

COVID-19 – GAMBLING IMPACTS AND REGULATORY RESPONSES



COVID-19

Welcome to our 'COVID-19 – gambling impacts and regulatory responses' report, the second in a series of mini-survey reports from IAGR's Statistics Sub-Committee.

We have produced this special report to recognise the global impact of COVID-19 on gambling and the myriad of responses by national governments and gambling regulators to respond to the pandemic. It provides a snapshot of the situation, as reported to us in June 2020.

Thank you to all who completed this mini survey, which received the largest number of responses of our surveys so far. Please look out for our next mini-survey – on money laundering and terrorist financing – which will be open for responses in August.

James Green, Chair
Statistics Sub-Committee

1 INTRODUCTION

1.1

The International Association of Gaming Regulators (IAGR) consists of representatives from gambling regulatory organisations throughout the world. Our mission is to advance the effectiveness and efficiency of gambling regulation.

1.2

This report contributes to that mission. It presents the findings of our mini-survey on COVID-19. The survey explores the impact of COVID-19 on gross gambling revenue, on problem gambling, illegal gambling, and specific products, such as virtual events. It also looks out how regulators have responded to the pandemic and their forecasts for longer term impacts.

2 AIM

2.1

The aim of this report is to present the findings of IAGR's COVID-19 mini-survey.

3 METHODOLOGY

3.1

The underlying data for this report was collected from a survey of IAGR member jurisdictions conducted in June 2020. The survey was compiled, administered and analysed by the IAGR Statistics Sub-Committee. It was conducted via an online survey tool.

3.2

In total, 47 jurisdictions¹ responded to the survey, including both IAGR members and non-members. The regional split of respondents was:

- Africa: 21%
- Europe: 38%
- North America: 17%
- Asia / Oceania: 15%
- Central America, Caribbean / South America: 9%
- Central / South America: 7%

¹ Note that the survey was conducted at jurisdictional level and not at country level. According to the IAGR by-laws (s3.1) jurisdictional memberships consist of qualified agencies, which can be a regulatory body, a commission, or statutory body responsible for regulating the gaming industry within its jurisdiction. Each state or province within a country may be considered a jurisdiction. One jurisdiction can have more than one jurisdictional member if the jurisdiction has more than one qualifying agency.

4 GROSS GAMBLING REVENUE

4.1

Gross Gambling Revenue (GGR) is the amount wagered or staked minus the winnings returned to the player(s). It is used to measure the economic value of gambling as it determines the level of earnings from gambling operations before the deduction of taxes, salaries and other expenses (i.e. it is more broadly equivalent to ‘sales’ than ‘profit’). In most jurisdictions GGR is the primary measure of the size of the gambling industry and therefore it provides a useful metric to assess the impact of COVID-19.

4.2

For each main gambling product type, in both land-based gambling and online gambling, we asked jurisdictions to tell us whether their licensed operators had experienced a substantial (approximately >50%) change in GGR during the initial months of COVID-19, compared with the same period last year. The analysis below only presents data for those jurisdictions where the gambling product type is permitted. Not all jurisdictions had GGR data available at the time we conducted the survey.

