HOUSE OF LORDS

Select Committee on the Social and Economic Impact of the Gambling Industry

Corrected oral evidence: Social and Economic Impact of the Gambling Industry

Tuesday 5 November 2019

4.05 pm

Watch the meeting

Members present: Lord Grade of Yarmouth (The Chair); Baroness Armstrong of Hill Top; Lord Butler of Brockwell; Lord Filkin; Lord Foster of Bath; Lord Layard; Lord Lipsey; Lord Mancroft; Lord Parkinson of Whitley Bay; Lord Smith of Hindhead; Baroness Thornhill; Lord Trevethin and Oaksey; Lord Watts.

Evidence Session No. 10 Heard in Public Questions 99 - 108

Witnesses

I: Miles Baron, Chief Executive, the Bingo Association; Phil Cronin, Chief Executive, Tombola; Simon Wykes, Transition Director and Member of the Board, Gamesys Group.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Miles Baron, Phil Cronin and Simon Wykes.

Q99 **The Chair:** Did you hear my opening statement? Were you in the room or do I need to repeat it? I had better do so, just in case, for health and safety. The list of interests of members relevant to the inquiry will be sent to you when it is available. This session is open to the public. It is broadcast live and is subsequently accessible via the parliamentary website.

A verbatim transcript will be made of the evidence and put on the parliamentary website. A few days after this session you will be sent a copy of the transcript to check it for accuracy, and it would be helpful if you could advise us of any corrections as quickly as possible. If after this evidence session you wish to clarify or amplify any points made during your evidence, or have any additional points to make, you are more than welcome to submit supplementary evidence to us afterwards.

We will, however, be able to consider it only once the Committee has been reappointed in the new Parliament. We are all redundant as of today but we will, I hope, be reconstituted in the new Parliament—probably before the end of January, but there is no guarantee of that. If you would be kind enough to introduce yourselves for the record. Let us start with you, Mr Wykes.

Simon Wykes: To give you the background, I was the CEO of JPJ plc. About six weeks ago we acquired Gamesys, and so our positions were replaced. I am here as transition director of the Gamesys group.

Phil Cronin: Thank you for the invitation to be here today. I am the founder and chief executive of Tombola, which is the biggest online bingo operation in the UK. I was first involved with bingo working for my father’s printing company, making bingo blowing machines with ping pong balls inside. I have spent my whole career involved with bingo, and obviously I can go into a bit more background as to why that has an influence on how we operate our online bingo operation.

Miles Baron: Good afternoon. I am the chief executive of the Bingo Association. We represent the land-based bingo industry, with around 560 premises in Great Britain. I started off in 1986 in the bingo industry in Sheffield, and here I am in 2019, still in the industry.

Q100 **The Chair:** Thank you. I will kick off and we will deal out the questions as we go. It is often claimed that there is a positive social benefit from the bingo activity, for those who play and their families. We would be interested to know how you define that and what evidence there is to support that. It would be good to hear something about the positive side of bingo.

Miles Baron: There are a number of studies on the social impact and the positive impact that bingo has on local communities and customers. The one I have referred to particularly in my submission was carried out by Ipsos MORI in 2016. It is a deep-dive and extensive piece of work into problem gambling in land-based bingo. There are two significant chapters—chapter 3 and chapter 5—which refer to the benefits of bingo to the consumers. There is a raft of statistics but, generally, underpinning it is that 92% of all people who play bingo in bingo clubs go because they want to socialise; they want to be with other people. That is the key driver. The other drivers are that it is fun, escapism and one of the few very safe places they say they can go to. With an 80% female consumer mix, safety and security is really important to them. I could go on all day and take you through the report, but those are some of the findings from it.

Phil Cronin: To expand on that, my background prior to founding Tombola was in the land-based industry. That was on the supply side, not as an operator, supplying bingo tickets, machinery and so on. We set up Tombola with a land-based mentality and from the very beginning we have tried to replicate the social element that Miles is talking about. We employ 200 chat moderators who work around the clock; they are the beating heart of our business. All of the games that are available on our sites involve chat communities, where people can meet up and make friends. We have even had people who have ended up getting married, having originally met on our Tombola website. It is something that we can build on. One of the ironies is that, in a bingo club, the last thing you can do is talk while you are playing bingo, whereas online you can chat at the same time, without any fear of being kicked out of the club. It is something we have tried to build on. We have done that with our lowest stakes, which I can talk about at some point. It is that social element that we have tried to build and replicate on the site.

Simon Wykes: I have also been in bingo for nearly 30 years, on and off. If you think about what is special about bingo, it is that bingo is entertainment. That is one of the key things that I always think about. I try to invoke in all our teams that this is how customers choose to spend their time and, sometimes, their money. It is similar to going to the cinema or playing ten-pin bowling, or any other entertainment activities.

