

Summary:

Research regarding the Dutch market for incidental lotteries ('incidentele loterijen')

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Colophon

Here you will find the summary of the research on Incidental Lotteries conducted by Dialogic Innovatie & Interactie on behalf of the WODC. The full report is also available through the WODC. This document provides a concise overview and serves as a standalone readable summary.

The research was conducted from November 2023 to May 2024. An independent supervisory committee was established by WODC to oversee the research. This committee consisted of the following members:

- Prof. Elisabetta Manunza LLM (professor of International and European Procurement Law, Utrecht University Centre for Public Procurement (UUCePP), Faculty of REBO, Department of Law), chair.
- Dr. ing. Martin de Bree MBA (researcher in supervision and regulation, Rotterdam School of Management, Department of Business-Society Management).
- Dr. Claire van Teunenbroek (assistant professor, University of Twente, Department of High-tech Business and Entrepreneurship).
- Laura Spoelman MSc (senior policy officer for Gambling, Ministry of Justice and Security, DG Sanctions and Protection).
- Dr. Pien van de Ven (project supervisor at WODC).

The supervisory committee safeguards the scientific quality of the research. It is important to note that they did not have access to the raw research results such as interview transcripts and quantitative data. They provided feedback on the research plan, interim results, and draft reports.

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Inhoudsopgave

1	Introduction	2
1.1	Motivation for research	2
1.2	Purpose of the Research	2
1.3	Research Approach	3
1.4	Reading Guide	3
2	What is the Market for Incidental Lotteries?	4
2.1	Overview	4
2.2	Trends	5
3	The role of white label platforms	7
3.1	Existing platforms	7
3.2	Advantages and disadvantages of <i>white label platforms</i>	8
4	Laws and Regulations on Incidental Lotteries	9
4.1	Dutch laws and regulations	9
4.2	Oversight and Enforcement in the Netherlands	10
4.3	International context	10

1 Introduction

1.1 Motivation for Research

The Betting and Gaming Act (Wet op de kansspelen) provides the legal framework for games of chance in the Netherlands. The main structure within this act is that games of chance are not allowed unless they are explicitly permitted (the “no, unless” regime). Article 3 of the Betting and Gaming Act stipulates that lotteries can be organized. A distinction is made between incidental and non-incidental lotteries ('incidentele loterijen' and 'niet-incidentele loterijen'), each with their own characteristics and conditions.

For incidental lotteries, a license must be obtained from the Dutch Gambling Authority (Ksa) if the total prize pool has a value of €4,500 or more. If the prize pool has a value less than €4,500, the license must be obtained from a municipality. The Betting and Gaming Decree specifies a set of requirements for all licensors, with the main requirement being that at least 40% of the proceeds from the incidental lottery must go to charity.

Anyone who has a license to organize an incidental lottery (hereafter: license holder) may also partially or entirely outsource the organization and execution of the lottery to a third party. The license holder remains responsible for compliance with the license conditions.

The Ksa has a good overview of 'large incidental lotteries,' but lacks insight into 'small incidental lotteries.'¹ This lack of oversight is due to differences in municipal licensing policies, such as varying regulatory regimes (some only require notification and not a full license application) or enforcement (often there is no visibility on lotteries without a license).

The rise of so-called 'white label platforms' further complicates the overview. These platforms assist societal organizations in organizing lotteries, from the license application to the draw and post-event accountability. These platforms are not mentioned in the license application, and there is no direct supervision of them by the licensors (Ksa or municipalities). Therefore, it is unclear what effects the presence of these platforms has on the market for incidental lotteries.

1.2 Purpose of the Research

The aim of this research is to provide insight into the nature and size of the market for incidental lotteries, particularly the role of white label platforms in this market. A secondary objective is to inventory the possibilities for oversight of the market for incidental lotteries, as well as the utility and necessity of employing these possibilities in the current market.

The research focuses on three areas: the market for incidental lotteries, the role of white label platforms within it, and the oversight and regulation of the sector. Within the market, the structure and trends from 2017 to 2023 are analyzed. For white label platforms, their presence, organization, cost structure, and the advantages and disadvantages for charities are examined. For legislation and regulation, an overview of Dutch regulations, oversight, and enforcement is first provided. Subsequently, a description is given of the design of (incidental) lotteries and the oversight and regulation thereof in the United Kingdom, Denmark, and France.

¹ The distinction between large and small is not a legal distinction but is used in this report to differentiate between lotteries with a prize pool greater than €4,500 and lotteries with a prize pool less than €4,500.

