

ROYAL COMMISSION INTO THE CASINO OPERATOR AND LICENCE

Supplementary Statement of Rosa Billi

1. This statement supplements my evidence in my Statement dated 10 May 2021 [VRGF.002.0001.0001]. It is provided at the request of counsel assisting the Commission.
2. This statement is true and correct to the best of my knowledge and belief. The views I express in this statement are my own, based on my education, training and experience. I make this statement on behalf of the Foundation and I am authorised to do so.
3. I have read the statements of:
 - 3.1 Nicolas Emery, Chief Marketing Officer, Crown Resorts Ltd dated 5 May 2021 [CRW.998.001.2071_R0528], and
 - 3.2 Mark Mackay, Executive General Manager, Gaming Machines, Crown Melbourne dated 5 May 2021 [CRW.998.001.0287_R0528].
4. In his statement, Emery refers to, among other things, Crown's Rewards program and:
 - 4.1 Sets out, at paragraph 11, the following seven 'broad categories' of activities related to the Commission's question 6, at 'a total level at Crown Melbourne':
 1. *Rebates earned and complementary items for VIP international customers.*
 2. *Rebates earned and complementary items for VIP domestic customers.*
 3. *Discretionary complimentary items including hotel nights, F&B, parking, transport, event tickets for local (Vic) customers. These are over and above those delivered by the Crown Rewards program or Marketing.*
 4. *Food, beverage and other costs of running private member rooms.*
 5. *Crown Rewards benefits outside of room costs and Pokie Points (see below), including points costs, free parking, hotel room nights and Dining Rewards.*
 6. *Marketing: events, promotions, advertising and a share of overheads from the centralised marketing function.*
 7. *Rewards based on Pokie Points (a gaming machines rewards program available for rewards members) earned during patrons previous visit.*

- 4.2 Refers, at paragraph 33, to 'direct to an individual member' communication.
- 4.3 References certain examples of offers and promotions such as
- 4.3.1 Free gifts / Table Play vouchers that require play on multiple days in a specified promotional period [CRW.510.052.2358] and [CRW.510.052.2354]
- 4.3.2 Bonus \$150 table play vouchers for attending Crown in a promotional period [CRW.510.052.2355]
- 4.3.3 Double status credits for visiting in the promotional period [CRW.510.052.2323].

Research in relation to loyalty programs

5. Research in relation to the potential impact of rewards and loyalty programs in the gambling industry includes the following:
- 5.1 Wohl's (2018) literature review¹ of research on loyalty programs in the gambling industry noted, in summary, that four categories of inducement facilitate gambling. They are:
- Free play (defined as 'gambling credits worth a specified amount of money') attracts members and facilitates gambling (*Greenstein (2012) Min et al. (2016) Market Solutions Social Research Group (2016) Responsible Gambling Council (2013)*)
 - Compensations/gifts (e.g. free food, drinks, hotel stays, etc.) attracts members and facilitates gambling (*Marfels (2010) Palmer and Mahoney (2005) Prentice and Wong (2015) Min et al. (2016) Narayanan and Manchanda (2011) Greenstein (2012) Barsky and Tzolov (2010)*)
 - Cash equivalents facilitate gambling (*Narayanan and Manchanda (2011) Greenstein (2012)*)
 - Tiered structure, Tier privileges/status maintain members and facilitate gambling (*Barsky and Tzolov (2010) Min et al. (2016) Palmer and Mahoney (2005)*).
- 5.2 The Wohl, 2018 study also identified that loyalty programs in the gambling industry may generate harms in vulnerable individuals, stating:

From a public health perspective, however, loyalty programmes in the gambling industry may generate harms in vulnerable individuals. This is because loyalty programmes alter the consumption environment that drive gambling harms. Specifically, loyalty programmes provide rewards to players who gamble frequently (see Wardle, 2016; Wardle, Excel, Ireland, Ilic, & Sharman., 2014), thus linking reinforcement to the amount of money gambled (i.e. money spent gambling) rather than the outcome of each game played (i.e. a win or a loss). Additionally, in line with the goal-gradient hypothesis (Hull, 1932), the desire to gamble should increase alongside proximity to a reward. In this light, loyalty programmes in the gambling industry may be antithetical to harm-minimization strategies.

5.3 The Wohl, 2018 study also noted that:

5.3.1 there is limited research about loyalty programs in the gambling industry

5.3.2 this research is necessary for harm minimisation public policy, and

5.3.3 researchers have not had access to loyalty data to investigate the link between problem gambling and loyalty membership.

