

Consumer Pulse

US Gaming Report

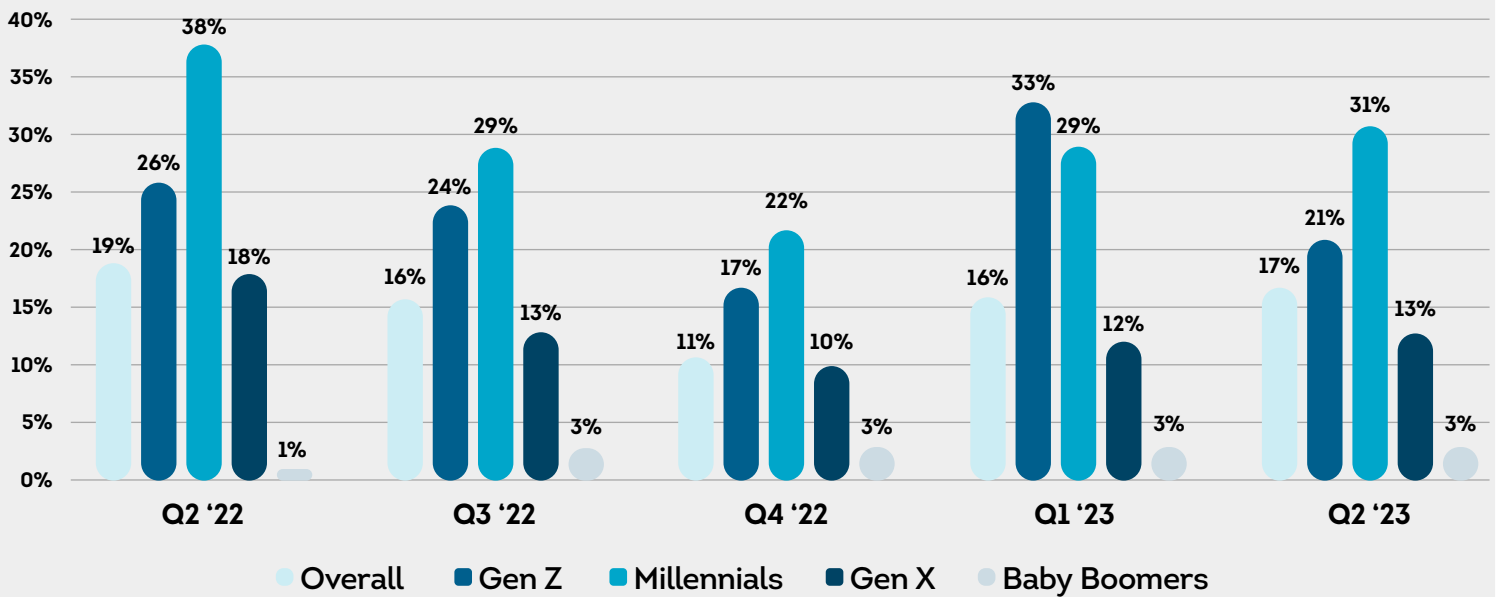
Gaming Participation Rebounds; Bettors Remain Cautious

US Q3 2023

The US economy has continued to add jobs and eek out modest growth despite high inflation and rapidly rising interest rates – defying expectations of many market professionals. Nearly 60% of economists surveyed by the National Association of Business Economics (NABE) at the end of 2022 said there was a greater than 50% probability of a recession in 2023. In NABE's March '23 survey, roughly the same amount still held this belief; however, the timing of the expected downturn keeps getting pushed back, with the second half of 2023 representing the plurality view. Consumer expectations have mirrored those of professional economists. In our December survey, 62% of consumers said we were already in or would enter a recession in the first half of 2023. Only 30% said we would have no recession or enter a recession in the second half of 2023. Our latest Q2 Consumer Pulse Survey showed a dramatic shift in attitude. While 42% of consumers believed we're currently in or will enter recession in the first half of this year, 57% now believed the recession will either not come at all or happen in the back half of the year. Concerns about inflation have retreated slightly but remain high. In Q2 2023, 61% of consumers said they were extremely or very concerned about the rate of inflation compared to 65% in Q2 2022.