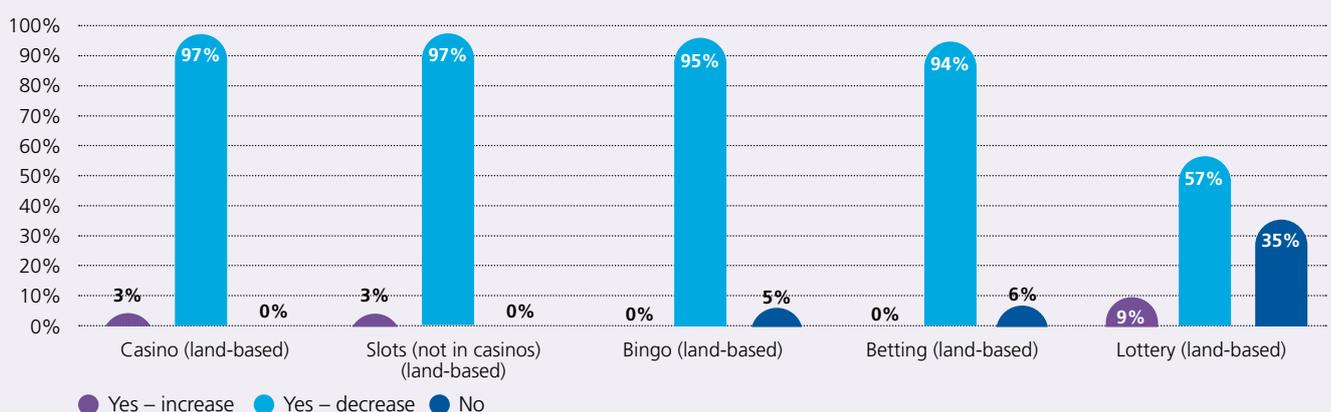
4.3

Land-based gambling. For land-based gambling, there was a substantial decrease in GGR from casinos (97% of respondents), slots (not in casinos) (97% of respondents), bingo (95% of respondents) and betting (94% of respondents). Most of this GGR impact would likely have resulted from ‘lockdown’ closures, or restricted operating capacities of gambling premises due to social distancing rules. The global impact of COVID-19 on the lottery sector was less, with only 57% of respondents reporting a substantial drop in GGR. This was probably as lottery products are typically purchased from food shops and other retail stores, which remained open in most jurisdictions.

4.4

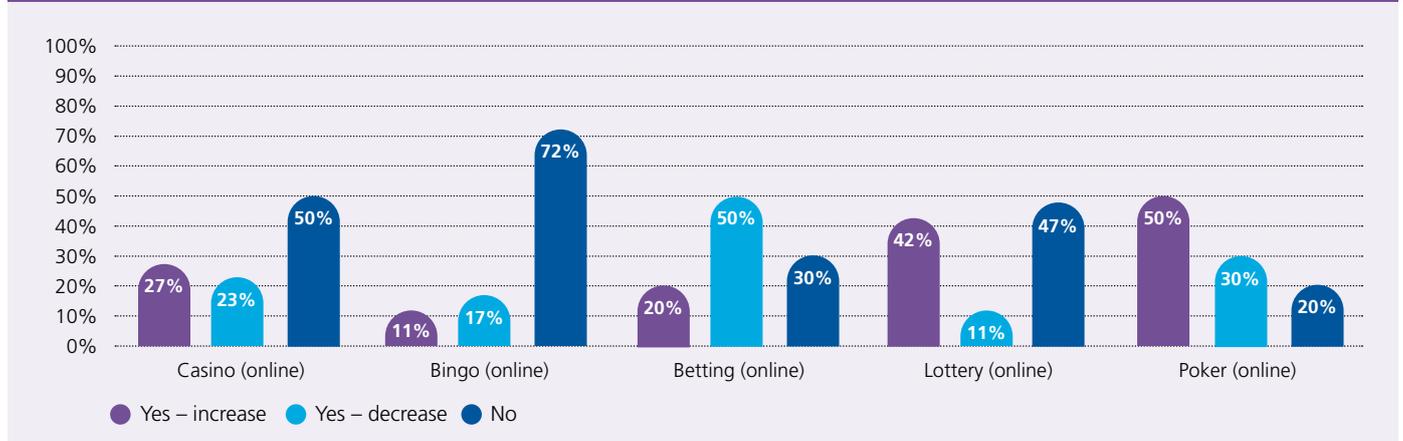
Online gambling. For online gambling, the picture was mixed. Casino GGR appears to have held steady globally, with half of jurisdictions (50% of respondents) reporting no substantial change, a quarter reporting a substantial increase (27% of respondents) and a compensatory quarter reporting a substantial decrease (23% of respondents). Bingo GGR reporting was more conclusive, with 7 in 10 jurisdictions (72% of respondents) reporting no substantial change. Online betting saw a substantial decrease in half of jurisdictions (50% of respondents), no substantial change in a third of jurisdictions (30% of respondents), but a substantial increase in a fifth of jurisdictions (20% of respondents). This will mostly be attributable to the reduction of real-event betting opportunities as live sports were cancelled or restricted in many jurisdictions (see Section 9, for commentary on virtual events). Lottery GGR did not substantially change in half of jurisdictions (47% of respondents), but did substantially increase in 4 in 10 jurisdictions (42% of respondents); probably driven by ‘channel shift’ as habitual players changed from purchasing lottery products from retail outlets to online. Online poker appears to have seen the most GGR growth from its pre-COVID-19 base, with half of jurisdictions reporting a substantial increase (50% of respondents).