5.4 This is consistent with the advice of Crown's Responsible Gambling Advisory Panel, provided by letter to Sonja Bauer dated 5 April 2021 [CRW.512.015.0001_R0531_2], which states that there is limited literature on the use of loyalty cards (referencing Wohl, 2018) and 'there is very little carried out on the capacity of venue operators to monitor uncarded play among customers'. The letter also stated in part that:

'...only a minority of customers at gambling venues use loyalty cards, but a majority of those users are problem gamblers. This underscores the importance of the additional efforts required to monitor uncarded play, that is, players who gamble without cards. Uncarded play imposes significant limitations on the ability of venue operators to monitor customer expenditure, gambling frequency, patterns of play, and time spent gambling.'

5.5 Recent research on the prevalence of loyalty program use and its association with higher risk gambling in Australia [COM.0013.0001.0741]ⁱⁱ found that loyalty card or program use increases with gambling risk as defined by the Problem Gambling Severity Index (PGSI). Problem gamblers are more likely to be members of loyalty programs than people defined at lower risk levels by the PGSI.

5.6 Other research into the risk associated with gambling loyalty programs indicates that:

- 5.6.1 members of a loyalty program gambled more frequently than non-members (1.27 times), spent more time gambling (1.23 times), spent more money gambling (1.37 times) and were more likely to have a PGSI score in the moderate risk or problem gambling category (2.68 times) (Van Dyke et al, 2016)ⁱⁱⁱ
- 5.6.2 the higher a gambler's PGSI (Problem Gambling Severity Index) risk the more likely they are to be a loyalty member
- 5.6.3 inducements include free or discounted price meals and drinks, cinema tickets, accommodation, free parking and cash or vouchers. Inducements offered in casino loyalty programs increase the likelihood of spending more time and money gambling (SACES, 2015)^{iv} and reinforce regular or extended gambling (ACIL, 2015)^v
- 5.6.4 an Australian study involving 200 EGM gamblers, found that player promotions and prizes resulted in increased excitement when gambling on EGMs, while loyalty points and incentives were linked to both increased excitement and the urge to continue gambling beyond pre-set limits (Schottler Consulting, 2010)^{vi}
- 5.6.5 'disordered gamblers' are more likely to join loyalty programmes and be disproportionately rewarded, due to the amount of money they spend gambling relative to recreational and at-risk gamblers (Prentice & Wong, 2015)^{vii}
- 5.6.6 47.1 per cent of loyalty card holders were moderate-risk or problem gamblers, and accounted for 54.3 per cent of total losses, which is 15 per cent higher than would be expected if total losses were distributed proportionately across all categories of player (Wardle 2016).^{viii}

Research in relation to Inducements

- 6. The 2018 Hing report titled *Effects of wagering marketing on vulnerable adults*,^{ix} which was funded by the Victorian Responsible Gambling Foundation (**Foundation**) found that:
 - 6.1 'when bets were accompanied by an inducement, bettors tended to choose riskier bets compared to when no inducement was present. The cash rebate inducement elicited the most risky bets. No differences in results were observed between PGSI groups.' (p.16)
 - 6.2 'while wagering inducements encourage more risk-taking, their promotion appears to lower the perceived risk of betting amongst some bettors.' The interview study revealed that inducements were seen as a way to minimise losses (p.16)
 - 6.3 'wagering inducements increase net betting expenditure' (p.17)