While we've seen some relief in inflation and recessionary fears, all signs still point to a cautious consumer. For gaming operators, this reversal should come as a welcome sign. In our previous [online sports betting study](#), we reported participation in mobile sports betting declined from 19% in Q2'22 to 11% in Q4'22. Results from our latest survey showed participation in mobile sports betting has recovered somewhat but is still down year over year. Seventeen percent of respondents said they participated in mobile sports betting in Q2 2023 with Millennials (31%) and Gen Z (21%) leading the recovery.

Those who answered yes, I engage in mobile sports betting



Source: TransUnion Consumer Pulse survey - 2Q 2023

As consumers and the economy continue to wade through an uncertain environment, it's vital gaming operators understand the financial health of their player segments. By leveraging consumer insights, operators can better target players who are more likely to engage in safe, long-term play while identifying players exhibiting signs of financial distress before problematic play may occur. Incorporating more informed consumer insights into acquisition strategies can help operators match incentives and messaging to players with high lifetime value while staying within the boundaries of regulatory concerns.

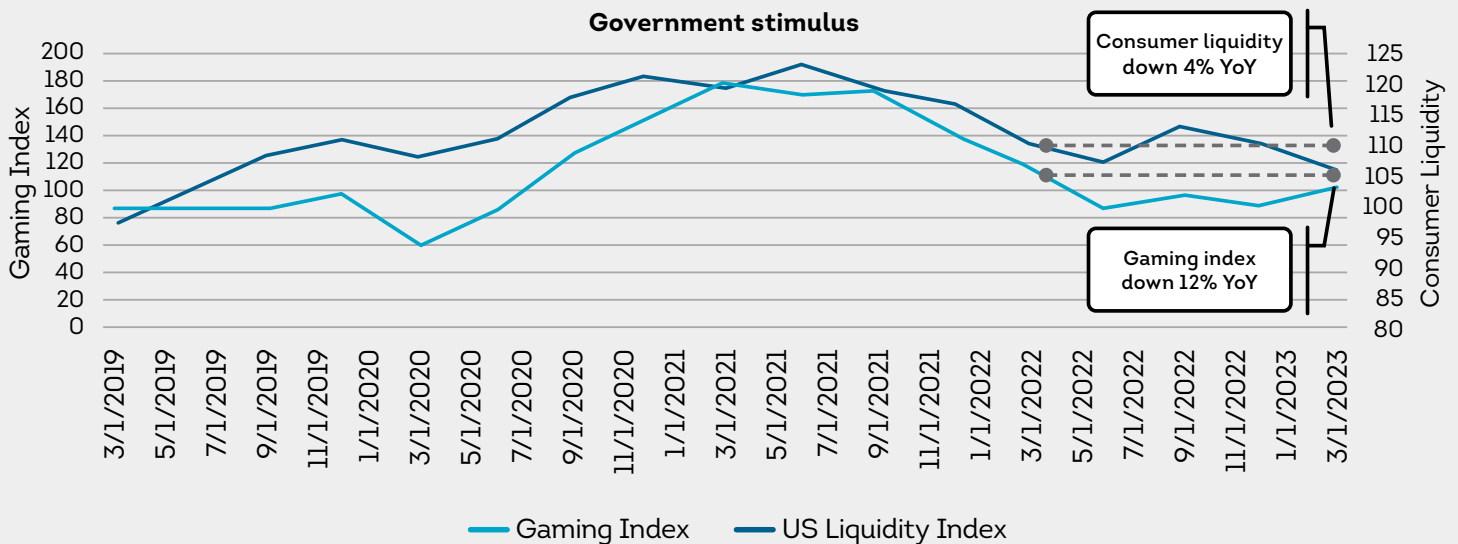
CONSUMER HEALTH AND GAMING PARTICIPATION



Inflation still lingering: US Inflation continued to fall from its summer '22 peak as a result of the Federal Reserve's aggressive interest rate policy. Despite this fall, consumer wallets remain pressured by high prices, and concern about inflation stayed elevated among bettors and non-bettors alike. On the positive side, wages have been rising alongside prices. As a result, real disposable income started to tick up since bottoming in June of last year. Despite positive income growth, consumer liquidity declined again in the first quarter, down 4% compared to last year.

