Written evidence submitted by Kindred Group Plc

DCMS Select Committee 'Gambling Regulation'
Written Evidence Submission

1. We are pleased to respond to the Digital, Culture, Media and Sport Committee's Inquiry into Gambling Regulation. We would like to thank the Committee for allowing us the opportunity to share data, insights and evidence from our business – and would be delighted to provide any further information required either orally or via further written evidence.

About Kindred Group

2. Kindred Group has brought together nine of Europe's most successful online gambling brands – forming one of the largest online gambling companies in the world. Globally, we offer customers a great form of digital entertainment, fine-tuned to present an unforgettable experience in a safe and fair environment every day.
3. Our brands in the UK include 32Red and Unibet – and our Wimbledon HQ is home to over 400 employees. We are also a major supporter of UK sports, such as boxing, racing and football, including the National League.
4. Our collective purpose is to transform gambling by being a responsible, and trusted, source of entertainment that contributes positively to society. We offer our customers a great experience that's safe and sustainable, while recognising our opportunity to support local communities and taking an active part in preventing harmful gambling.

Our Journey Towards Zero - our aim to generate no revenue from harmful gambling

5. Gambling at its best offers thrill and excitement. This is what we strive for all our players to enjoy.
6. However, for a small percentage of people, gambling becomes harmful, affecting not only the lives of the players but also their family and friends.
7. As one of the largest gambling operators in the world, the prevention of harmful gambling is one of our top priorities and addressed throughout the organisation.
8. That is why, in 2021, we created our Journey Towards Zero ambition, aiming to generate zero percent of our revenue from high risk players.
9. As part of this, we became the first operator to offer unprecedented transparency by opening our books, publishing revenue derived from harmful gambling.
10. We track the progress of this ambition on a quarterly basis and disclose openly the share of revenue derived from high-risk players (see definition under "Customer risk groups").
11. In addition, we report on the share of customers that positively change their behaviour after receiving an intervention as a result of being detected on our RG prevention system. These are two central KPIs on our Journey Towards Zero.
12. The most recently available data from the final quarter of 2022, suggests that our share of revenue from harmful gambling decreased to 3.3%, declining from 3.8% in the previous quarter.
13. In over 86% of cases, we are able to de-risk player behaviour through our safer gambling interactions and interventions.
14. The Journey Towards Zero is a central pillar of our operations as a business – and we believe it will also be helpful to the Committee in understanding some of the questions it is attempting to answer through this inquiry.
15. We support the submission from the Betting and Gaming Council (BGC) to this inquiry, and provide this submission to highlight the work of Kindred Group – as part of its industry-leading Journey Towards Zero – in providing evidence, data and leadership in safer gambling initiatives to help specifically with providing insights for questions 1 and 2 of the inquiry.

Q1 – What is the scale of gambling-related harm in the UK?

16. The submission from the Betting and Gaming Council provides a detailed analysis of the data relating to gambling-related harm in the UK. We felt it would be helpful to use our submission to provide some detailed data and insights as part of our Journey Towards Zero.
17. One of the main problems we have identified in the debate around gambling in the UK is the wide variety of statistics and data in relation to harm. Whether it is prevalence studies or the variety of economic models on revenue derived from harmful gambling that is often used by a range of campaigners and organisations, it is difficult for anyone to have a clear picture on the situation.
18. However, operators are well placed to understand their own customers behaviour – we are able to understand, monitor and act on behaviour on our platforms using our Player Safety-Early Detection System (PS-EDS). Together with supporting technology, data, systems and teams, it implements a process that we believe tracks harm and protects players in a highly effective way. PS-EDS is based on data science and algorithms that provide analysis upon combinations of:
    a. An RG Behaviour Risk Score based on the DSM-5 criteria used to diagnose gambling disorder;
    b. A Financial Risk Score based on a customer's financial transactional information and from data via TransUnion;
    c. A risk assessment of customers gambling behaviour (e.g. session times, product choices, deposit patterns, use of safer gambling facilities etc;
    d. The customer's relevant demographic profile and information (e.g. location and age).
19. The analysis provides a final Risk categorisation as to potential for gambling harm split between:
    a. No Risk
    b. Low Risk
    c. Medium Risk
    d. High Risk
20. We would be delighted to welcome further scrutiny or analysis of our PS-EDS system if it might be of interest to the Committee. There is also further information about our methodology and the research that sits behind it published at https://www.kindredgroup.com/sustainability/our-journey-towards-zero/
21. This use of technology allows us to be able to regularly report on the behaviour of customers on our platforms – including revenue derived from the different categories, the use of RG tools and how successful our interventions have been. We have outlined some UK specific data below:

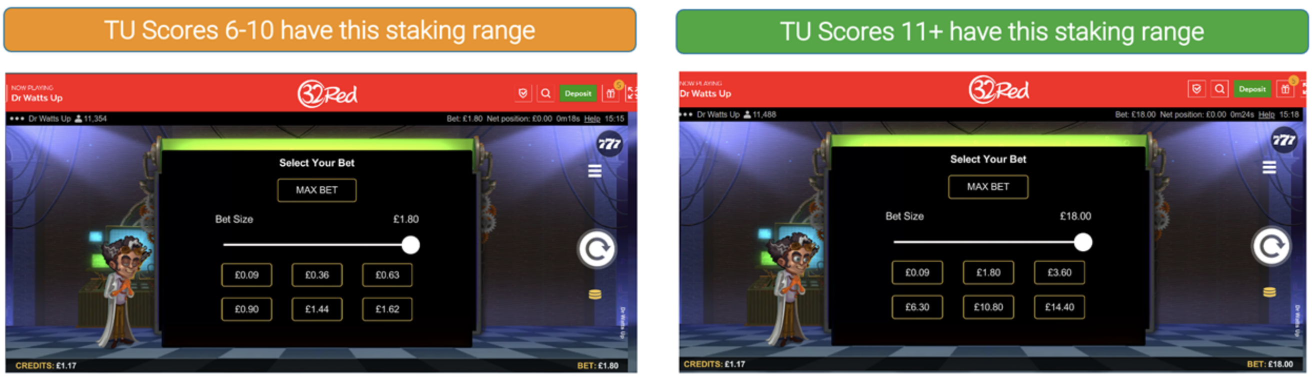
22. As the Committee will note from the graph above, Kindred has made significant progress since 2020 in reducing the revenue we derive from high risk players. It is also notable, in our view, that as the use of responsible gambling tools has increased among our customer base, the revenue derived from high risk players has fallen. This is a promising trend, and one we continue to strive for further progress with.
23. There is a long-standing and often used claim that problem gambling is in gambling companies' interest, or that upwards of 80% of our revenue comes from a small number of people (the regularly used figure is c.5% of problem gamblers). As the Committee will see, our most recent data shows a significant difference to this – in that around 3% of our revenue comes from high risk players. Clearly, we are striving for this to be lower – but it should be noted that this is on a significant decline since we first started reporting the data (as the graph above shows).
24. And we should be clear on another point. Everyone – including the gambling industry – loses when someone develops harmful gambling behaviour. Listed businesses have huge financial incentives to deliver sustainable profits to shareholders, which is apparent in the valuation of gambling businesses over recent years.
25. However, Kindred is confident that the scale of gambling-related harm in the UK is reducing and operators are playing a key role in this reduction. Whether it is the investment into sophisticated detection systems and teams to intervene in real time, increased use of RG tools – being driven by greater advertising of these to our customers - or the commitment from operators like Kindred to strive towards a more sustainable sector, we are making progress.
26. We see long-lasting and healthy customer relationships as the norm and the only basis on which to conduct and develop our business. That is why we devote significant resources and effort towards improving our tools for identifying and helping those at risk of gambling harm. As a technology-oriented gambling company, we see great potential in AI technology and big data for improving the safety of our offerings.
27. We are on our way towards making the gambling market sustainable and we are becoming increasingly adept at preventing harmful gambling, but we still have a way to go. We are keen to work openly and collaboratively with all stakeholders - and believe much is to be gained by focusing our efforts on tech-based solutions to tackle problem gambling rather than headline grabbing measures. Only then will we achieve our shared goal of reducing problem gambling while ensuring betting remains accessible, safe and enjoyable for all.
28. We also want to be clear that behaviour is a fundamental and vital part of identifying harm, and spend does not always equate to harm. Our technology-first approach gives us the ability to treat everyone as an individual, and not as a specific population (e.g. casino players) or based on blunt markers such as spend. And we must move away from the position that any gambling spend is harmful as it reduces the amount that can be spent on things like cinema trips. This categorisation is wrong and a very dangerous basis for everything that gets debated. We should be clear that for millions, gambling is a legitimate form of entertainment spend and that adults can choose how they get their entertainment based on taste and preference.
29. As highlighted above, our data shows that c.3% of our revenue is derived from players exhibiting high-risk behaviours. And in over 85% of cases, we are able to de-risk player behaviour through our safer gambling interactions.
30. Following the roll-out of our automated affordability/financial risk detection framework, we are able to reject c.7% of customers at the point of application due to financial risk indicators that we are able to identify by working with TransUnion.
31. Our data also shows the following:
    a. Players of sportsbook products can display higher levels of risk than players of casino products.
    b. The risk profile of our revenue from higher spending accounts can be significantly lower than the risk profile of lower spending accounts.
    c. Players with no bonuses on their account can have a higher tendency towards harm than players with bonuses.
    d. The risk profile of revenue in customers leaving our platform when asked to provide financial data/documentation is often significantly below the average for the UK