The other basis of the business has always been community. It has always been about being with people who are like you and who feel like you. What we have done online, in particular, is to try to take the concept of retail and apply it to a new digital age, so that it is still community-based entertainment. To echo what Phil says, we have had 13 weddings from our chat houses across our business. In our Jackpotjoy brand, 49% of visits to the site do not involve customers spending any money. They come to a place for free games and get entertainment in that way. In 51% of visits, they spend some money. Nearly 30% of our customers actively engage in chat, but a lot of the others just like to observe what is going on in the chat and see what people are saying. There is a different feel on a bingo-led site as opposed to a sports-led site, for example.

Phil Cronin: Perhaps I may add an extra bit. In building on Simon’s experience, we find on Tombola that over half our players have been playing on the site for over four years—we have been operating for about

12 years. That is in spite of the fact that we have doubled in size over the same period. By keeping the costs low and by building on the community and the fun, you can get a more sustained, low-cost exchange of value. Again, I think that is very much like how land-based bingo has seen itself, as part of an ongoing sustainable community for play and social interaction.

The Chair: Obviously in the physical land-based bingo hall the pace of the games is limited—you cannot play a game that quickly; you can keep it moving, and the customers want it to keep moving, but it is not very rapid. However, online, there is potentially a greater risk of people getting themselves into trouble because of the repetition and the speed with which you can play.

Phil Cronin: On the bingo products themselves, we follow a model that is very close to land-based.

The Chair: Very close is not the same.

Phil Cronin: It is actually slower. We run a main 90-ball bingo game, which is the sort of game you would play in a bingo hall, with 90 numbers on a ticket. That starts every six minutes and runs a little quicker than that. It is right that we run it more slowly, because it is 24-hours a day. Land-based bingo is run on a session basis of morning, afternoon and evening, whereas online it is available 24/7. We slow it down partially to slow down the rate of spend. In the long-term, we are looking to build a value exchange between the cost of spending time with us and the value that the player gets out of it. So we slow the games down and limit how much money is lost to try to create a good value exchange.

Lord Foster of Bath: Just so I am clear: that is a voluntary decision you have made. Do you think it would make sense to have legislative requirements on the rate of play? It is a yes or no answer, really.

Phil Cronin: Yes, but if you do not mind, I will explain why. It has been voluntary. From the very beginning, we have limited spend and looked at our margins. We have lower margins than you get in land-based play. We have also limited stake, and so on. In the end, there are twin values with that. The first is a commercial strength. If you can make the time more affordable, it is more likely that people, either consciously or subconsciously, will say that it was worth it. There is also a safe play element, which means that the risk of people spending more money than they can afford is reduced. Both those result in our strong belief that there is no commercial detriment to our approach: we feel that it makes our commercial model stronger because we slow down and limit the amount of spend.

Lord Foster of Bath: Competitors could come into the market with a different approach. Just to be clear, you are saying that, notwithstanding that you think it makes commercial sense anyway and is the right thing, you nevertheless think that there should be legislative change to take account of that.

Phil Cronin: Yes, absolutely. Even more so on the faster games. You talked about speed, Lord Grade. On the non-bingo games, speed very much comes into play. For a long time, we resisted doing slots and scratch cards. Again, we slowed those games down, lowered the limit to £1 on Tombola and lowered the margin. In the long term, especially with 24-hour access card play, I think there is a strong argument for quick games to have spend limits.

The Chair: How much trouble could someone get into if they were of an addictive nature? How much trouble could you get into from bingo?

Phil Cronin: On the bingo game on anybody's site, not just Tombola, there is a limit to losses based on the national maximum stake that other people, as well as Tombola, have. Our maximum stake is lower and the pace of the game is much slower. The bigger risk of getting into trouble by spending money beyond what someone can afford is in the slot games and other instant-win games, because the speed of play is so much quicker. That is where the biggest risk is. We offer them on Tombola, but we have tried to limit the risk on those games too. That is where the biggest risk is.

The Chair: Is there a difference between the revenue from bingo games and non-bingo games? Could you help us with the percentages between bricks and mortar and online?

Phil Cronin: I can give mine, but do you want to start?

Miles Baron: In land-based bingo at the moment, roughly speaking, food and beverage is about 10% or maybe 12%. Gaming machines, or slot machines, is around 40% or in the late 30s. The rest is bingo-derived income.

The Chair: Sorry, what was the first 12%?

Miles Baron: Food and beverage.

***Phil Cronin*:** On Tombola, 60% of our revenue—GGR—is bingo games and 40% is slot and other instant-win games.

Lord Butler of Brockwell: What is the average stake on a bingo game?

***Phil Cronin*:** The average stake for us is about £1. The average stake on our slot games is about 56p. Again, that is only on Tombola.

Lord Trevethin and Oaksey: How long does a game last?