The biggest driver of declining liquidity was an increase in consumer debt. Higher debt levels have forced consumers to allocate more of their incomes toward monthly payments, which leaves less money available for discretionary spending. The gaming index grew in the first quarter, corresponding with major events like the Super Bowl and March Madness, though it was still down 12% on a year-over-year basis. As consumer budgets continue to experience pressure, the gaming industry will continue to face challenges returning to the growth experienced during the pandemic.

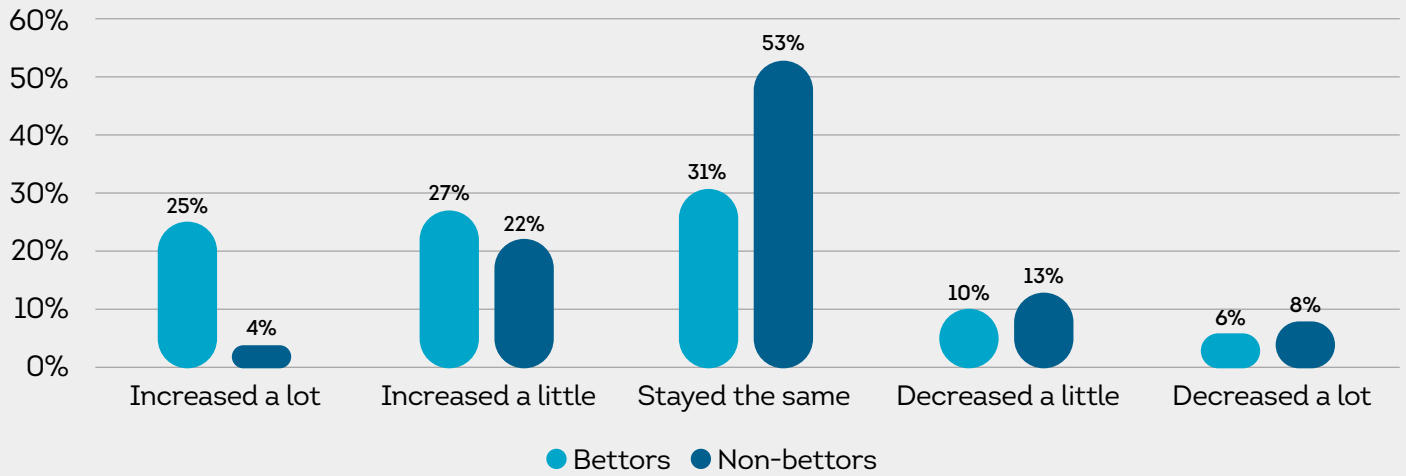
Consumer Liquidity and Quarterly Gaming Industry Performance



Source: TransUnion Consumer Credit Database

Source: TransUnion US consumer credit database

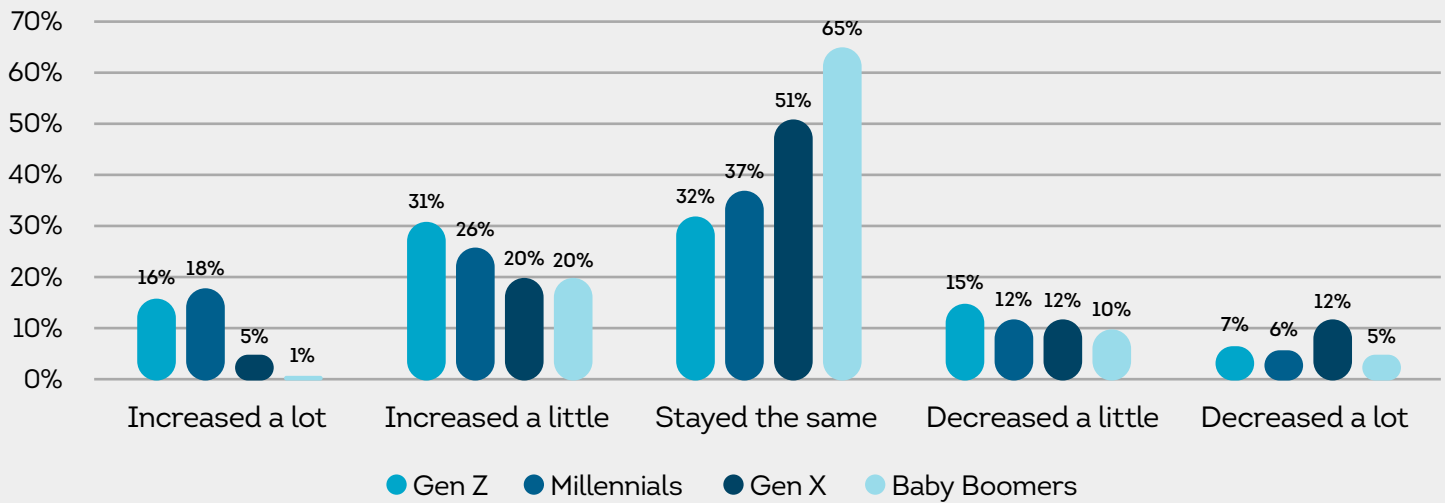
How has your income change in the last three months?