- 6.4 longitudinal analysis found that greater exposure to wagering marketing is also accompanied by increased betting outlay (p18)
- 6.5 '[Low Risk], [Medium Risk] and [Problem Gamblers] reported increased excitement after viewing inducements they rated as appealing. [Non-Gamblers] and [Non-Problem Gamblers] did not report greater-than-baseline excitement in response to any type of inducement.'
- 6.6 'Rewards program inducements can increase intended sports betting expenditure.' (p128)
- 6.7 'The most problematic form of wagering advertising is direct messaging via emails, texts, and phone calls from wagering operators. The majority of these direct messages promote specific wagering inducements (Hing, Russell, & Rawat, 2018a), and bettors report that this marketing is intense and particularly influential on their betting, by encouraging them to place more bets. Greater exposure to direct messages increased betting intentions and the actual likelihood of betting, including amongst vulnerable bettors. A prudent regulatory measure would be to ban this type of push advertising or to mandate a rigorous opt-in requirement to receive these targeted inducements, rather than the current opt-out system.' (p133).
7. In paragraph 18 of his statement, Mackay refers to Crown's Red Carpet program offered to community groups. Research (Dickins and Thomas 2016) ^x reviewed the relevant literature and reported that a key factor identified in relation to Culturally and Linguistic Diverse (CALD) communities is a 'welcoming environment', especially for new migrants. The research review also reports:
- 7.1 'For many new arrivals to Westernised countries such as Australia a lack of culturally appropriate activities for entertainment (particularly during the evening) may result in visits to gambling venues' (*Chui & O'Connor, 2006; Feldman et al., 2014; Ohtsuka, 2013; Tan-Quigley et al., 1998*) (p8)
- 7.2 'Casinos, for example, pay specific attention to providing a venue that is perceived as safe, attractive and culturally sensitive for individuals from CALD communities. Many casinos offer culturally specific food, drink and entertainment (including gambling games) that are inexpensive and designed to make people from a wide variety of minority cultures feel welcome. Decor is designed in such a way as to be appealing and glamorous, and casinos are open very long hours, mimicking the busy nightlife exhibited in many cities overseas. In addition, there is a clear security presence and many people around, allowing patrons to feel safe and secure within

the casino environment. It is thought these casinos may be particularly attractive to those who have recently arrived from a country with a distinctly different culture or those who have not integrated well into the majority culture' (*Chui & O'Connor, 2006; Clarke et al., 2007; Feldman et al., 2014; Tan-Quigley et al., 1998; Thomas et al., 2011; Tse et al., 2012; VCGA, 2000*)" (p 8).

8. This same review notes that members of CALD communities are at higher risk of gambling harm than the broader population of people who gamble. The researchers also report that
 - 8.1 CALD populations tend to gamble less than the overall population but are more likely to develop problems than individuals from the general population 'due to different beliefs about luck and chance, factors relating to migration, and issues around stigma and shame.'
 - 8.2 while people from Arabic, Chinese and Greek communities gambled less than a sample of the general Australian population, those who did gamble were up to seven times more likely than Australian gamblers to develop severe problems with gambling.
 - 8.3 it has also been estimated that in the Australian Chinese community, problem gambling rates are between two and eight times higher than in the general population. A study from 1998 found that up to one fifth of Asian respondents described a family member as having a problem with gambling.

Personal Information



Rosa Billi

Date: 2 June 2021

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- ⁱ Wohl, M. J. (2018). Loyalty programmes in the gambling industry: potentials for harm and possibilities for harm-minimization. *International Gambling Studies*, 18(3), 495-511.
- ⁱⁱ Delfabbro, P., & King, D. L. (2021). The prevalence of loyalty program use and its association with higher risk gambling in Australia. *Journal of Behavioral Addictions*, 9(4), 1093-1097.
- ⁱⁱⁱ Van Dyke, N., Jenner, D., & Maddern, C. (2016). The role of loyalty programs in gambling: final report of findings from audit of electronic gaming machine gambling venues, literature review, online discussion boards and longitudinal telephone survey.. Office of Liquor, Gaming and Racing Department of Justice, Melbourne, Vic.
- ^{iv} South Australian Centre for Economic Studies (2015) Gambling and Casinos, Gambling Research Australia. Adelaide, Australia, SACES
- ^v ACIL Allen Consulting (2015). Third Social and Economic Impact Study of Gambling in Tasmania: Volume 3 – Assessment of Gambling Harm Minimisation Measures.
- ^{vi} Schottler Consulting. (2010). Factors that influence gambler adherence to pre-commitment decisions. Melbourne: Gambling Research Australia.
- ^{vii} Prentice, C., & Wong, I. A. (2015). Casino marketing, problem gamblers or loyal customers? *Journal of Business Research*, 68, 2084–2092
- ^{viii} Wardle, H. (2016). People who play machines in bookmakers: Secondary analysis of loyalty card survey data. Report prepared for the Responsible Gambling Trust. London: Responsible Gambling Trust
- ^{ix} Hing, N, Russell, A, Rockloff, M, Browne, M, Langham, E, Li, E, Lole, L, Greer, N, Thomas, A, Jenkinson, R, Rawat, V, Thorne, H, 2018, *Effects of wagering marketing on vulnerable adults*, Victorian Responsible Gambling Foundation, Melbourne
- ^x <https://aifs.gov.au/agrc/publications/gambling-culturally-and-linguistically-diverse-communities-australia>