1.3 Research Approach

To answer the research questions, the following research methods were used: exploratory interviews, an analysis of municipal websites, a data request from municipalities, a data analysis of the Dutch Gambling Authority's data, a survey among board and committee members of associations and foundations, in-depth interviews (with white label platforms, municipalities, policymakers, charities, and lottery organizations), and a description of international examples.

By using these research methods, information is collected from different perspectives to formulate a comprehensive answer to the research questions. The market for incidental lotteries is mapped out through a data request from municipalities (partly shaped by exploratory interviews) and an analysis of data from the Ksa. However, this only includes licensed lotteries. To form a picture of the number of unlicensed lotteries, interviews with municipalities and a survey of administrators of associations and foundations were used. For white label platforms, interviews with regulators, providers, and charities provide insights into the role they play and their effects from various angles. Lastly, the description of international examples is intended to gather information about the regulation of incidental lotteries and white label platforms.

The research and its accountability distinguish between small incidental lotteries and large incidental lotteries. Small incidental lotteries are those with a prize pool up to €4,500 for which a license must be obtained from the municipality. Large incidental lotteries are those with a prize pool from €4,500, for which a license must be obtained from the Dutch Gambling Authority.

For a full explanation of the research methods, the research report can be consulted.

1.4 Reading Guide

In this summary, the observations from the report are presented along three main thematic lines: the market for incidental lotteries and trends within it, the role of white label platforms, and Dutch regulations and oversight, including the international context.

2 What is the Market for Incidental Lotteries?

Research Questions

(1) What does the market for incidental lotteries look like?

(2) What trends are there in this market from 2017-2023?

(8) Is the current regulation for incidental lotteries necessary, proportionate, and sufficient?

Key Findings

Data from 196 municipalities reveal that an average of 500 small incidental lotteries are organized each year. This number is a lower bound, as it does not cover all municipalities and because it is likely that there are lotteries being organized without a permit. For large incidental lotteries, there are an average of 33 applications per year. There has been no increase or decrease in the number of lotteries, revenue, or prize pools from 2017 to 2023. However, since 2020, there has been an increase in the maximum number of tickets requested, likely due to the rise of white label platforms. These platforms can easily issue more tickets through their digital platforms.

2.1 Overview

In the market for **small incidental lotteries**, lotteries with a prize pool of up to €4,500 are organized. These are primarily organized by local associations that apply for a permit from the respective municipality. The municipalities (N=196) that provided data for this research covering the period 2017-2023 indicate that collectively about 500 small incidental lotteries per year are organized in their jurisdictions. This number is a lower bound because (1) not every municipality provided data, and (2) there are also small incidental lotteries organized without applying for a permit. The representativeness of the response cannot be determined, as it is likely low among municipalities that do not issue permits. Therefore, these figures are not extrapolated to the total number of Dutch municipalities (342).

There are notable differences between municipalities. Of the participating municipalities, 17% did not issue any permits in the period from 2017 to 2023, 55% issued between one and 25 permits, and 8% issued more than 50. A majority of the municipalities (61%) estimate the revenue per lottery to be less than €3,000. The majority also estimate the average prize pool to be less than €2,000.

Table 1 shows the contributions to charity from small incidental lotteries, based on a survey distributed among board members and committee members of associations and foundations. Generally, associations that organize a lottery manage to retain a few hundred to a few thousand euros for their designated purpose.

Table 1. Contributions from Incidental Lotteries for Associations/Foundations (Board members/committee members who have organized a small lottery, n=39) Source: Motivaction, commissioned by Dialogic.

Contribution	Number of lotteries in this category
€0 to €500	20
€500 to €2.500	17
€2.500 to €5.000	1
€5.000 to €10.000	1
€10.000 to €20.000	0

In the market for **large incidental lotteries**, lotteries with a prize pool of €4,500 or more are organized. A permit for these must be obtained from the Dutch Gambling Authority (Ksa). During the period from 2017 to 2023, there has been an average of 33 applications for large incidental lotteries per year. Similar to small incidental lotteries, it is possible that large incidental lotteries are also organized without a permit, but there is no visibility on this. Thus, the figure of 33 large incidental lotteries per year is a lower bound.

The revenue per lottery licensed by the Ksa varies from several thousand to hundreds of thousands or even several million euros. The average contribution per lottery to charity is around 60% of the revenue. In total, large incidental lotteries contributed about €15 million to charities in the period from 2017 to 2021, with a total revenue of approximately €22 million..