Figure 1: During COVID-19, did your jurisdiction experience a substantial (approx. >50%) change in GGR for land-based gambling?



4 GROSS GAMBLING REVENUE (CONTINUED)

Figure 2: During COVID-19, did your jurisdiction experience a substantial (approx. >50%) change in GGR for online gambling?



4.5

It must be noted that the charts and analysis above only report on substantial changes (approximately >50% of GGR). They disguise a wide variety of movement in GGR across jurisdictions, channel, and product types. It is evident, however, that land-based GGR has been most impacted by COVID-19. Early indications are that online gambling has proved to be more resilient to the impact on the pandemic, with online lottery and online poker benefitting most.

5 SELF-EXCLUSIONS

5.1

Self-exclusion, or voluntary exclusion, usually refers to a facility offered by some gambling regulators, trade bodies and/or individual operators as a way of addressing the issue of problem gambling. In areas that operate self-exclusion schemes, an individual (or in some cases other persons on behalf of an individual) can request that their name be added to a self-exclusion scheme. The person in question would then be excluded from gambling. Schemes range from individual operator self-exclusion schemes for a single land-based venue, to jurisdiction-wide multi-operator schemes for online gambling.

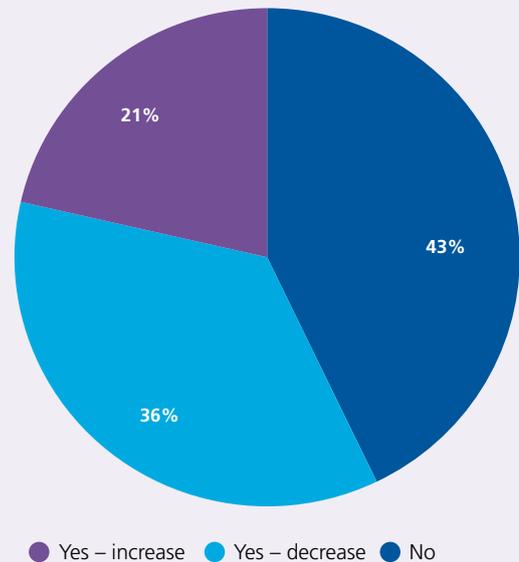
5.2

Given the significant downturn in land-based trading from COVID-19 and the reduced availability of gambling opportunities in most jurisdictions, an increase in self-exclusion levels would not be expected. However, the potential for gamblers to transition to online services could offset this. Equally, existing online gamblers may have wanted to self-exclude, either because of fears over keeping their jobs, or because they had other household income concerns. Some may have recognised, if working from home or in lockdown, that the opportunity to spend too much money and time gambling online could have caused them to gamble irresponsibly.

5.3

In jurisdictions where self-exclusion schemes were operated and where jurisdictions had this data available to them, our survey showed that there was no change in the total numbers of consumers self-excluding for almost half of jurisdictions (43% of respondents). A third (36% of respondents) witnessed a decrease in self-exclusions. A fifth of jurisdictions (21% of respondents) reported an increase in consumers self-excluding from gambling.

Figure 3: Did your jurisdiction experience a change in the numbers of consumers self-excluding from gambling during COVID-19?



5.4

Broadly, the number of consumers self-excluding has remained static in half of jurisdictions (43%) and either increased or decreased in the other half (57%). We can say that COVID-19 has impacted on self-exclusions, but further research is needed to understand the lessons for regulation from this data.