Source: TransUnion Consumer Pulse survey - Q2 2023

Totals may not add to 100% due to rounding

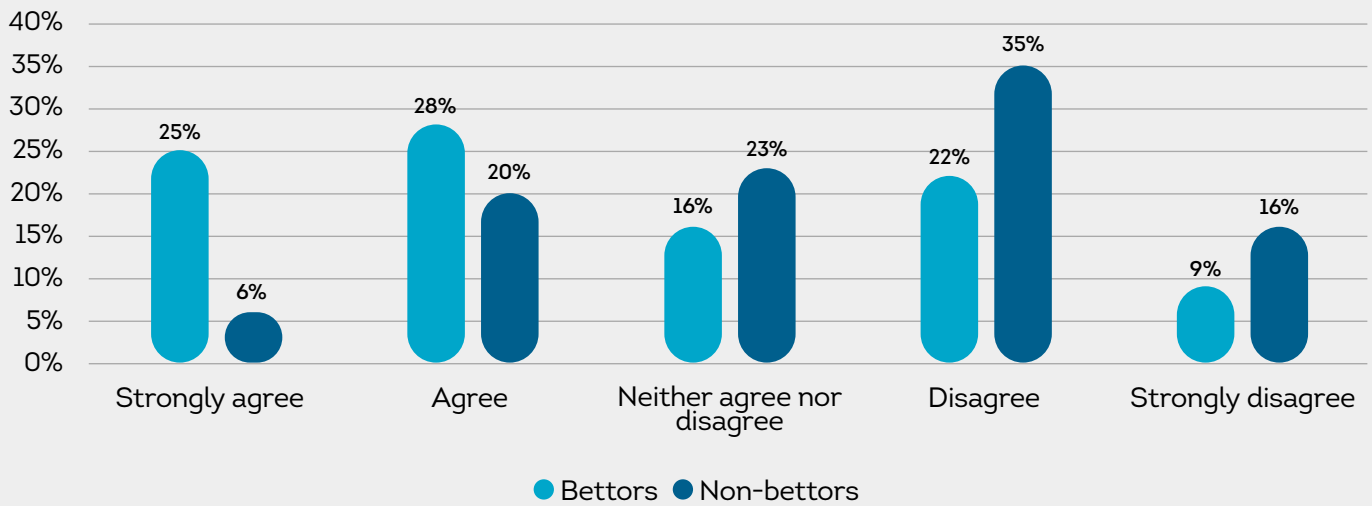
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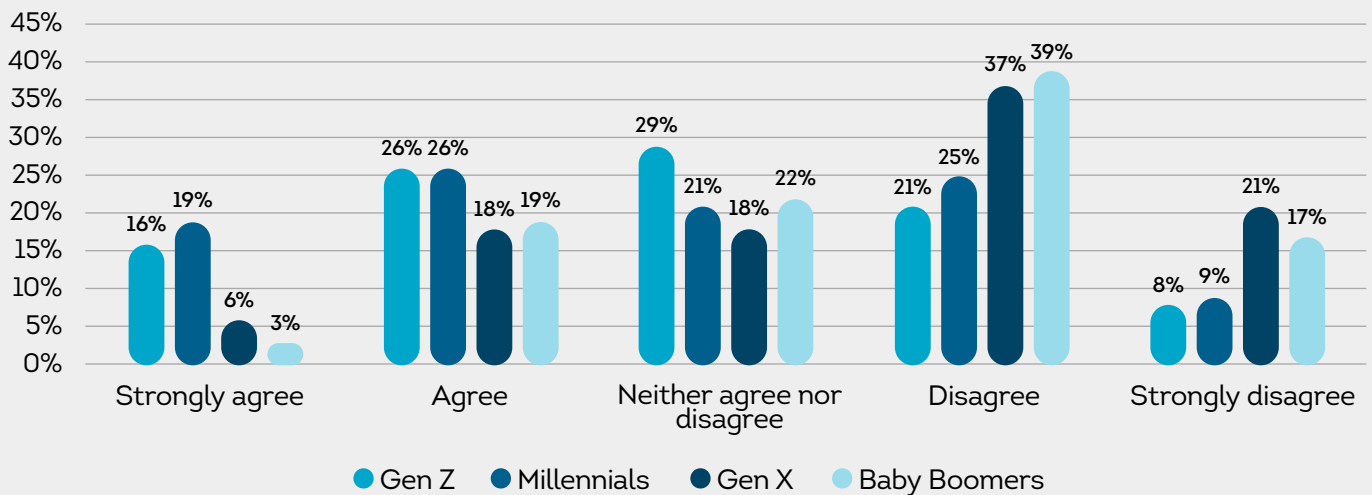
To what extent do you agree with the following statement:
My household income is keeping up with the rate of inflation?



