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The revenue of the online gambling industry depends on high spending by a small number of people

What you need to know

The purpose of this study was to examine how dependent the online gambling industry is on people who gamble heavily. Seven leading gambling operators in Great Britain provided the researchers with data for 139,152 people who gambled at least once between June 2018 and June 2019. The findings showed that people who were in the top 20% in terms of amount of loss, generated 89.2% of the net revenue for the gambling operators. The top 10% of people generated 79% of operator revenue, and the top 1% of people generated 37%. But the bottom 50% of people generated only 0.5% of the net revenue. The revenues generated by sports betting and bingo were not as dependent on a small number of people with high spending. Even then, a few people accounted for a significant proportion of the net revenue. The researchers discussed how restrictions of account deposits or losses might pose a risk to gambling operators because a minority of people contribute significantly to their net revenue.

What this research is about

Previous research has suggested that gambling revenue depends on a small number of the most active people who gamble. Because every electronic transaction is recorded, online gambling can help researchers examine the gambling industry. Account data are a more reliable source than survey data. When being surveyed, people often cannot accurately recall their spending on gambling. But there is no recall error associated with online account records. The purpose of this study was to examine how dependent the online gambling industry is on people who gamble heavily.

What the researchers did

The researchers first discussed their methodological choices. In particular, they discussed the benefits and drawbacks of using the Pareto ratio or the Lorenz curve to estimate people's spending. A Lorenz curve is constructed by rank ordering people, for example, based on the size of their gambling loss. The researchers chose to use an "inverted" Lorenz curve where people were ranked from highest to lowest. The Pareto ratio is a point on the Lorenz curve that represents the proportion of a gambling operator's net revenue contributed by the top 20% of people based on the size of their loss.

The researchers expressed their findings as the top x% of people ordered by turnover (stakes), who generated y% of spending on a gambling product (corresponding to the operator's net revenue). The researchers also reported spending on gambling overall and for particular products by the top 20% of people. They also chose to report specific points to the left of the Pareto point on the inverted Lorenz curves (i.e., the top 10%, 5%, and 1% of people).

The researchers were provided a list of accounts by seven leading gambling operators. These accounts were held by people living in Great Britain and used to gamble at least once with the account holder's own money during a one-year period from June 2018 to June 2019. The list included information about the number of days on which gambling had taken place and the game types (betting or gaming).

The researchers selected 20,000 accounts from each operator for which they would request more detailed information. People who gambled very frequently were intentionally over-sampled. In total, data from 139,152 accounts were used in this study.

Information provided for these accounts was organized differently for betting and gaming activities. For betting, information for each individual wager was provided, including the amount staked and amount credited back to the account if the person won. For gaming, the operators provided summaries of account activity for consecutive 15-minute periods across the one year. This information was sufficient to calculate the amount gambled over the year and the amount won (or lost) by each account holder.

What the researchers found

The researchers estimated that about 61% of the accounts across the seven operators were used only for betting. About 14% were used only for gaming, and 25% were used for both betting and gaming. On average, people who engaged in gaming only spent more money (£296) than those who engaged in betting only (£135); those who did both spent £602, on average. About 55% of net spending (corresponding to the net revenue of the operators) was attributed to the 25% of people who engaged in both betting and gaming.

The top 20% of people generated 89.2% of the net revenue for the gambling operators. The top 10% of people generated 79% of operator revenue. The top 5% generated over two-thirds of operator revenue, and the top 1% generated 37.4%. But the bottom 50% of person generated only 0.51% of the net revenue.

The top 20% of people gambled £1,388 over the course of a year, while the top 10% of people gambled £4,568, the top 5% gambled £12,420, and the top 1% gambled £70,175. Based on previous research, the top 10% of people typically spent above safer gambling limits.

Across all accounts used to bet, the operators retained 8.7% of all stakes rather than returning them as winnings. Across all accounts used to engage in gaming, the operators retained 4.2% of stakes. The revenues generated by sports betting and bingo were not as dependent on a small number of people with high spending. Even then, a few people accounted for a significant proportion of the net revenue. In bingo, the top 0.5% of people staked at least £6700 over the year and generated 26.5% of online bingo revenue for the gambling operators. In horse race betting, the top 1% of people generated almost 52% of operator net revenue. They staked over £18,500 over the course of the year.

How you can use this research

Regulators and policy makers can use this research to inform policies and procedures around restrictions on gambling spending.

About the researchers

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