2.2 Trends

For the number of organized small incidental lotteries, we do not observe a clear increase or decrease in the period from 2017 to 2023. Regarding the size of the prize pool and revenue from small incidental lotteries, most respondents indicated that no trend was noticeable for the period from 2017 to 2023 or that the revenue, contribution, and prize pool remained the same. During the COVID-19 period, however, the number of granted permits was noticeably lower (approximately 350 in 2020 and 2021, compared to around 550 in the other years).

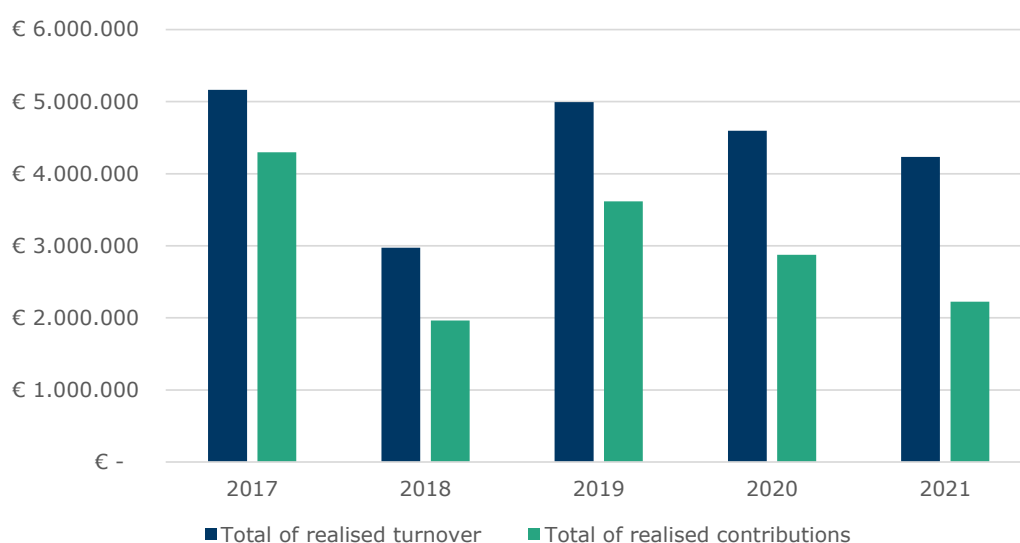


Figure 1. Total Realized Revenue and Contributions from Large Incidental Lotteries per Year, 2017-2021. Source: Ksa permit data, processed by Dialogic.

There is also no clear increase or decrease visible in the market for large incidental lotteries regarding the **number** of lotteries, **revenue**, size of the **prize pools**, or **contributions**. However, there is a notable trend in the number of tickets being requested. Since 2020, it has become more common for far more tickets to be requested than seems realistic to sell. Ksa regulations require budgeting on the sale of 80% of the maximum number of tickets. Therefore, this results in a much higher estimated revenue and contribution that is not reflected in the actual realized revenue and contribution. For these lotteries, costs are not budgeted on the sale of 80% of the tickets but are instead calculated considering a lower sale percentage. The development of requesting significantly more tickets than seems realistic to sell appears to go hand in hand with the rise of white label platforms.

3 The role of white label platforms

Research Questions

(3) What white label platforms for incidental lotteries are there, how are they organized, and what is their share and role in the market for incidental lotteries?

(5) What are the advantages and disadvantages for charities of the use of white label platforms in the market for incidental lotteries?

(4) What are the advantages and disadvantages of using white label platforms in the incidental lotteries market for charities?

(8) Is the current regulation for incidental lotteries necessary, proportionate, and sufficient?

Key Findings

Three white label platforms have been identified: Lotify, Verloterij, and Venki. Lotify is the largest, involved in 19% of the large incidental lotteries between 2017 and 2023. Their involvement in small lotteries is estimated to be a maximum of 5%. The costs of these platforms vary; Lotify charges a start-up fee, while Venki uses 40% of the proceeds for the organization (thus achieving a fixed contribution of 60%). The rates appear to be market-conform, and the platforms have a weaker negotiating position since their use is not mandatory for foundations and associations.

Currently, there are only three active platforms with involvement in a limited portion of the incidental lotteries, making it difficult to determine whether there is a need for regulation.

3.1 Existing platforms

In this study, three white label platforms have been identified that are active in 2024: Lotify, Verloterij, and Venki. Besides these three active platforms, there were other platforms in the past, such as LotNL and Promolot, but they are no longer active and are excluded from consideration. With these three platforms, at least all platforms that support large incidental lotteries are covered.

Lotify, based in Leiden, offers an automated platform that supports both incidental and multi-year lotteries, promotional games of chance, and donations. This platform, in which the Dutch Lottery (Nederlandse Loterij) holds a majority stake, focuses heavily on automation. It facilitates technical aspects, payment systems, fair draws, and participant communication. Lotify supported more than 50 lotteries in 2022 and 2023.