SELF-EXCLUSION SCHEMES – PREVALENCE

Last year, in our 'Gambling Regulation – Global Developments' report, regulators told us that self-exclusion schemes were available in 77% of IAGR jurisdictions. The most prevalent schemes were those operated by individual operators for land-based venues (62%). Multi-operator self-exclusion schemes for online gambling were present in 44% of respondent jurisdictions.

6 COMPLAINTS

6.1

Given the significant downturn in land-based trading caused by COVID-19, access to those services has reduced. Consequently, we might expect to see a decrease in complaints related to responsible gambling. But, the potential for gamblers to transition to online services could offset this.

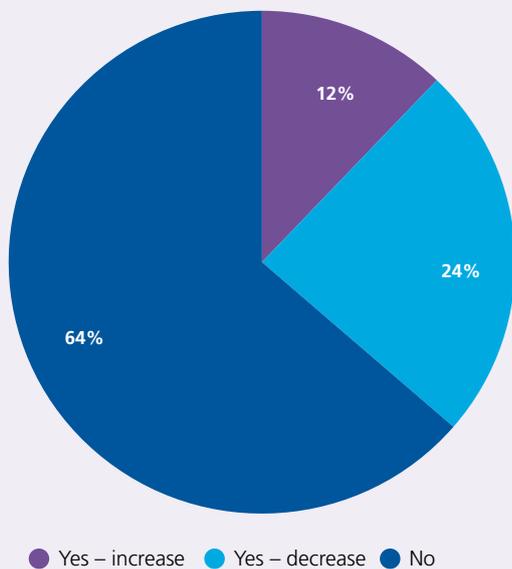
6.2

We found that the numbers of complaints did reduce in a quarter of jurisdictions (24% of respondents), compared with the same period last year. In almost half of jurisdictions (47% of respondents), there was no significant change in complaint numbers during the pandemic. However, 1 in 10 jurisdictions (17% of respondents) told us that the number of responsible gambling related complaints received went up.

6.3

In total, almost 90% of respondents who had the data available, reported either no change or a decrease in the number of complaints relating to responsible gambling. This is reassuring, given that reduced staffing and different working arrangements among both gambling operators and regulators, could have created challenging circumstances for keeping gambling safe. Current indications from this limited survey, indicate that responsible gambling standards seem to have been maintained.

Figure 4: During COVID-19, did your jurisdiction experience a change in the numbers of complaints relating to responsible gambling?



7 ILLEGAL AND UNLICENSED GAMBLING

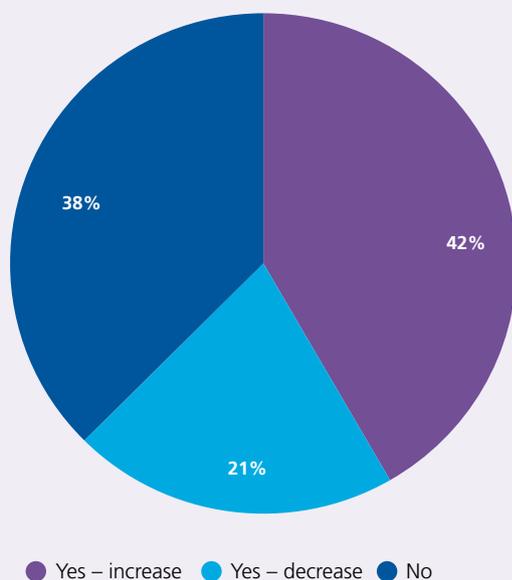
7.1

Illegal or unlicensed gambling is where either the type of gambling is prohibited by law or where the party is not licensed within the jurisdiction to offer the relevant gambling services. The initial disruption to the gambling market presented by COVID-19 had the potential to be exploited by illegal or unlicensed entities. We therefore wanted to explore in this survey whether gambling-related crime levels had changed during the pandemic.