***Phil Cronin*:** Bingo lasts typically between four and six minutes. There is a minimum time for slot games in land-based games, which I think is 2.5 seconds. We have an average of between 10 and 12 seconds' play for our slot and instant-win games.

Lord Trevethin and Oaksey: What is the maximum stake on your slot games?

Phil Cronin: Again, this is very untypical. On Tombola, it is £1. From the very beginning, we have never taken more than £1 on slot and instant-win games.

Lord Trevethin and Oaksey: What is the maximum stake you are aware of for other slot games on other sites?

Phil Cronin: It is significantly higher: over £100.

Lord Trevethin and Oaksey: Is that on one electronic spin?

Phil Cronin: Yes.

The Chair: Mr Wykes, if you could give us your percentages that would be very helpful.

Simon Wykes: We do not disclose those figures, because we look at the business by brand and geographies. But perhaps I can help by painting it in a slightly different way, which may show some of the similarities. Our median customer spends £5 a week with us, or £20 a month, and they visit the site on one and a half days a month. If you are looking to make a comparison with retail, the typical retail customer comes for one and a half visits a week, but they spend longer at the site and spend more money. That is the typical median player. We do not disclose the breakdowns by product category.

Lord Smith of Hindhead: To give us a sense of just how big your businesses are, how many customers do you have on average per week?

Simon Wykes: On our Jackpotjoy brand, we have just over 130,000 customers a month.

Lord Smith of Hindhead: That is £1,000 a year each, is it not, if spend is £20 a week on average?

Simon Wykes: The median spend is £5 a week.

Lord Smith of Hindhead: I beg your pardon, so it is £20 a month.

Simon Wykes: Yes, the median spend is £20 a month.

Lord Smith of Hindhead: From 100,000-plus customers. What about you?

Phil Cronin: We have 70,000 customers a day. They lose, on average, £4 a day, and we have a UK revenue of about £100 million a year. Again, our model is to have more people spending less money, and our ambition is to have yet more people spending yet less money.

Lord Smith of Hindhead: It is good business though, is it not?

Mr Baron, how many bingo companies are there online in the UK? How many different options do people have to play bingo or bingo-related games?

Miles Baron: I can comment only on the land-based Great Britain bingo industry. There are 55 different operators operating land-based bingo in Great Britain.

Lord Smith of Hindhead: But you do not know the figures for online.

Miles Baron: Unfortunately, we do not have any representation with online.

Lord Smith of Hindhead: Do any of you know?

Phil Cronin: I think it is over 300, but I think that is slightly misleading. I think the top 10 would have more than 80% of the business.

Baroness Armstrong of Hill Top: Do you have any breakdown of the age demographic and the gender of people playing bingo?

Simon Wykes: I will kick off that one. Again, I think you will find it is similar across all sites. We are 75% female and 25% male. Our typical customers are aged between 25 and 45.

Baroness Armstrong of Hill Top: I bet that is not so for land-based.

Miles Baron: In land-based, we are about 80:20: 80% female and 20% male. The average age fluctuates wildly depending on the session. In midweek afternoons, it may be into the late 60s; on midweek evenings, it could be into the late 50s; but at the weekend, on Friday, Saturday and Sunday nights, it can be lower than 55. In general terms, across the board it is in the late 50s or early 60s.

Q101 **Lord Layard:** May I ask you about the levy? Your association is not willing to commit itself on a mandatory levy until it knows what it is, but what do you think it should be? Should it be varied according to profits, size, risk profile, or other things? If so, is that practical?

Miles Baron: I do not know if it is practical or not. We believe, as John was saying earlier about casinos, that the issue of whether it is mandatory or not is not the key issue. The first key issue is to identify the amount of money required to do the job. Secondly, 0.1% of our gross gaming yield at the moment is about £620,000. If that contribution was to go up significantly, it would become a considerable percentage of our overall profit. The Great Britain retail land-based bingo industry generates profits of just under £60 million a year. Hypothetically, to go from 0.1% to 1% would give us an additional Research, Education and Treatment contribution of well over £6 million, out of a profit pool of around £60 million, and we have at least 100 businesses that are making a small profit. What I mean by a "small profit" is around £20,000 to £25,000 a year. You would put those under significant pressure. They are highly valuable community assets and that would be a big risk.

Land-based retail bingo is at the lower spectrum of harm in problem gambling rates. It seems a little unfair and punitive for retail bingo to pay more than it currently is. We see any mandatory levy as being set somewhere very close to where we are now.

Simon Wykes: Do you want us each to comment?

The Chair: Do not feel obliged.

Phil Cronin: From our side, I see absolutely no reason why there cannot be a mandatory levy, whatever it ends up being. That would be fine.

Q102 **Baroness Thornhill:** Presumably you all want responsible gambling and things to go well and see it as a form of entertainment. I declare an interest as someone who used to be a bingo caller when I was at university. That was in the older days, when it was "Number 10, Wilson's den", so that dates me a bit. I am concerned about your steps for intervention. I have some idea of what they are and we have heard evidence from people. It is obvious from that evidence that people can slip through the net and get themselves into big trouble. How effective do you feel these interventions are?