Verloterij, based in Oudebildtzijsl, focuses on organizing large lotteries, taking on the entire organization. They mainly support sports clubs in organizing lotteries, including both incidental and promotional games of chance. Verloterij became known for organizing the first house lottery in the Netherlands in 2017 and continues to focus on lotteries with notable and large prizes, such as campers. Verloterij typically organizes one to two large lotteries per year.

Venki, based in Rijswijk, launched in February 2024, positions itself as a crowdfunding platform. For an amount of €2, one can buy a ticket, with 60 percent of the proceeds going to the project and the rest towards funding prizes, promotion, and the platform itself. This

approach is aimed at smaller initiatives. Venki uses Lotify's platform to implement their lotteries. Venki is entirely owned by the Dutch Lottery.

3.2 Advantages and disadvantages of white label platforms

One of the advantages of using white label platforms is that it should make it easier for charities to organize an incidental lottery. During the research, three charities that have used such platforms were interviewed. They indicated that as organizations, they were not well-prepared for the procedures involved in organizing a lottery, such as obtaining permits, administration, and reporting. The support from the white label platforms was deemed essential by them: without these platforms, they would not have been able to organize a lottery.

A second advantage lies in the ability of white label platforms to realize larger lotteries, thereby generating more contributions. Table 3 provides an overview of this for the group of large incidental lotteries. The average revenue of the large incidental lotteries organized with a white label platform is more than €250,000. This is 80% more than the large incidental lotteries organized without a white label platform (approximately €140,000). However, the costs are more than three times higher when using a white label platform (€114,000 versus €35,000). This results in a comparable difference in realized contributions of only €30,000 between the two types. Moreover, the actual contribution percentage is higher for lotteries without a white label platform. Up to 2023, lotteries with a white label platform more frequently failed to meet the minimum contribution of 40% (16%) compared to lotteries without (7%).

Table 2. Differences in realizations between large lotteries with and without White Label Platforms. Source: Ksa permit data, processed by Dialogic.

Statistic	With white label platform	Without white label platform
Number	45	187
Average Realized Revenue	€250.201,37	€138.933,51
Average Realized Costs	€114.256,90	€34.863,80
Median Realized Costs	€23.040,72	€13.917,00
Average Realized Contribution (€)	€135.944,50	€104.069,70
Average of Realized Contributions (%)* (Unweighted)	48,7%	65,1%

* For determining the unweighted contribution percentage, the contribution percentage was calculated for each lottery and the average of these percentages was taken.

Although the use of a white label platform can generate higher revenues, the data are not sufficient to draw definitive conclusions, as organizations that choose white label platforms and those that do not may organize different types of lotteries. For instance, a benefit gala lottery (typically a low number of tickets with a high price) is unlikely to engage with a white label platform.

It is questionable to what extent a platform can afford to charge costs that are not market-conform. In the past, there have been platforms that facilitated a few lotteries and then ceased operations. It is possible that their business case was not viable.

4 Laws and Regulations on Incidental Lotteries

Summary of this Chapter

This chapter describes the design of (incidental) lotteries and the oversight and regulation thereof in the United Kingdom, Denmark, and France. The central focus is on addressing the following research questions:

(6) What are the possibilities for oversight and regulation of the market for incidental lotteries and white label platforms abroad?

(7) To what extent can lessons be learned from this for the Netherlands??

(8) Is the current regulation for incidental lotteries necessary, proportionate, and sufficient?

Key Findings

The current oversight requires permit applications with municipalities for small incidental lotteries and with the Ksa for large incidental lotteries. Not all lotteries apply for a permit, and many municipalities do not actively monitor this. Additionally, municipalities have limited oversight of the Accounting & Accountability requirements. The Ksa, however, exercises full oversight, including accounting and accountability.

Oversight of white label platforms could contribute to professionalization and creating a level playing field, potentially inspired by foreign regulations (such as the UK's external lottery managers).

4.1 Dutch laws and regulations

Article 3 of the Betting and Gaming Act indicates that lotteries can be organized, provided a permit is obtained. Two sets of policy rules fall under this: Policy Rules for Incidental Article 3 Lotteries ('Beleidsregels incidentele artikel 3 loterijen') and Policy Rules for Non-Incidental Article 3 Lotteries ('Beleidsregels niet-incidentele artikel 3 loterijen'). This distinction is made between lotteries with multiple draws and longer durations and shorter-duration (one-time) lotteries. Non-incidental lotteries are subject to stricter regulations than incidental lotteries. Additionally, the Gaming Decree ('Kansspelenbesluit') sets out further requirements for lotteries.

