

**Fixed Odds Betting Terminals  
and  
the Code of Practice**

**A report for the  
Association of British Bookmakers  
Limited**

**SUMMARY ONLY**

**Europe Economics  
Chancery House  
53-64 Chancery Lane  
London WC2A 1QU  
Tel: (+44) (0) 20 7831 4717  
Fax: (+44) (0) 20 7831 4515  
[www.europe-economics.com](http://www.europe-economics.com)**

**April 2005**

# 1 SUMMARY

## 1.1 Background

1.1.1 This report sets out the results of research carried out between April and October 2004 into Fixed Odds Betting Terminals (FOBTs). The purpose of the research may be summarised in two paragraphs from our brief:

“To measure and explain levels of problem gambling amongst FOBT users, in the context of benchmarks of other gambling activities (particularly machines) both within and outside of the betting shop.

To assess the effectiveness of the FOBT Code of Practice, and the individual elements within it, in providing protection against problem gambling.”

1.1.2 The Code of Practice referred to is a document agreed in November 2003 between the Department for Culture, Media and Sport (DCMS), the Gaming Board of Great Britain and the Association of British Bookmakers (ABB). ABB represents 85 per cent of licensed betting offices in Great Britain. The Code was to be fully implemented by March 31<sup>st</sup> 2004, and its salient features from a FOBT user’s point of view are:

- a limitation on the number of FOBTs and “slot machines” allowed in any one betting shop
- limitations on amounts staked and on payouts
- a minimum interval of time between bets
- casino-type games to be limited to roulette
- help pages on the terminals and signage round the terminals to deter problem gambling and assist problem gamblers

1.1.3 The brief to which we worked was devised jointly by the ABB and the DCMS. Although the ABB was contractually Europe Economics’ client, DCMS officials were consulted on the proposed research method before work began, and they have been kept in the picture as the work progressed by means of interim presentations.

1.1.4 “We” in this report is Europe Economics, a London-based economics consultancy which specialises in the application of economics and econometrics to competition, regulation and matters of public policy. The research is largely survey-based, and the survey work was carried out by Market Opinion & Research International (MORI), an acknowledged leader in its field. Europe Economics and MORI worked closely together throughout the project, although responsibility for this report rests with Europe Economics.

## **1.2 What are FOBTs?**

- 1.2.1 FOBTs are software-driven terminals, usually of about the same size and shape as a floor-standing cash dispenser. They are operated exclusively by bookmakers in betting shops.
- 1.2.2 FOBT users can bet on a variety of “events” whose outcome is driven by a random number generator operated by an independent third party and located remotely. The types of events on which users can bet include representations of horseracing, greyhound racing, football penalty shoot-outs, numbers and roulette. The terminal accepts a customer's bet and displays the event and result on-screen in a format which varies with the type of event chosen.
- 1.2.3 The minimum stake on a FOBT is generally £1 for roulette and 50p for other events. The maximum allowed stake and maximum payout vary by type of event, but, in contrast to fruit machines and jackpot machines, the odds remain fixed for each event, i.e. there is no accumulation of other players' stakes to create a jackpot. Under the terms of the Code the maximum stake is now limited to £15 for a single bet and to £100 for multiple bets grouped into a single transaction. The highest possible payout is £500, although because of the different odds attaching to different events and the limitation of stake, not all events will pay out that maximum.
- 1.2.4 FOBTs deliver a much higher return of stakes to punters than other forms of betting. The bookmaker's gross margin on a FOBT lies between 2 and 3 per cent, which means that between 97 and 98 per cent of amounts staked are returned to punters.
- 1.2.5 FOBTs have proved popular. It is estimated that there are now some 20,000 terminals in service in approximately 8,000 betting shops. All bookmaking chains, including the Tote, operate them.