Phil Cronin: From the beginning, Tombola's approach has been to limit the maximum deposit. For the 13 years we have operated, it has always been that you cannot deposit more than £500 on a weekly basis. That is still a very high number for the majority of people but it has meant that, from the very beginning, the worst aspects of harm have been limited. That is not to say that harm is not possible, but it has taken the top off by removing the biggest elements.

Secondly, we limit spend per hour. We do that through stake limits and low margins. We work on a 98.5% RTP for our slots, compared to our colleague earlier who talked about 94%. We work to only 1.5%. That means that the average take we have per slot game is less than a penny. Again, that does not eliminate harm, but it limits it.

We then have a very active process of encouraging people to set limits that are lower than the site-wide maximum. Two-thirds of our players have now set lower limits. We actually pay our players to set a limit: when we paid them £1, we increased the number of people with a limit by 50%. A couple of years ago, we introduced a default lower limit of only £250, and you have to actively increase it to get it above that. Now, 95% of our players who have joined since then have a limit that is lower than £250.

All these things are practical, but then you start to introduce interventions. It is important to note that somebody could be experiencing harm on £20 a week, not just on £250 or £500 a week. We start off with more proactive interventions linked to the biggest amounts of money. There are triggers based on losses. We then overlay that with things such as card declines and if somebody changes a card—there are triggers that you can build in, which means that you can start to find other reasons to interact with somebody, not just the total amount of money that they have spent.

As you come away from the top end to the middle end, it starts to become more about education, communication and notification. How do you encourage people to lower their limits and play within an affordable amount of money? Eighteen months ago, we introduced a safe play team in Tombola, who are dedicated and passionate in trying to ensure that players are keeping a check on their spend. It is empowering to hear how much ownership they have of that, and a lot of it is based on soft skills. They look for clues through chat, as well as in data and interactions with customer services. They have a whole range of interventions, which can be as little as reminding people of the tools available, through to a series of telephone calls. All the safe play agents, and the wider chat moderators, have had specific, bespoke training from GamCare.

This is something that we are building on. We cannot rest: we have to keep on learning from and evaluating the interventions. This plays into friend values, retention, advocacy and long-term play; it all builds into a really long-term sustainable model, because we are doing the right thing for the customer.

Baroness Thornhill: You described the different levels. Roughly what percentage of your customers does it involve? What are we talking about?

Phil Cronin: It is probably a low single percentage. There are so many different ways of measuring problem gambling rates and gambling disorders, but I would say it is a low percentage. It is bound to be bigger than among the overall population because, by definition, these people are gambling—although, on the whole, bingo players do not see themselves as gamblers in the way in which those in other gambling activities do. But especially when you add in slot play, you do have to take it seriously. There is a correlation that, within that small group, there are more of them but they are in the higher spend, even within our range. That allows us to target them a little more.

But it is also at the other end. We had one player worrying themselves by spending £10 that they did not have. They wanted to use it to buy a present for their brother and they were distraught about a £10 deposit. You cannot simply label it as being linked to the top end of spend, and therefore we have to find ways of intervening all the way through the spectrum.

Baroness Thornhill: And what about on land?

Miles Baron: Land-based bingo has consciously made the decision to retain its membership system. Anybody who plays land-based bingo is a member, which automatically gives us quite a few benefits. One of the biggest benefits is that it facilitates a very effective self-exclusion scheme. If you decide that you wish to self-exclude, you can do so, as you heard earlier from the casino industry. If you were to decide to try to come back in, even though the six-month period had not lapsed, it is very difficult for you to do so because the minute that your membership card goes through the reader, it alerts the club to the fact that you are trying to breach your self-exclusion.

In many ways, membership makes us slightly different from other land-based gambling operators and it gives us a great line of defence in terms of customer interventions. Of our self-exclusions, 50% do not come back. They do not ask to reinstate and we simply do not see them again. I do not know if that is good or bad. You could argue that, having successfully self-excluded for six months, they have then decided to take themselves out of the game for a bit longer.

The Chair: My Wykes, would you like to add anything?

Simon Wykes: The first thing I would add to what Phil said is that this is not a journey that ends. We are continuing to develop everything about the organisation to better identify this. We all stand aligned in not wanting problem gambling. That is particularly true in our business because, similar to what Phil said, we are a very high-retention model. Most of our customers stay with us for a long time and we want to have a sustainable relationship with them. Sustainability is the key word we use within the business.

So what do we do? The first thing I will mention is staff training. Five years ago, our staff were largely trained to talk about customers' money—"How much money have you got? Can you afford to spend it?" What we have learned over the last five years, and put in extra training on, is to dig deeper than just the money, because personal life experiences can have as big an impact. Has there been a bereavement, divorce or redundancy? Is something else going on in your life?