However, the policy rules apply only to larger lotteries (prize pool greater than €4,500), where the Ksa issues a permit. The Gaming Decree also applies to permits issued by municipalities. In this research, data were collected from the rules that 263 municipalities offer on their websites. Broadly, these align with the legislation, but some notable issues were identified. For instance, there are varying mandatory contribution percentages (178 municipalities still adhered to the old 50%). Furthermore, many municipalities did not indicate that the Financial Accountability Report ('Rekening en Verantwoording')² afterward is a

² The Financial Accountability Report ('Rekening en Verantwoording') must be submitted afterward to demonstrate that sufficient funds have been allocated to the charity and that the costs are justifiable. In the case of Ksa permits, this must also include an auditor's report.

mandatory component. Lastly, it was noticeable that there seemed to be confusion in 28 municipalities between regulations for incidental lotteries and regulations for small games of chance (bingo, wheel of fortune).

Article 5a of the Policy Rules for Incidental Article 3 Lottery Permits states that the permit holder can outsource the organization and execution (or part thereof) to a third party. However, Article 5a explicitly indicates that the permit holder remains responsible for the organization and execution and for compliance with the permit conditions. The Ksa specifically requires the agreement with the third party at the time of issuing the permit and reserves the right to reject the permit based on this agreement. In municipalities, this does not play a role in the permit-granting process.

4.2 Oversight and Enforcement in the Netherlands

It is challenging to determine whether the current regulation for incidental lotteries is necessary, proportionate, and sufficient, based on the gathered information. The general view for small incidental lotteries is that their regulation and oversight are not significant or concerning issues for the surveyed municipalities. Regarding the Financial Accountability Report requirement, many municipalities do not mention on their websites that it is mandatory to submit these after the lottery's conclusion. From conversations with municipalities, it appears that the Financial Accountability Report requirement is often included as a condition. At the same time, these conversations also revealed that municipalities do not always actively pursue the submission of the Financial Accountability Report.

For large incidental lotteries, the picture is mixed. On the one hand, there is already a light permit regime for incidental lotteries compared to non-incidental lotteries. Simultaneously, some applicants find the process of applying for a permit and completing the Financial Accountability Report procedure complicated. This may indicate that the regulation is not proportionate.

There is no visibility on the extent to which lotteries are organized without a permit. Most surveyed municipalities do not actively monitor whether small incidental lotteries are being organized without a permit. For large incidental lotteries, it is unknown whether (and to what extent) the Ksa actively monitors whether they are being organized without a permit.

4.3 International context

This research provides a description of the design of (incidental) lotteries and the oversight and regulation thereof in the United Kingdom, Denmark, and France. It is essential to note that no country has an identical situation to the Netherlands regarding incidental lotteries. Moreover, each of the examined countries exhibits differences from the Dutch context, especially when it involves lotteries organized by and/or for the benefit of charities. However, several generic observations can still be made.

- In each of the examined countries, there is a threshold on the lottery's revenue above which other, stricter rules apply. This is a direct difference from the Netherlands, where the size of the prize pool is the basis for regulation. The stricter rules in the Netherlands come in the form of permits and oversight by the Ksa.
- The oversight of lotteries in Denmark and the United Kingdom is largely reactive in nature. This strongly resembles the situation in the Netherlands as described in conversations with municipalities.
- Regarding the involvement of third parties, only the United Kingdom (as far as is known) has established clear rules. Third parties that wish to assist organizations in promoting/facilitating a lottery must, in certain situations, hold a permit (for an

External Lottery Manager). In Denmark, third-party involvement in the organization is allowed, but there is no clear regulation, much like in the Netherlands. It is specified that when a third party is hired, the organizer of the lottery is responsible for compliance with the requirements (similar to the Netherlands). In France, current legislation neither explicitly allows nor prohibits the involvement of third parties. Consequently, there are no specific legal requirements imposed on these parties at present.

Based on this analysis, no direct lessons can be drawn for Dutch policy options. The analysis focussed on describing the situation abroad and has only limitedly considered the consequences of the chosen policies (including advantages and disadvantages). At most, some considerations can be offered. For the distinction between small and large incidental lotteries, one could look at the (expected) revenue of the lottery. This would bring Dutch policy more in line with other countries, but it has the drawback that revenue is not always easy to estimate in advance. Another possibility is to impose a maximum percentage of revenue that can be allocated to organizational costs and prizes (as in the United Kingdom and France).