## **1.3 The approach we adopted**

- 1.3.1 To the best of our knowledge this report represents the first published research on FOBT usage. In the absence of prior information, and before we embarked on quantitative research, we began by obtaining qualitative input into the subjects which we thought would need to be studied. To this end, during May, MORI ran eight focus groups covering 73 people in four towns – Watford, Bristol, Stockport and Leith. The 73 people were all regular gamblers, with, between them, a wide variety of gambling preferences. Some were problem gamblers.
- 1.3.2 The focus groups established two key points – that gamblers see FOBTs as part of a single gambling landscape, not as some distinctively different feature of it, and that problem gamblers tend to gamble in several ways rather than in just one. These two findings confirmed that the scope of the quantitative research should be broad to begin with, even though it would then need to home in on the specific issues to be covered by the research. Questionnaires for the quantitative surveys were devised accordingly.

- 1.3.3 Six Omnibus surveys, covering a total of 11,988 adults, were conducted by MORI between 24 June and 3 August. (Adults were defined in this research as people aged 18 or over.) These Omnibus surveys were quota-based, multi-purpose surveys which MORI conducts approximately every two weeks. The six Omnibus “waves” covered the gambling habits, attitudes, and expenditure of adults who gambled on any nominated forms of gambling at least once per month (“regular gamblers”), together with their awareness of FOBTs. All regular gamblers were also asked to fill in a self-completion questionnaire based on the DSM-IV screening method, which assesses whether they count as problem gamblers.
- 1.3.4 The first two Omnibus waves, covering 4,056 people, inquired into the usage of the 18 principal legitimate forms of gambling currently available in Great Britain. Unsurprisingly, the National Lottery figures prominently in the nation’s gambling habits. We were, however, anxious to focus closely on more specialised forms of gambling, so the remaining four Omnibus surveys (covering an additional 7,932 adults) eliminated all lotteries, and also scratchcards, bingo and football pools, from the questionnaire.
- 1.3.5 The Omnibus surveys together provided us with a sound context of national gambling habits within which to assess FOBT usage. However, they showed clearly that FOBT players form only a very small fraction of the gambling population, with the result that, had we relied on the Omnibus studies alone, we would have had too few FOBT players to permit meaningful statistical analysis.
- 1.3.6 We therefore undertook a survey of betting shop customers with the aim of securing a larger sample of FOBT users. Between 26 August and 2 October MORI interviewed 945 regular betting shop customers (regular customers defined as those who visit at least once per month) during 86 interview shifts in 43 betting shops. The questionnaire used in the betting shop survey was conceptually similar to that used in the Omnibus surveys but was longer and went into much more detail on attitudes towards FOBTs and on FOBT usage. It also asked questions about the Code of Practice.
- 1.3.7 Betting shop customers were asked to self-complete the same DSM-IV problem gambling questionnaire that had been put to the Omnibus respondents.
- 1.3.8 The final stage of the process was to review the results and compile this report, the key findings of which were presented to the ABB and DCMS officials on 29 November 2004.
- 1.3.9 Since context is important in this research, it is worth adding that, to a limited extent, we have been able to compare the results of waves 1 and 2 of the Omnibus survey with a study of gambling habits published in 2000 (and based on research dating from 1999) by the National Centre for Social Research.
- 1.3.10 The study, entitled *Gambling Behaviour in Britain: Results from the Gambling Prevalence Survey*, adopted a very different methodological approach from ours in obtaining a population sample. Respondents were selected by household. It estimated an incidence of problem gambling across the adult (16+) population, whereas we have calculated an

incidence of problem gambling among regular gamblers, starting at age 18. Furthermore, the Prevalence Study did not cover FOBTs because they were not then generally available; and certain other forms of gambling, especially on-line gambling, were not then as popular as they are now. So, as we caution several times in this report, comparisons between our findings and those of the Prevalence Study are possible only within very broad limits.