7.2

For those jurisdictions which had data available, 4 in 10 (38% of respondents) reported that illegal and unlicensed gambling levels did not change during the initial COVID-19 period. This was based on their best estimates compared with the same period last year. 2 in 10 (21% of respondents) told us that levels had reduced. 4 in 10 (42% of respondents) estimated that illegal and unlicensed gambling levels had increased.

Figure 5: During Covid-19, did your jurisdiction experience a change in the amount of illegal or unlicensed gambling (estimated)?



7.3

This data on illegal and unlicensed gambling presents a mixed picture. It does tell us that crime levels have changed in the majority of jurisdictions (63% of respondents), whether that be up or down. We assess that the decreases would have been driven by the halting or reduction of land-based gambling, whereas increases may have resulted from consumers shifting to illegal or unlicensed online gambling sites. The relative dynamic between the two impacts is probably a consequence of the regulatory design of a jurisdiction (i.e. whether the jurisdiction permits or prohibits online gambling).

CRIME TYPES – TOP 5 CONCERNS

In our latest *'Gambling Regulation – Global Developments'* report, regulators told us that their top five areas of concern relating to gambling-related crime were (in order):

- Unlicensed gambling (black market)
- Money laundering
- Cheating
- Match-fixing / spot-fixing
- Underage gambling

8 MARKETING AND ADVERTISING

8.1

Marketing and advertising of gambling products and services is an increasing concern for jurisdictions. In recent years, player protection concerns have led some jurisdictions to ban direct and indirect advertising, sponsorship or promotional communications by gambling operators. Regulatory concerns typically relate to the impact of gambling marketing and advertising on children and young people, problem gamblers, and on the cross-border marketing of online products.

8.2

The survey results showed that regulators estimated that gambling operators did, for the most part, decrease marketing and advertising spend during the initial COVID-19 period (54% of respondents). But, in a fifth of jurisdictions (18% of respondents), operators increased spend. A third of jurisdictions (29%) reported no change in overall spend by operators in marketing and advertising.

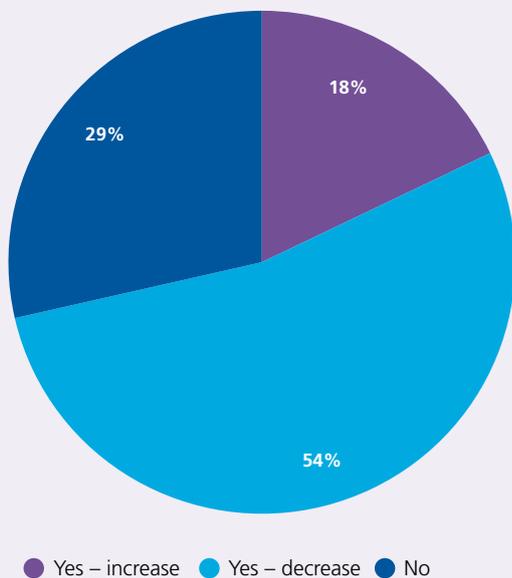
8.3

Operators may have reduced their marketing and advertising spend due to the uncertainties created by COVID-19. A volatile market and issues such as reduced real-events sports betting opportunities would be the rationale for this. The imposition of permanent or temporary bans or restrictions on gambling marketing and advertising by regulators (as happened in 2% of jurisdictions, see Section 10) is a further reason for reduced spend.

8.4

In other jurisdictions, perhaps those offering online casino and bingo products, marketing and advertising spend may have increased to secure revenues during the pandemic. In the latter case, it is useful to note that regulators are monitoring gambling marketing and advertising spend, enabling them to take action should this be required to protect consumers.

Figure 6: During COVID-19, did your jurisdiction experience a change in the overall spend on marketing and advertising by gambling operators?



FUTURE TRENDS – PRESSING CHALLENGES

When we surveyed gambling regulators in 2019, they told us that cross-border marketing of online products was the second 'most pressing challenge' globally. This related mostly to the marketing of online gambling to jurisdictions where this sales channel was not permitted.

