

# HIGHLIGHTS OF SPEECH BY SARAH HARRISON

## CHIEF EXECUTIVE, UK GAMBLING COMMISSION TO THE SOCIETY LOTTERIES COUNCIL ANNUAL CONFERENCE

[HTTPS://WWW.LOTTERIESCOUNCIL.ORG.UK/EVENTS/ANNUAL-CONFERENCE](https://www.lotteriescouncil.org.uk/events/annual-conference)

### What is a “Society Lottery”?

In most jurisdictions, the state lottery operates as a monopoly. Many jurisdictions, however, allow exceptions to that. The original intention for the exceptions may have been to allow local charitable organizations to operate a lottery on a small scale to raise funds. Whatever the original intention may have been, it is no longer a local small business enterprise. In the UK, it has become a very big business indeed. One of the biggest organizers of the nationalization of these local charities is The Health Lottery. According to the its website ([www.healthlottery.co.uk](http://www.healthlottery.co.uk)), “The Health Lottery is not a national lottery. It is 51 local society lotteries each one representing one or more local authority areas across Great Britain. Each society lottery is licensed by the Gambling Commission and will raise money for health related good causes within their respective areas.” Society lotteries are the collection of small local lotteries which band together to form a single large lottery that markets on a national scale. See the website of their association: [www.lotteriescouncil.org.uk](http://www.lotteriescouncil.org.uk). They are legally authorized to operate lotteries in the UK and are applying sophisticated all the marketing and distributional tools that reflect their ambition to maximize their lottery revenues.

The below speech would appear to be a testament to the reality that “society lotteries” have achieved the stamp of approval and legal legitimacy and are here to stay.

It’s really important for those across both the lotteries sector and wider gaming industry to take stock of how customers are participating so we can identify emerging issues and tackle risks. Here, our regular surveys continue to provide useful insights into key trends:

- Whilst almost half the British population had gambled in the past month (12% playing society lotteries) participation rates have, overall, declined - driven primarily by the continued drop in National Lottery draw participation.
- We are also continuing to see changes in how people gamble, notably through the growth of mobile and tablet. For example, mobile play amongst society lottery consumers rose from 13% to 18% between 2015 and 2016. Research also showed that online play has increased beyond the early adoption by 18-34 year olds, and is now as prevalent amongst 35-54 year olds.
- Social media has facilitated the take up of gambling style games, with their appeal to younger audiences. Our latest analysis of gambling trends with young people aged 11-15 years, show 9% of children have played gambling style games at some point - the majority of which were via mobile apps, closely followed by

Facebook and other social media sites.

- It will come as no surprise to this audience that the use of TV advertising and advertising on social media has grown. There is an increased focus on professional marketing in the lottery sector with some operators now using large scale television advertising to attract players.
- Our survey indicates almost half of those that have gambled online across the gambling sectors were prompted to do so by TV advertising, and 21% were influenced by social media.
- The increase in advertising brings some specific challenges for ourselves and advertising regulators. But it also brings wider challenges. Shaping public attitudes towards gambling and the normalisation of gambling – it is no surprise therefore that advertising was one aspect of the previous Government’s gambling review.
- The Commission licenses nearly 500 society lotteries, 38 ELMs and 10 local authorities. The sector has seen significant growth with our latest industry statistics showing that, in the year ending March 2016, your sector sold lottery tickets valuing over £480 million. This is a 10% increase on 2015 and well over 100%



increase on the last five years. We also know that on average, 43% of the money collected via those ticket sales contributes directly to the core aims of the relevant societies.

- This remains a highly diverse sector in terms of scale, cause supported, and product, and this trend is increasing. To give examples of this diversity we know of one lottery operator which has successfully teamed up with a well-known high street bookmaker to sell scratchcards, and we know of one ELM who is considering introducing a fast draw lottery.

- Trends in channel shift apply here too with some society lottery operators migrating from face to face and postal sales to online, DRTV and other channels. The Commission currently licenses 178 remote lottery operators, and just under 200 ancillary operators. This shift is also reflected in participation trends with those participating in remote lotteries more than doubling over the last five years - increasing from 15.5% in 2013 to 38.4% in 2016, and at the same time participation in non-remote lotteries is falling, for example 88.1% in 2013 to 63.3% in 2016.

- These changes bring scope for growth but also bring issues. This is why we want to work effectively with the society lotteries sector to ensure consumer confidence in getting a fair deal from providers, including in relation to contributions to good causes.

- This is important also at a time when we are seeing a worrying decline in confidence in the gambling sector, with public trust in fairness almost halving between 2008 and 2016 from 61% to 38%.

### Our priorities at the Commission

Our regulatory approach puts consumers right at the heart of everything that we do. While this has been a focus for the Commission since it was created, consistent with the statutory duties and licensing objectives, it is one we are building on for the future.

We want to see a market in society lotteries, commercial gaming and the National

Lottery where consumers:

- easily understand the product and are clear on the terms, such as the contribution to good causes
- are confident in knowing their rights and having access to information to help inform decisions
- appreciate the risks as well as the possible rewards
- have access to tools to help keep play safe and reduce risk of harm

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- know where to go, for example with complaints, if things go wrong.

Consumers who are confident and empowered will help contribute to the long term health of the market sector.

These themes and others are being developed now in the Commission's plans for a new corporate strategy. The process to develop this is underway and we have an open invitation to all operators, and other stakeholders, to help us shape this.

