

# Highlight Report

## The Focal ALeRT Affordability Index: Finding Overspenders Among Regular EGM Gamblers

January 2022

*The Invisible At-risk Player – Identifying customers spending beyond affordable limits.*

### 1.0 Overview

Regulators recognize that some gamblers spend more money than they can afford while gambling, leading to negative consequences, including the use of misappropriated funds to finance the activity. Identifying these customers has become a priority for operators but poses several challenges as affordable limits vary strongly between players. The use of rule-based thresholds for triggering action, such as amount spent, are very inefficient in finding the right people; if set too low most of those reaching a certain spending threshold will not be in the target group, if set too high, then most of those in the target group will be missed. As a result, such broad approaches are ineffective in reaching or producing improved outcomes for players most likely to be overspending. To address the gap and supplement operator host responsibility efforts, in 2015, Focal Research Consultants Limited initiated original research to develop algorithms designed to find those most likely to be spending beyond affordable limits. Risk detection is based on player behaviour and play decisions regardless of the absolute amount of money spent. Focal developed a new Affordability construct for the Focal Adult Gambling Screen (FLAGS), a seven-item scale to identify those players most likely to be spending beyond their means and to be obtaining cash to do so in non-traditional ways. During testing, the new scale was administered to over 10,000 regular EGM players from three different countries (UK, AU, NZ) representing 8 different operators and over 300 venues. Using these datasets, Focal developed effective algorithms and profiles for accurately detecting and assisting at-risk 'Overspenders'. These customers pose unique risk to communities and operators and would otherwise be invisible to operators when using rule-based or other methods of detection.

## Key Findings:

1. Focal has developed a valid and reliable Affordability Index to identify those regular electronic gambling machine players (EGM Gamblers) (i.e., playing slots, EGMs, and electronic roulette at least once a month or more) who are most likely to be spending beyond their means (i.e., Overspenders).
2. 'Overspenders' comprise about 5% of the regular EGM player base suggesting about one in every 20 regular EGM players is at-risk for spending beyond affordable limits.
3. About one in three Problem Gamblers (PGSI=8+) also score as Overspenders (34.7%) using the Focal Affordability Index; not all Problem Gamblers are spending beyond their means yet almost all customers identified as Overspenders (92%) were found to score at high-risk for problem gambling making this a priority target group for prevention and harm reduction.
4. The path to overspending is very distinctive for this player group in terms of inappropriate gambling beliefs and motives for playing, risky play behaviours, obsession with gambling, and experiencing negative consequences. Knowing the cause and effects helps inform talking points during customer interactions and supports the development of best practices for assisting these players.
5. Overspenders were found to have limited resources with which to gamble consequently, the extent and intensity of gambling are often considerably less than other at-risk gamblers even when compared to other regular gamblers. The primary exception is the amount spent per wager which exceeds the amounts observed for both comparison groups. It is assumed that Overspenders' obsession with gambling leads to this distinctive in-session behaviour.
6. On average, these players spend less than other at-risk EGM gamblers but that does not mean they can be ignored. Due to a lack of resources and fuelled by an obsession with gambling and risky gambling motives, they are more likely to suffer negative consequences (e.g., financial, relationship and work-related). In some cases, lower expenditure may be reflective of depleted resources which may contribute to use of non-traditional funding sources to finance continued gambling.
7. Overspenders exhibit few extreme behaviours that distinguish them from other regular gamblers; current cues used to identify at-risk gamblers on the floor such as length of session, will not flag these customers for attention. Algorithms identifying Overspenders using their play behaviour data is likely to be the most effective way to detect risky play patterns for these more 'invisible' at-risk customers most likely to be spending beyond affordable limits.

Focal Research has successfully developed algorithms using the new FLAGS Affordability Index. Such models are currently deployed by operators using the ALeRT BETTOR Protection System to accommodate changes in play behaviour due to COVID-19.

## Discussion:

An Affordability Model for detecting the play patterns of Overspenders is an important addition to an operator's suite of safer gambling resources.

Our assumption is that a key indicator of a lack of resources is the need for a player to obtain cash from non-traditional sources to fund their gambling. This may involve diverting existing resources from other items and activities, but even more telling, centers on locating new resources. Often the player is hoping to pay back loans or misappropriated funds with winnings or subsequent earnings, and, in some cases, this may occur until eventually the player is unable to cover the losses. The consequences of waiting until such misuse of funds is detected by others is catastrophic for the player, their family, other community members and the industry more broadly.

An algorithm that effectively identifies those on the floor who are most likely to obtain funds from non-traditional sources and, therefore, are likely to be overspending, has several advantages. It does not require the collection of personal financial information or the involvement of financial institutions. The gambler will not be aware they can be identified by their play patterns, and even if they are, they will be unable to determine how to avoid detection. This method will not encourage people to go to non-traditional sources to find additional gambling funds and, in fact, may discourage such behaviour as it triggers customer checks. The algorithms also identify those at-risk gamblers who are most likely to experience negative financial consequences due to their gambling behaviours, prioritizing operator attention to those most in need of assistance.

The index is not based on simple behaviours such as long sessions and high spending. The algorithm will fit into existing systems (e.g., ALERT) already adopted by many gambling operators, a system staff are already comfortable using. Finally, the Affordability Index does not rely on subjective estimates of affordability but rather identifies behaviours that are proven to have strong association with overspending and related negative consequences.

Focal has successfully developed algorithms to identify these players and distinguish them from other at-risk gamblers. This success suggests such players have a distinctive play behaviour that is captured by Focal's inventory of decision-based variables. If operators can identify these people when they are in the early stages of seeking additional resources, they may be able to intervene to prevent consequences from developing or escalating.

Refer to the Summary and Technical Reports for more information.