## **1.4 The Omnibus surveys – waves 1 and 2**

- 1.4.1 Waves 1 and 2 of the Omnibus survey included as recognised gambling forms all those in current lawful use in Great Britain – eighteen all told. The unweighted sample was 4,056 and the weighted sample 4,023. Waves 1 and 2 established that 42 per cent of the adult population gamble in one or more ways at least once per month. These we define as “regular gamblers”. Of the 42 per cent (equivalent to 1,690 people) 88 per cent play the National Lottery at least once per month.
- 1.4.2 Among regular gamblers every other form of gambling then ranks a long way behind:
- 11 per cent of regular gamblers buy scratchcards
  - 10 per cent buy tickets for other lotteries
  - 8 per cent play bingo
  - 8 per cent bet at betting shops
  - 7 per cent play fruit machines (not including jackpot machines)
  - 7 per cent do football pools
- 1.4.3 Roughly half of all regular gamblers say their main reason for gambling is “for the chance of a big win”. The average weekly expenditure of regular gamblers on all types of gambling together is £5.27.
- 1.4.4 Those who have heard of FOBTs are few in number, and users of FOBTs even fewer. 78 per cent of regular gamblers say they have never seen one or heard of them. 19 per cent said they had, but of that group 83 per cent said they had never used one. Waves 1 and 2 yielded only 23 people (0.6 per cent of the adult population) who play FOBTs once per month or more.
- 1.4.5 Waves 1 and 2 identified 20 problem gamblers, equivalent to 0.5 per cent of the total sample. This percentage may be considered very loosely – certainly not precisely – comparable with the rate of 0.6 per cent revealed by the Prevalence Study. In our research as well as in the Prevalence Study, the “don’t know/refusal” rate in relation to the problem gambling questionnaire was significant – 26 per cent in our research and between 20 and 35 per cent in the Prevalence Study (the sampling method used in the latter does not make the precise number clear).

- 1.4.6 A figure of 20 problem gamblers is too small to break down into meaningful sub-groups, but it is worth recording that all 20 participated in multiple forms of gambling, with an average of 4 activities overall.

## **1.5 The Omnibus surveys – waves 3 to 6**

- 1.5.1 In waves 3 to 6 (covering an unweighted sample of 7,932 and a weighted sample of 7,845), questions and responses covered forms of gambling *except* lotteries, scratchcards, bingo and football pools. On this basis some 8 per cent of the sample were regular gamblers. Of the 8 per cent, 45 per cent visit betting shops and 39 per cent play fruit machines. Every other gambling form then ranks a long way behind, with 16 per cent or fewer mentions.
- 1.5.2 Among these types of regular gambler, gambling motivation is very different compared with waves 1 and 2. Some 41 per cent of regular gamblers in waves 3 to 6 say their main reason for gambling is fun, amusement, or the pleasure of a day or night out.
- 1.5.3 The average weekly gambling expenditure of regular gamblers in waves 3 to 6 is £20.94, nearly four times higher than in waves 1 and 2. However, 87 per cent spend no more than £20.99 per week.
- 1.5.4 Almost half – 47 per cent – of regular gamblers said they had never seen or heard of a FOBT. Even among regular betting shop customers, 28 per cent claim not to be aware of them. Of the 51 per cent of regular gamblers who were aware of FOBTs, only 16 per cent use them once per month or more.
- 1.5.5 Waves 3 to 6, although they asked questions about a smaller number of gambling forms, suggest as strongly as waves 1 and 2 that regular FOBT users are a small fraction of regular gamblers (8 per cent) and a far smaller fraction of the adult population (0.6 per cent).
- 1.5.6 Waves 3 to 6 identified a weighted total of 29 problem gamblers. The don't know/refusal rate was 17 per cent – significantly lower than in waves 1 and 2. A figure of 29 problem gamblers in the sample implies an incidence of problem gambling of 0.4 per cent – slightly lower than the 0.5 per cent identified by waves 1 and 2, but reasonably consistent with it given that all sampling methods are subject to sampling error (the likelihood that the sample does not exactly correspond to the larger population that it purports to represent).
- 1.5.7 As with the 20 problem gamblers identified in waves 1 and 2, the 29 identified here are too few in number to permit meaningful subdivision.
- 1.5.8 All but one of the problem gamblers identified participated in multiple forms of gambling, the average being 2.7. This number would of course be lower than in waves 1 and 2 because lotteries, scratchcards, football pools and bingo were all excluded from consideration, whereas in reality many interviewees in waves 3 to 6 are likely to have participated in these too.