We talk about training for people in this situation. This is actually quite a difficult thing to do. Starting that conversation with someone is a skill in itself. We have done a lot of training with all our staff to make sure they have the expertise to ask not just the first two questions to get the glib answers but to carry on digging into it, so that we can really try to understand the problem.

The next thing we have done is put tools in place so that customers can set deposit limits, time limits and cool-off periods. We found that sometimes customers talked about using those tools but did not invoke them, so we have now started doing that ourselves. There is a series of operator-based exclusions or restrictions on the accounts.

The final thing, which is probably the most important, is what we call spike reports. We have a 24/7 responsible gambling operation. Every hour, we have a report looking at customers and a whole series of potential markers of harm. It could be spend, lots of engagement in chat asking for bonuses, which might indicate that they have spent too much money and are trying to get it back in bonuses, or a range of other markers of harm. We will have a report of customers whose pattern of behaviour is different from the norm and they will then be reviewed by the responsible gambling team. Sometimes we find some fairly easy explanations: they have won a lot of money, taken it all out and then decided to spend a bit more of it back, which was out of the norm. We would not, therefore, investigate that. If that is not the case, we will make contact with the customer. If we are unable to make contact with the customer, we will start putting restrictions on their account until we have spoken to them and made ourselves comfortable. If we never get any response from the customer, we now start closing the accounts. In the past 12 months we have closed 30,000 accounts on Jackpotjoy, of customers either who have not given us enough information to enable us to be sure that they are comfortable with the level of spend, or because they have not responded in some way to some form of intervention from ourselves.

Q103 **Lord Filkin:** This relates to a line of questioning that we have had already: the industry's ability, assuming that it wants to, to detect and reduce the risks of people having significant harm from their gaming. There was a BBC "Panorama" report of a person who lost £630,000 playing online bingo and then was declared bankrupt. Given what we have heard about the care you take to put in checks, controls and monitoring, and the fact that self-evidently, from the evidence we have heard, quite a number of people are getting into serious problems with gambling, including bingo, is it that other operators are not as careful as you, or is it that it is impossible to find good enough mechanisms to detect early enough?

Simon Wykes: I should probably answer that, since the customer in question was a Jackpotjoy customer. The first bit to stress is that that was in 2014, so five years ago. The processes are very different in 2019 from 2014. As I mentioned in my last answer, our focus in 2014 was largely on whether customers actually had the money. That incident was clearly a very bad situation for that particular customer. She had money, but we just checked that she had money. We did not dig deeper into what was going on in her life to a sufficient extent, or, when she did offer information, we did not go into it in enough detail.

In that situation now, the first thing we would do is flag up a bereavement as something that we should investigate further. That would be our first check. The second check is that that customer started increasing their spending patterns during that tragic time, when she was obviously trying to recover from her bereavement. That would have been adjusted in our spike reports. That is the second safety gap to help address it.

There is a third area. It was before my time in the business, but I would have gone through that customer's chat records. We frequently mentioned putting some limits on, but she did not actually put any limits on herself. This is not an uncommon occurrence. Now, when someone starts saying that they really should set a limit, we will impose a limit. As an organisation, we are extremely empathetic about the difficult situation that that customer was in, but we have learned as an organisation and as an industry in the five years since then. That incident would not happen now.

Lord Filkin: You are commendably open about it. I am still struggling to understand the force of the incentive on operators. What you have described has required quite a lot of learning and skill over a period of time, and therefore the motivation to amass that skill. Secondly, it requires a little bit of cost, because you clearly have to make human judgments on people and, as a consequence, you are denying revenue. At one level it does not look like a very attractive business proposition: you have skill costs and a reduction in revenue from doing a regulatory job against problem gamblers. I believe that you are speaking in good faith when you say that you are doing that, but I cannot see where the force of the incentive is on other operators that might take a more cavalier approach to behave in such a fashion. Therefore, I question whether this commendable degree of self-regulation is good enough, given that there are bound to be cowboys on the prairie.

Simon Wykes: I should add to what I said on the commercials for our business. As I mentioned, we very much consider ourselves an entertainment business. That is what we do. We happen to provide our entertainment through the form of gaming. We look to have very long relationships with our customers. Similar to Phil, our customers have very long tenure—

Lord Filkin: I am convinced that you are genuine. It is probably more a question for the industry.

Simon Wykes: What I meant to say is that for us commercially, our biggest issue is the same as for anything in entertainment. Let us say I get into ten-pin bowling and go on a fairly regular basis, and then, for whatever reason, I do not go ten-pin bowling one week. That then turns into two weeks or three weeks, and then suddenly I do not go ten-pin bowling any more. When you are entertaining, people get into the fun of going through your business. For us, this is a long-term relationship. Spiking short-term profits, which trying to encourage problem gambling would give, would not work for us in the longer term.