9 VIRTUAL EVENTS

9.1

In many jurisdictions, national government restrictions to control the COVID-19 pandemic led to a reduction in live sports events. This reduced the sports betting opportunities that gambling operators could provide. Attempting to compensate for this, some operators developed, or increased their focus on, virtual betting events. Virtual events are scheduled fixed odds games that use a random number generator to decide the outcome. The types of virtual events gambling operators offer betting on include horse racing, dog racing, football, motor racing, cycling and tennis.

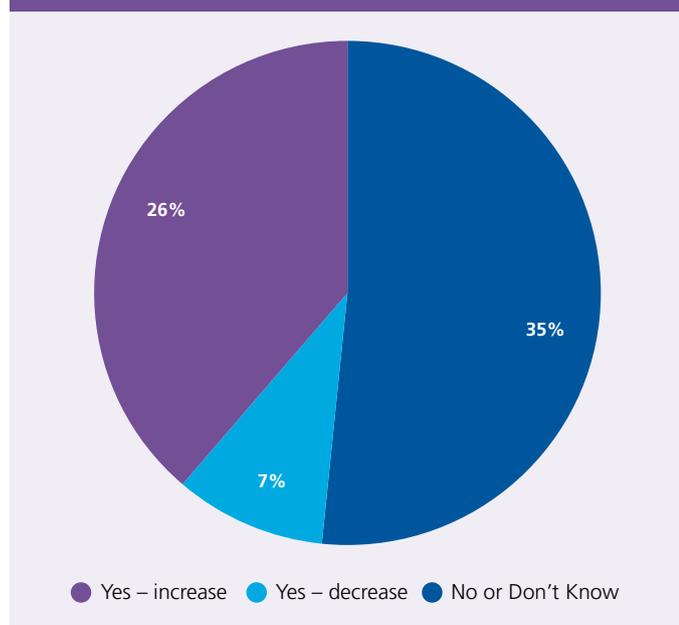
9.2

Firstly, we noted that betting on virtual events is not permitted in 34% of respondent jurisdictions. Of those jurisdictions that allow betting on virtuals, around a third (35% of respondents) reported that betting on virtuals had not increased, or they did not yet have data to be able to assess this. A quarter (26% of respondents) stated that betting on virtuals did increase during the initial COVID-19 period. In a minority of jurisdictions (7% of respondents), betting on virtuals decreased.

9.3

While data is not yet fully available, this early evidence indicates that, globally, betting on virtual events has grown and may have more firmly established itself as a gambling product. But, it should be noted that virtual betting GGR started from a low base and remains low as a proportion of total betting GGR.

Figure 7: During COVID-19 did your jurisdiction experience a change in betting on virtual events?



10 REGULATORY RESPONSES

10.1

We asked jurisdictions about the approaches they had taken to respond to COVID-19. The spread of the virus has impacted on gambling markets in a myriad of ways. National government responses to the pandemic challenge have differed greatly and so have responses by gambling regulators.

10.2

The top ten regulatory actions taken to respond to the pandemic were (in order):

- Requiring social distancing measures to be implemented in gambling premises (70% of respondents).
- Delaying or cancelling audits or inspections of gambling premises (64% of respondents).
- Banning or restricting gambling products (30% of respondents).
- Conducting audits or inspections of gambling premises remotely (26% of respondents).
- Conducting (additional) public awareness campaigns (23% of respondents).
- Allowing 'payment holidays' for some gambling operator fees (21% of respondents).
- Reducing or cancelling some gambling taxes (13% of respondents).
- Reducing or cancelling some gambling operator fees (11% of respondents).
- Permitting new or modified gambling products (9%).
- Requiring some real events to be implemented behind closed doors (6% of respondents).

OTHER REGULATORY ACTIONS TO RESPOND TO COVID-19

Respondents also reported that they implemented one or more of the following regulatory responses:

- Provided extra funding to problem gambling research, education or treatment.
- Banned or restricted marketing and advertising – partly.
- Deferred some revenue sharing agreements.
- Postponed annual certifications.
- Mandated temporary restrictions on loss limits in online gambling.
- Introduced additional player protection measures (e.g. additional affordability checks, preventing reverse withdrawals and restricting bonus offers).
- Extended promotional lottery permits beyond expiry date.