## **1.6 The betting shop interviews**

- 1.6.1 The betting shop interviews provided us with the means of establishing FOBT awareness and usage at first hand. MORI interviewers carried out 86 7-hour interview shifts in 43 betting shops. The 43 shops had been selected with the assistance of ABB with the aim of providing a representative sample in respect of size, location and ownership. The total of FOBTs installed in the 43 shops was 117, giving an average number of FOBTs per shop of 2.7.
- 1.6.2 The two interview shifts in each shop were carried out on either a Thursday and a Saturday or on a Friday and a Saturday – busier days were chosen to ensure that the interviewers had enough customers to interview. The sample was then weighted back to the frequency of betting shop visits identified in the Omnibus surveys. Consistently with the Omnibus surveys, only regular betting shop customers were interviewed, i.e. those who visit at least once per month.
- 1.6.3 The interviewers completed an average of almost exactly 11 interviews per shift, yielding 945 interviews overall. The frequency of visits was weighted in order to obtain representative betting shop visiting frequencies. For weighting we used the frequencies established by the Omnibus surveys, since these gave the broadest basis. On this basis 69 per cent of betting shop customers visit once per week to once per month, 18 per cent two or three times per week, and 12 per cent 4 times per week or more.
- 1.6.4 Betting shop customers participate in a wide variety of gambling pursuits outside betting shops – 53 per cent buy National Lottery tickets and 12 per cent tickets for other lotteries, 49 per cent bet on-course, and 23 per cent do football pools. Within the betting shop, 79 per cent of customers bet regularly on horses, 34 per cent on dogs, 30 per cent on football, and 14 per cent on numbers.
- 1.6.5 The 945 interviews yielded a total of 174 FOBT users, equivalent to 18 per cent of regular betting shop customers. However, only just under half of these (47 per cent) play “usually/most times” or “always/every time” when they visit betting shops. Thus, only 9 per cent of betting shop customers could be described as regular FOBT users. Depending on whether one counts regular FOBT users or all FOBT users, FOBTs themselves rank either fourth or sixth in popularity among betting shop activities.
- 1.6.6 We asked all FOBT users how much money they spend on FOBTs. With a view to improving precision in the replies we asked them to think back just to their last FOBT session. On this basis, the average initial stake for a FOBT user was £11.25. Just over one third of all users (36 per cent) staked additional money during a single session, and the average amount so staked was £17.25. Of those users who said they say they had a win, 42 per cent kept all their winnings, and 45 per cent kept some and re-staked some. Only 12 per cent re-staked all they had won.
- 1.6.7 Of 945 betting shop customers interviewed, 8 per cent (78 weighted) were found to be problem gamblers, based on the same questionnaire and the same scoring method used

in the Omnibus surveys and the Prevalence Study. The “don’t know/refusal” rate was 19 per cent, lower than in Omnibus waves 1 and 2, slightly higher than in Omnibus waves 3 to 6, and probably lower than in the Prevalence Study.

- 1.6.8 As in the Omnibus surveys and the Prevalence Study, problem gamblers among betting shop customers were found to participate in a variety of gambling forms – an average of 2.5. 59 per cent of the problem gamblers bought National Lottery tickets, 56 per cent bet on-course, 23 per cent bought scratchcards, 20 per cent did football pools, and 19 per cent bought other tickets for other lotteries.
- 1.6.9 Of the 78 problem gamblers identified, 56 per cent said they were aware of FOBTs but had never used one, 9 per cent said that they had used FOBTs but no longer did, and 21 per cent said they had used FOBTs only once or twice. Thus 14 per cent of problem gamblers, roughly one in seven, play FOBTs once per month or more. All this suggests that people with a gambling problem do not seem particularly drawn to them.