Lord Filkin: You are convincing me, and everybody thinks that you are genuine. But surely it is quite likely in this business, particularly online, that other operators will take a different view of risks and benefits.

Phil Cronin: First of all, the lady in question would not have lost that amount of money on online bingo. She actually lost the money on slot machines. There is an important difference between online bingo and slot machines, which plays into the decision on stake limits. My personal view is that the Gambling Commission has issued fines more heavily in the past 24 months; it has ramped up. That has been absolutely the right thing to do. The biggest fines have been where there has not been enough care on the part of the operator for somebody such as this lady, given the amount of money that she lost, the source of funds and so on. There has been a driver for the industry to get its act together. From a purely selfish point of view, that would never have been possible on Tombola, even going back to when we started 13 years ago.

It also plays into the question of stake limits on slots and instant-win games, in particular games that can be quick. If stake limits are brought in online, that is another measure that will limit harm. That is a personal view and obviously not one that is shared by all.

Lord Filkin: A quick question: are there no cowboys?

Simon Wykes: No. No cowboys.

Lord Filkin: We can pack up then.

The Chair: It is slightly anomalous that you have all described measures that you have voluntarily imposed on your own businesses to maintain customer loyalty and enjoyment and all the other things you have described, and yet this is a highly regulated sector. You would expect that the regulator would look at what you guys are doing positively in that direction and roll it out as a regulatory regime across the sector.

Phil Cronin: The regulator is doing a better job of bringing the industry together. There are now regular workshops around sharing best practice on the use of data and other interventions. It is getting there, partially by bringing people together for meetings and so on, but there is also a bit of a stick in terms of the fines. That has got everybody's attention and is making people much more aware of their responsibilities. The two work hand in hand.

From a personal point of view, I have been invited by the commission to be on a panel at its annual events, and I have been invited by GambleAware to be on a panel at its event. I am not saying that we are perfect, because we have stuff to learn, but they are trying to share some of this stuff out. At the Gambling Commission's event, there was a really interesting question from the floor: "As it is always going to be in the interests of the operator to take what they do as far as they can within the regulations, shouldn't the onus be on the regulator to be more specific about standards, rules and so on?" I disagreed with the question. My answer was, "Why have a relationship with a customer that is born out of taking regulations as far as you can go, rather than one that is born out of a sustainable, value-driven proposition that takes a 20-year view of building a relationship with a customer?".

The actions of some of the companies have been really interesting. Big, high-profile companies have been fined and have ended up doing the right thing, and then have suddenly found that the brand benefit of being seen to do the right thing is actually quite commercial as well. It has been that stick and that realisation that have led to a change in attitudes. It may not be quick enough for some observers, but there has been a change in attitudes that is heading in the right direction.

Q104 **Lord Foster of Bath:** Time is short. I am going to ask a question but rather than answer it now, I ask that you write to us, because I would be fascinated. You are describing an industry in an area where there is a relatively low level of prevalence to problem gambling, and you have described a great deal of social enjoyment and social benefit coming from both the online and the land-based part of the industry, and what seems to be a rather better relationship with the Gambling Commission than other parts of the gambling industry have. What changes in either legislation or regulation would you like to see in your industry that would benefit you and your customers, without leading to any potential problem of further gambling harm? You might want to talk, for instance, about the number of machines, or whatever it might be. I would be interested if you could write to me on that.

Q105 **Lord Butler of Brockwell:** My question is the other side of the coin, really. You have talked about building a responsible relationship. This is a question that I asked our previous witnesses: do you have loyalty bonuses and incentives for people to stay in the games that you offer?

Miles Baron: As far as I am aware, in the land-based bingo sector there are no VIP loyalty schemes. If anything, slightly the opposite is true. Just recently, the National Bingo Game Association—a subset of the Bingo Association, which I represent—took over 100 customers down to Cardiff for a VIP weekend, but "VIP" relates to how they were treated and not that they had earned it through gambling. They won it as a prize. The year before, we took them to London for a West End show. The land-based bingo industry is trying to give our customers treats, prizes and holidays; things that are not just cash-based. These are things that they can win that give them a treat and an experience. It makes the land-based bingo experience about more than just gambling for money.

Lord Butler of Brockwell: When you say that they win it, do they win it by regular attendance or participation?

Miles Baron: Yes. Every afternoon and evening we have a special game of bingo. Rather than winning cash, you can win, for example, the possibility of going on a holiday. In past years it has been a cruise, and at the moment it is a weekend before Christmas to go to Blackpool for the lights. Those types of activities encourage the social nature and reputation of the land-based industry.

Baroness Thornhill: And is it random who gets them?

Miles Baron: It is totally random. It is a game of bingo and anybody can win. It is not based on how much you spend or on your attendance. It is totally random.