11 REGULATORY DATA

11.1

As part of this survey, we wanted to explore the effectiveness of regulatory data during the COVID-19 crisis management phase in spring 2020. The collection of data from gambling operators by regulators varies considerably across jurisdictions. These purposes range from fees collection and taxation, checking compliance, informing research and policy development, to measuring the impact of regulatory changes and assessing risk. Some regulators collect data irregularly, whereas others operate complex real-time transactional data feeds.

11.2

Given the extraordinary situation presented by COVID-19, we wanted to know whether existing data collection approaches were sufficiently robust to meet regulatory needs during this time. Our analysis shows that over half of jurisdictions (53% of respondents) did not need to request additional data from gambling operators to better understand the impact of the pandemic on the market. However, 4 in 10 jurisdictions (38% of respondents) did need to request additional data.

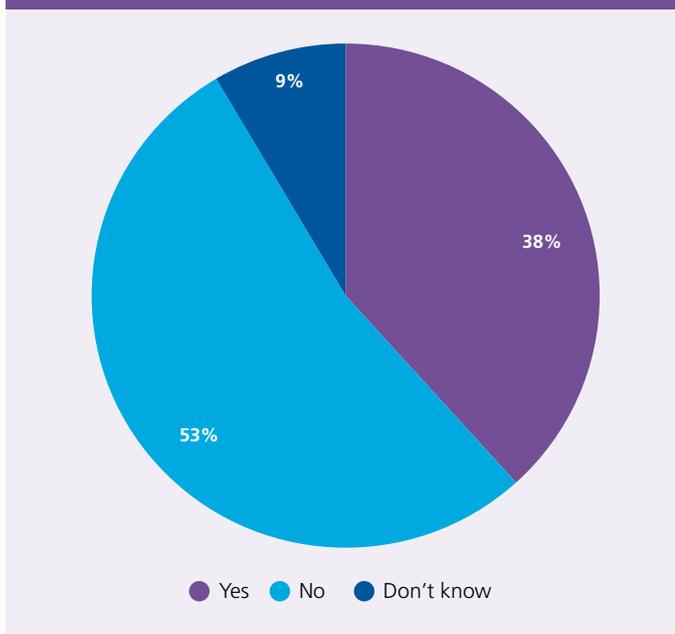
11.3

There will be many reasons why jurisdictions needed more data from operators to respond to COVID-19. These would have included the need for greater assurance over the levels of fee income or taxation. More data may have been requested to facilitate audits or inspections remotely. Other reasons could have been the need to data to monitor the effectiveness of temporary regulatory changes, such as curbs on online gambling or certain products. Enhanced protection of consumers would have been a key driver for many jurisdictions.

11.4

Looking ahead it will be interesting to see whether any of the changes made to regulatory data collection are adopted by jurisdictions as part of their routine operations. Prompted by the crisis, some jurisdictions may also look to radically overhaul their approach to regulatory data.

Figure 8: During the Covid-19 period, did your jurisdiction request additional data from gambling operators to better understand the impact of the pandemic on the market?