## **1.7 The FOBT Code of Practice**

- 1.7.1 To assess customers’ awareness of the FOBT Code of Practice we took as the sample all those who had ever used a FOBT, regardless of whether they were current regular players, occasional players or had played before but no longer did so. This gave a weighted base of 215.
- 1.7.2 Two thirds of users (67 per cent) had never heard of the Code. This is unsurprising in that the Code is not mentioned *by name* in betting shops. However, 17 per cent said they had heard of it but knew very little about it, 9 per cent were unsure if they had heard of it or not, and 5 per cent said they knew something about it. Only 1 per cent said they knew a lot about it. The remaining 9 per cent did not know either way.
- 1.7.3 Even if they were not generally aware of the Code by name, 23 per cent of regular users were aware of the limitation on the number of FOBTs or other slot machines in any one betting shop; 22 per cent were aware that the maximum payout was now limited to £500; and 10 per cent were aware of the new limitation on stake. Only 6 per cent were aware of the minimum time interval between bets.
- 1.7.4 Since the introduction of the Code (though not necessarily because of it) 6 per cent said they now used FOBTs less often than before, 4 per cent spent less time on FOBTs, and 7 per cent said they now spent less money on FOBTs.
- 1.7.5 We also asked all FOBT users (the 215 mentioned above) whether they were in favour of or opposed to key aspects of the Code that bear directly on their playing habits. We subtracted the percentage of those opposed from the percentage of those in favour to give a net result. On this basis, a net 67 per cent were in favour of displaying GamCare help pages on the terminals and GamCare signage near them. A net 53 per cent were in favour of limiting FOBTs and other machines to four per betting shop. A net 38 per cent were in favour of the minimum 20 second interval between bets.

- 1.7.6 Less popular in relative terms were the maximum payout limit of £500 (a net 11 per cent in favour), the stake maxima of £15 per bet and £100 per transaction (a net 8 per cent), and limiting casino-type games to roulette (1 per cent).

## 1.8 Our conclusions

### *FOBT awareness and usage*

- 1.8.1 FOBT awareness among the adult population is low, and FOBT users represent not only a tiny fraction of the adult population, but also a small fraction even of regular gamblers. Regular FOBT users (those who uses a FOBT “every time, most times or usually” when they visit a betting shop) number roughly one in twelve regular betting shop customers. Among regular betting shop customers, FOBTs rank a long way in popularity behind traditional betting shop activities. Thus, although FOBTs are available in virtually every betting shop, FOBT usage has not become pervasive.

### *Problem gambling*

- 1.8.2 Problem gamblers characteristically participate in a variety of forms of gambling, and it has not been statistically possible through this research to identify any one form of gambling as causing or aggravating problem gambling. There is no evidence in this study which suggests that FOBTs are closely associated with problem gambling.
- 1.8.3 If problem gambling is to be studied comprehensively, this research suggests it would be better not to begin by focusing on specific forms of gambling. It may be preferable to obtain a sample of problem gamblers and to investigate their gambling practices and preferences.

### *The Code of Practice*

- 1.8.4 There are indications that the marginal effects of the Code of Practice have been beneficial. There is no widespread opposition to the main customer-focused provisions of the Code among FOBT users. It seems to us likely that the vast majority of FOBT users were playing within the provisions of the Code before it was devised.
- 1.8.5 Among the generality of FOBT users there is more support for than opposition to five out of the six key provisions of the Code. There is strong support for the limitation on numbers of machines in a betting shop, for the minimum time interval between bets, and for GamCare help pages and signage. Regular FOBT users also support these measures, though among them there is net opposition to the limitations on stake and payout and to confining casino-type games to roulette.
- 1.8.6 We understand that it is already agreed between the ABB and DCMS that this research will be re-run in twelve months’ time. In our view this will be a worthwhile way to measure the true impact of the Code of Practice over that twelve months, so we support it. It will not be necessary to re-run the focus groups if the quantitative research is kept identical to that which we have carried out here. **[end]**