Phil Cronin: At Tombola we do not have, and never have had, a VIP scheme or VIP managers. We have a philosophy of value that every customer must be treated the same. We have no disproportionate bonusing: no one gets paid bonuses to come back to the site disproportionate to how much they have staked. We want the lowest spender on our site to feel as valued a customer as the highest spender. That has been our philosophy from the very beginning.

Simon Wykes: Calling it a VIP scheme is probably not quite right; that always conjures up the British Airways scheme, with points and so on.

We have a small number of account-managed players that we will look to develop a personal relationship with in a number of areas. First, we generally do it for AML or responsible-gaming reasons. If we have a customer who is spending some money, we want to get to know them better, so we will start having those relationships and they might get slightly enhanced seasonal gifts, such as a bigger Easter egg or an event. The VIP managers may meet them for dinner or something along those lines to build a deeper relationship with them. It is not linked to a hierarchical spend: spend is one of the parts, but there will be a number of triggers that might lead us to account-managing a player.

Q106 **Lord Smith of Hindhead:** This is really a question about online rather than land-based bingo operations. We all recognise that there seems to have been an explosion of advertising for online bingo these days. It is absolutely everywhere. We are conscious of the fact that Tombola got into a bit of difficulty a while ago with an "I'm a Celebrity" game, where it was said that the advertising was directed too much at those who were under 18.

Phil Cronin: Can I just explain? We are into our second year of sponsoring "I'm a Celebrity", which is coming up again in a few weeks. As part of that sponsorship package there is an "I'm a Celebrity" app. The reason we are able to sponsor the "I'm a Celebrity" show in the way that we do is because it is shown after 9pm, and so is post-watershed. At the time, as part of our relationship with ITV and other broadcasters, sponsoring the app came with sponsoring the show. It was worked out under what we thought were the same restrictions and rules, so we were able to sponsor the show and therefore sponsor the app. The Advertising Standards Authority decided that there was a possibility to age-gate the app; to have some kind of assessment on the app that would prevent or reduce the chances of people seeing our ad. Because technically that was possible, we should not have advertised on the app without making that happen.

After making that case against us, it changed the rules to make it more explicit that you have to do that in digital advertising. So ITV has created an additional barrier on the app, asking people for their date of birth. It is only those who claim to be over 18 who will actually see it. Importantly, that is not necessarily fool-proof, because some people might give the wrong age. But that is all about the advertising. If they subsequently come through to Tombola, they have to go through a much more rigorous age-gating to be able to play.

Lord Smith of Hindhead: You are not alone in having difficulties with that, and that is obviously being addressed. I think Foxy Bingo was fined £350,000 on advertising back in 2018. I know you are not here to speak on—

Phil Cronin: We were not fined.

Lord Smith of Hindhead: Yes, I am just putting it into perspective.

I would like to ask two things. First, how much do each of your companies spend on advertising each year? We have found it really difficult to get a global figure, although we are all aware that advertising is absolutely everywhere. Every time you switch on the TV, there is one of your advertisements. How much are you spending on it? Secondly, I am surprised that you are advertising so much, bearing in mind that you, Mr Wykes, said that you have a very good retention of customers. It would be interesting to know how many new customers you have to get to sustain your business, and also what measures you have put in place to make sure that you are not advertising to people who are under 18 or who are vulnerable.

Phil Cronin: Seeing as the first part of the question was directed at me, I will pick it up. Last year, in our financial year up to the end of April, we spent £32 million in the UK on advertising. Our revenue in the UK was about £90 million, so 36% or 37% of our revenue was spent on marketing the business.

Lord Smith of Hindhead: That seems very high.

Phil Cronin: Yes, I am going on to explain that. Half of that, £16 million, was spent on television advertising. How does that work as a business model? You are right: from the very beginning, we have had a twin strategy. One part is to try to retain customers as well as we can; the other is to advertise and promote our services to new customers. Over the last four years, for example, we have doubled in size in the UK. We are a digital-only brand, so unlike Mr O'Reilly in the previous session, we have no benefit from street position and land-based branding. We exist only by promoting what we actually do.

In addition to thinking about the financial return in a particular year, we also have another quite simple financial model: how much does it cost to bring a new customer into the business, and how commercially valuable might that customer be to you over the very long term? We feel that we get a long-term return from all the advertising that we do, first from recruiting new players and then over time. I have explained our model for lowering the cost of play. Because it is a private business, and I am fortunate to own the whole business, it can take a long time to get that return by lowering the spend, but if your retention is really good, you will eventually get a very good return on that investment.

The Chair: So advertising works for you?

Phil Cronin: Advertising certainly works for us.

Lord Smith of Hindhead: Thirty-seven per cent is very high.

Simon Wykes: We do not do much TV advertising, to be honest. The only brand that we advertised this year was the Jackpotjoy brand, where we have spent in the mid to high single-digit millions on TV. I could not give you the exact figure.

