reason for the Lottery not to contribute to RET given the high level of gambling participation in the Lottery. Its absence from contributing is a significant issue in any funding shortfall and should be addressed in this Triennial Review.

**Q15. Do you agree with our assessment of the current powers available to Local Authorities?**

There has been a significant strengthening of Local Authority powers in relation to betting shops and their powers over new shops are now greater than ever before. With shop numbers now at their lowest level since Gambling Commission records began and likely to continue to decline for some years, there is no justification for any further increase in Local Authority powers.

**Q16. Are there any other relevant issues, supported by evidence, that you would like to raise as part of this consultation but that has not been covered by questions 1-15?**

Several references are made to the subject of lone working in the RGSB's advice and given the importance of this topic, we would like to provide additional comment.

The health and safety of our colleagues is of the utmost importance which is why we use a risk assessment process that embeds the five principles laid down by the HSE, specifically tailored to the retail LBO environment. Lone working only occurs in our estate when we believe it is safe to do so; 24% of our estate has been assessed as unsuitable for evening lone working and accordingly, it does not operate in these LBOs.

Whilst the suite of data analysis continues to be developed, we presently measure (to assess the suitability of our approach and policies) the following: -

Externally-Driven Metrics	Employee-Driven Metrics
Robbery Incidents	Employee turnover rates
Anti-social behaviour	Employee absence levels
Gaming Machine damage	Responsible Gambling Interactions

In summary, what this data suggests can be summarised as follows:

- Robbery offences have decreased in number since evening lone working was introduced; there is no evidence to suggest that offenders target lone working LBOs and high-risk LBOs that do not lone work continue to be most susceptible to such incidents.
- Similarly, high-risk LBOs (where lone working doesn't apply) are more likely to experience anti-social behaviour; there exists a direct correlation between risk and numbers of ASB incidents.
- Lone working does not appear to be a factor in respect of GM damage, which is more common in non-lone working LBOs; geographical and cultural factors are more influential.
- Employee turnover is slightly higher in non-lone working LBOs than lone working LBOs.

- Employee absence is very slightly higher in lone working LBOs than non-lone working LBOs, the reasons for which are not obvious.
- Detailed RGI data has only recently become available but early indications suggest there is very little difference in the average number of RGIs per 1,000 EPoS transactions between lone working and non-lone working LBOs, with the exception of post 9.00pm; an anomaly that requires further investigation.

There is presently no data suite to suggest that evening lone working presents a higher Health and Safety or regulatory risk to retail staff providing that risk assessments are properly and regularly conducted and that guidance is complied with.

However, the ongoing monitoring of these measures, in conjunction with auditing the effectiveness of risk controls, is vital to ensure that there is no complacency in the operation of lone working. Training and effective cash control measures, physical security improvements and regular risk assessment and auditing should remain a focus for both lone working and non-lone working environments. It should also be remembered that gaming machines currently have player limits (financial and time); back office notifications to alert staff to possible problems and PAS systems that have been trialled and are about to be launched.

We would encourage the Government to ensure that all operators (across all sectors) enforce rigorous procedures and policies to ensure that staff welfare is kept high on the agenda. We would be happy to share a more detailed data suite and work with Government to help deploy minimum standard requirements in this very important area.

**22<sup>nd</sup> January 2018.**