12 POST-COVID-19 – LONGER TERM IMPACTS ON GAMBLING MARKERS

12.1

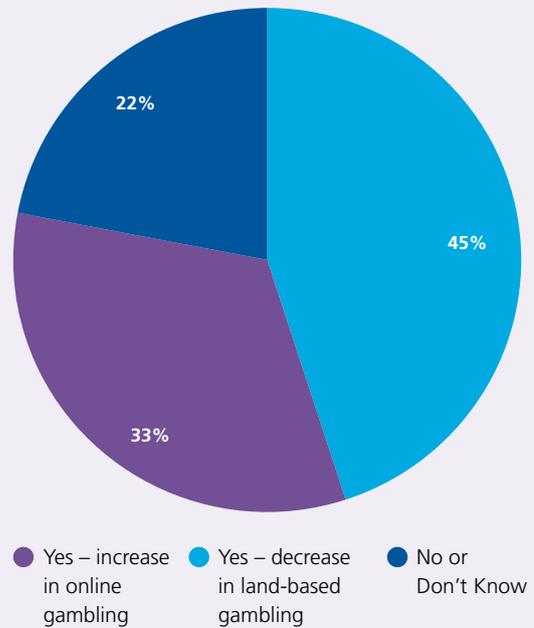
Our survey has shown that COVID-19 has severely impacted gambling markets. As the world adjusts to a 'new normal', gambling is slowly starting to recover. The recovery rate will be different across sectors and across jurisdictions. In the medium-term, recovery will likely depend on the efficacy of COVID-19 treatments and vaccines. It is probable, however, that COVID-19 will have a longer-term impact on gambling.

12.2

The view among respondents was that COVID-19 will result in two distinct gambling market impacts.

- Almost half, predicted that the virus would lead to a decrease in land-based gambling (45% of respondents); probably accelerating structural changes that were already emerging in some sectors.
- A third (33% of respondents) predicted an increase in online gambling. At its simplest, this could be players shifting channels, without any headline growth in gross gambling revenue. But, COVID-19 could drive sustained growth in specific gambling products, such as virtuals, or the legal expansion of online gambling into more jurisdictions. A rise in 'grey market' or illegal online gambling, in jurisdictions where online gambling is not allowed, could also be a consequence of COVID-19.
- The remainder (22% of respondents) thought it was either too early to call on the long-term impacts of the virus on gambling markets, or that they did not judge that COVID-19 would have a long-term effect.

Figure 9: Do you expect that COVID-19 will have a systemic impact on the gambling market in your jurisdiction?



12.3

Some respondents identified other potential longer-term impacts from COVID-19. These included:

- A reduction in the levels of people employed by the gambling industry.
- Expansion of legislation to cover areas not currently regulated as gambling.
- Different compliance approaches by regulators, to approaches which are less reliant on site visits to gambling premises.
- Greater innovation by gambling operators in online products, including personalisation.

COVID-19 IMPACTS – A VIEW ON THE FUTURE

In our view, the financial impacts of the pandemic will result in consumers having decreased disposable income globally, possibly for some time. As gambling is a leisure activity linked to disposable income, the industry will likely lose some of its player base in the long term. Lockdowns and social distancing are also disrupting habits and experiences surrounding gambling. Once lost, not all consumers will restart their pre-pandemic gambling. Second and subsequent waves of the pandemic will exacerbate this situation.

Regulatory interventions have increased during the pandemic and this sets a precedent for future action that might constrain industry recovery and growth. Reeling with budgetary pressures, national and other governments may seek to increase gambling taxation in coming months and years. COVID-19 may also have accelerated structural change in many gambling sectors, bringing a faster decline in land-based gambling, alongside more growth in online gambling. We have already seen many mergers and acquisitions by gambling operators, and we can expect this to continue, with the more agile companies surviving. Aggressive marketing and advertising, including across borders, by these companies to retain market share poses a threat to our efforts to keep gambling safe and fair.

In sum, the gambling market is transforming, and we have a busy job ahead to regulate the changing landscape.

ACKNOWLEDGEMENTS

The survey was designed and produced by the IAGR Statistics Sub-Committee, comprising of:

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FUTURE WORK

Further mini surveys of IAGR members will take place during 2020, with the reports published as soon as they are available. Our next *Gambling Regulation – Global Developments* report will be produced in 2021.

FEEDBACK AND IDEAS

We welcome feedback on the content of this report, or ideas for future IAGR statistics work. We are also open to new members joining the Statistics Sub-Committee.

If you would like to send us feedback, or volunteer to join the sub-committee, please email James Green at the Gambling Commission (Great Britain) (jgreen@gamblingcommission.gov.uk).



**International Association
of Gaming Regulators**

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AUG 2020