Lord Smith of Hindhead: What is that as a percentage overall? It is not

37%, such as for your colleague. What sort of percentage of your overall business are you spending on marketing?

Simon Wykes: For total marketing, it is usually within 10% to 15% of revenue. We tend not to go on TV much but, to echo what Phil said, TV is not our most efficient form of advertising. We are exactly the same: Jackpotjoy is an online-only brand, so every two years we give it a little boost with TV to get increased brand awareness. That is all that our TV adverts are for: brand awareness. We will then cut out TV for a spell and, in a couple of years, feel the need to do it again. By watching our customer numbers overall, we see that TV gives them a little lift. It does not pay back quickly, but we will hold that lift and then it will slowly decline, and so we will then want to go on to TV again, just to raise that number.

Lord Smith of Hindhead: And you are both taking care, obviously, to make sure that your adverts are not appealing to anyone who is under 18.

Phil Cronin: I will answer that quickly, because I know that we are short of time. If the panel has any time to look at the advertising, you will see that for a long time Tombola's advertising has been about brands. We use real players, who come once a year for a TV shoot and are all featured in the ad. It is not about "win-win-win" but all about the community. We promote the games that we have. We have not had any sign-up offers on the sites at any time of the day for more than three years. We do not have a land base, so over time we are building a brand, and it ends up being sustainable for us. Because of that, we obviously focus it during the day, while ensuring that it is not during children's programming. For our arcade product, it is after 9 pm at night.

The Chair: When you are not using television and the traditional linear broadcast media, are you using social media?

Phil Cronin: Stepping away from TV, search is the next biggest—

The Chair: Search?

Phil Cronin: Yes, through PPC, Google and other search engines. There is also Facebook, which we are now able to target from an age point of view. There is YouTube and video on demand, and then display advertising just on general websites—although that is actually not a big deal for us. Some operators have affiliate advertising, but we have very little.

The Chair: Would you use social media if you could not be guaranteed that it would not reach under-18s?

Phil Cronin: We obviously would not if we were unable to do that—that is the straightforward answer. Where it is done well, you are wasting your money if your adverts are shown to people who are under age, because you are not going to be able to monetise them. It is in our interest and the social site's interest to provide that targeting.

The Chair: Do you agree with that?

Simon Wykes: Yes. Clearly, we do not have under-18 customers. They have to go through a registration process and e-verification. If we are not satisfied with the e-verification, they will have to produce their documents before we accept a deposit. They are just not able to do so. It would be a very poor advertising campaign if it appealed to under-18s, because I would not be getting much bang for my buck.

Q107 **Baroness Armstrong of Hill Top:** I want to ask you about the use of credit cards, although we are running out of time. You argue that we should recommend allowing that. We have had evidence from gamblers that their use was not monitored effectively and was one of the things that led them into real problems. Can each of you write to us specifically on that issue, because we take it very seriously?

Phil Cronin: If I may make a quick point, we are stopping the use of credit cards on Tombola. We have done that for a few weeks and they are gradually coming off the sites. We have decided that we are just going to stop using them.

Baroness Armstrong of Hill Top: Good.

Miles Baron: Land-based bingo does not accept credit cards anyway.

Simon Wykes: Following on from what Phil said, I would add that we are taking credit cards off one of our brands, with the whole aim of learning. It is part of an industry initiative so that we will understand how to migrate customers on to debit cards, which we will then share with the rest of the industry.

Baroness Armstrong of Hill Top: But you still allow credit cards to be used to get cash from ATMs for land-based gambling?

Miles Baron: ATMs in bingo clubs do not accept credit cards, only debit cards.[1]

Baroness Armstrong of Hill Top: And what about cash points? Anyway, if you have anything else to raise on that, I would be grateful.

The Chair: Particularly on credit and debit cards, and your attitude to their use. That would be very helpful to us. We are up to the last question now.

Q108 **Lord Trevethin and Oaksey:** I have seen in your helpful paper that the Bingo Association supports the idea of a legal duty of care being owed to customers, which obviously means that customers who have been mistreated in some way may be able to bring legal action for compensation. Am I right about that? How do you think such a duty should work in practice?

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1 Note by witness: In the session answered, ‘If ATMs are sited in a land-based environment, yes, potentially’, but provided a correction after the session.

Miles Baron: I think my words were that we support it in principle but the proof of the pudding, if you like, is in the eating. We would want to understand more and know what it actually meant. It is more a kind of acceptance and support for the principle. On how it would work in practice, I am not sure I have enough detail and experience to make a statement on that at the moment.

Lord Trevethin and Oaksey: Do any of you have any actual experience of such claims being made in the bingo context?

Miles Baron: Not in the retail bingo environment, no. [The other witnesses indicated agreement.]

The Chair: Very good. On behalf of the Committee, thank you all very much for your evidence. We look forward to hearing from you in follow-ups. I thank all three of you very much indeed.