overall – creating significant inconvenience and intrusion for customers exhibiting no signs of risk.

32. While some of the above data goes against the perceived wisdom often seen in the debate, it shows how complex the issue of gambling-related harm is – and why it is key to have further data and insights to make firm policy conclusions and recommendations.

Q2 – What should the key priorities be in the Gambling White Paper?

33. Kindred believes that there is a clear opportunity for the White Paper to introduce a data-led, targeted and proportionate approach, particularly on issues such as affordability/financial risk and stake limits. Across our platforms we have already been rolling out such solutions with promising signs of success.
34. When designing regulation, the Government must remember that betting is a pastime enjoyed by millions. Regulations and rules will not stop that behaviour, it will just alter it. Customers wishing to place a bet will move to another platform - and in the worst case an unlicensed operator that does not require any form of checks or limits on stakes. It is why a risk-based approach is vital - where we use data and insight to apply checks rather than a blanket approach.
35. Technology has advanced rapidly across the world in a number of industries. Gambling is no different - with the sophisticated data held by gambling companies about its customers meaning that we can apply sophisticated solutions to tackling harm.
36. We can, for example, analyse harm in a way that many other industries - such as the alcohol sector - simply can't. This allows us to be incredibly targeted in our interventions - ensuring that the focus always remains on those that need help while not hindering the overwhelming majority who gamble safely and responsibly on our platforms.
37. This risk-based approach is critical in our focus to reduce gambling-related harm. The over-simplification of the debate is, at times, frustrating - this is a complicated issue and requires appropriate and informed solutions.
38. Blanket approaches to issues such as affordability/financial risk or online stake limits would be a huge step backwards in respect of the technology, data, systems and expert teams used to manage and combat the risks of gambling harm. It would be counter-productive and not effective at improving gambling harm rates.
39. Indeed, on stake limits specifically, we are able to apply dynamic, real-time stake limits based on a customers risk and financial profile (an example of this is displayed below):



40. From our internal analysis, the vast majority of revenue from spins above £5 is from customers with no affordability risk (TransUnion scores 16-20) – highlighting the need for a dynamic, risk-based approach that allows those customers showing no signs of risk to play at a level they are comfortable with in the licenced market.
41. Blanket approaches to gambling policy are overly bureaucratic, unprecedented and disproportionate, particularly in respect of the 97% of customers that always gamble safely and responsibly.

42. A risk-based approach should therefore be our collective focus – and the one that the White Paper takes.
43. Kindred also believes that, while we fully support the current licensing objectives in the Gambling Act 2005 (in summary - keep crime out; maintain fairness and transparency; protect children and the vulnerable), they lack balance and allow the regulator and other stakeholders to compartmentalise policy and enforcement without due consideration as to wider impact. To provide some balance, the White Paper process should also consider making a further objective central to the work of the Commission and policy making, such as: *the preservation of confidence in gambling markets*.
44. We also believe it is important to ensure the Gambling Commission is clear in its role – in light of recent indications from CEO Andrew Rhodes that its enforcement officials have overstepped the mark (on AML and requirements to cease business with customers in the absence of bank statements and payslips, for example). A clear sense of direction from the Government in the White Paper to the Gambling Commission will be helpful for the whole sector.

ENDS

February 2023