Nearer term, the Commission has just published its business plan for 2017-2018 which reflects our consumer priorities and direction of travel. I will give some examples of work underway, and planned, to illustrate this:

- Tackling misleading advertising

and unfair T&Cs is a key theme. The Commission has joined forces with the Competition and Markets Authority and in the year we expect the CMA to complete its investigations into online gaming which will help set a new benchmark standard for transparency and fairness in terms and conditions.

- This summer we will publish final plans for reform of our enforcement policy. We want to promote a culture among operators which puts consumers first, which reinforces learning and best practice, and which raises standards. Our proposals will see tougher sanctions for

persistent or systemic failures. We also propose discounts on sanctions for operators who recognise failures quickly and take effective action to put things right for consumers.

- Over the year we will complete our work on complaints handling and redress which includes consideration of the role of IBAS, the society lotteries sector ADR provider. This is against a background of consumer complaints and contacts to the Gambling Commission increasing by 300% over the last two years. We will also continue work to promote the Annual Assurance Statement – a requirement on large operators, which in the society lotteries sector captures the Health Lottery and Peoples Postcode Lottery. The AAS requires operators to review annually the actions taken to meet their licence We

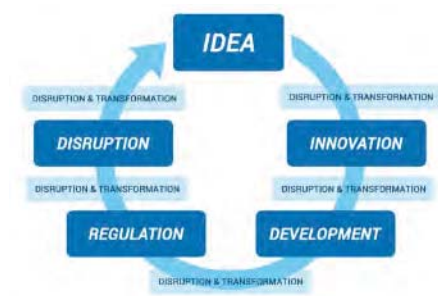
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## Causes of Disruption

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was always prepared to respond to every disruption and challenges posed by the regulations and legislations, completely in sync with transformation needs of the industry. It adjusted the business models to comply with regulatory frameworks and took advantage of its in-house technology to modify and upgrade its product offerings, not only matching the benchmarks and standards set by regulators but also capturing the mindset of players dynamically. The transformation strategy that Sugal and Damani laid at each stage was evolutionary in its own way as all the disruptions were of different kind and adapting to them required counter as well as preventive mode of planning.

There is a vicious cycle of transformation and disruption which applies to every industry, which begins with an Idea followed by Innovation and then with Regulation and



finally ends with a Disruption. Within each stage, there are disruptions of different forms which the industry need to counter, giving rise to the transformation needs and it's a cycle which never ends as we can see in the picture here.

Agile and culturally aligned organizations see opportunity in disruption rather than a threat. They have their purpose defined and they have the ability to communicate their vision clearly, which helps them in countering and reacting to possible disruptions. One of the most important factor to foster a culture of disruptive innovation, is to articulate the purpose of the organization with time. The partnerships and other alliance strategies also plays a very important role in today's era of "Converging Mindset".

Going in to the future, Sugal and Damani is ready for the expected and unexpected challenges that might surface with time. We understand that factors like Technology,

Competitors, user-preferences will always be at the helm of things and we have our mechanism to sense the disruptors and act against them. We have necessary tools and processes to manage the transformation needs and act as an Innovator.

Regulators have a big role to play in the lottery industry and they can help to improve technology and processes; assisting them to create a better environment for social benefits. The Public welfare campaigns, the employment scenario and overall economy of the nation can be given a boost by simply assisting the tool called "TRANSFORMATION". ■

## Highlights of Speech

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agree with this. We want operators to raise standards and to do more to make clear the scale of contributions to good causes. We will be considering whether further regulatory requirements are necessary here.

Further, in relation to branded and umbrella schemes, it is vital that ELMs and society lottery operators ensure sufficient information to make it clear to consumers which society lottery they are being invited to participate in. While specific requirements are set out in Gambling Commission advice (Promoting multiple society lotteries) again, we are considering making these regulatory requirements.

Any proposals in these areas will of course be subject to consultation including with the Lotteries Council. The gambling participation survey published earlier this year shows that participation in lotteries, other than the National Lottery, remains one of the highest for any gambling activity.

The lotteries sector, like every other part of the gambling industry, is evolving quickly, with more diverse channels and products, and many of you now successfully promoting instant-style products. This creates more convergence of products in the society lotteries sector, the National Lottery portfolio and the commercial gambling sector. It also changes the hierarchy of harm as society lottery products move away from play that is lower risk (in relation to the

licence objectives) towards more mainstream gambling products.

The Gambling Commission will look at the implications of market convergence as part of our planned future work in preparation for the next National Lottery licence. We also look to society lottery operators now to consider carefully the implications of product and channel development for compliance with the licence requirements which are designed to keep play safe. While the prevalence of problem gambling in this sector may be relatively low you have a real opportunity – and a responsibility – to promote responsible participation as your market changes and grows.

We understand that you are operating in a different environment with different objectives to other gambling sectors. Where we can, we specifically recognise this by making sure regulation is proportionate and properly targeted. For example, that is why we have decided to adjust our requirements in relation to remote technical standards (RTS) to reflect a different profile of risk in your sector, and it is why we intend to relax automated self-exclusion requirements. The details of these decisions can be shared by my colleagues.

It is clear that lotteries are a vital and growing part of the fundraising sector, last year returning over £200 million to charities and other good causes.

But, at the same time, our interests, to protect consumers and to keep gambling fair and safe, need to be high on your agenda. As principles, they underpin the licencing objectives with which you must comply and more widely, they are crucial to the development of a healthy market sector over the long term.

I look forward to working with you on this shared agenda. I invite you to engage with us as we shape our new strategy for the future. I am lucky to work with some very experienced colleagues who understand your sector and are here today to help and to answer your questions. ■