Source: TransUnion Consumer Pulse survey - Q2 2023

Totals may not add to 100% due to rounding

To what extent do you agree with the following statement:
My household income is keeping up with the rate of inflation?



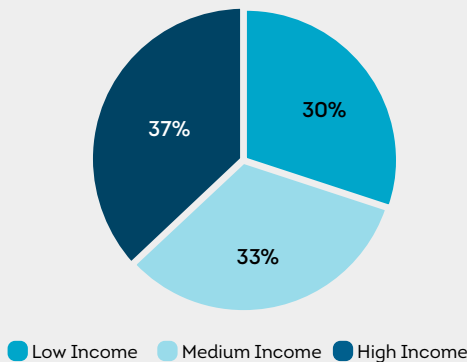
Source: TransUnion Consumer Pulse survey - Q2 2023

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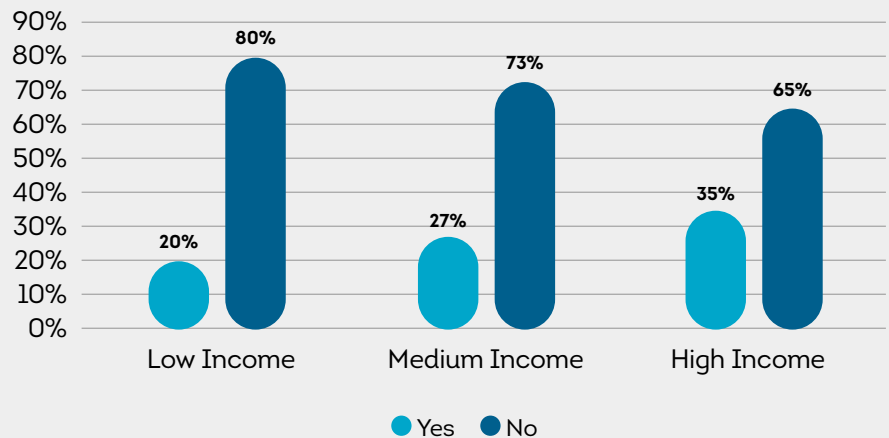


Marginal income matters most: Bettors continuing to be more likely to experience a positive change in incomes is a carryover of a trend we've seen throughout this report series. Household income is well correlated with betting activity. Thirty-five percent of high-income consumers participated in betting activities compared to 27% of medium-income and 20% of low-income consumers. What's more, despite making up only 27% of the survey population, high-income consumers accounted for 37% of bettors. In contrast, low-income individuals made up 40% of the survey population and only 30% of bettors.

% share of participants in any kind of betting activities, by income



Do you participate in any kind of betting activity?

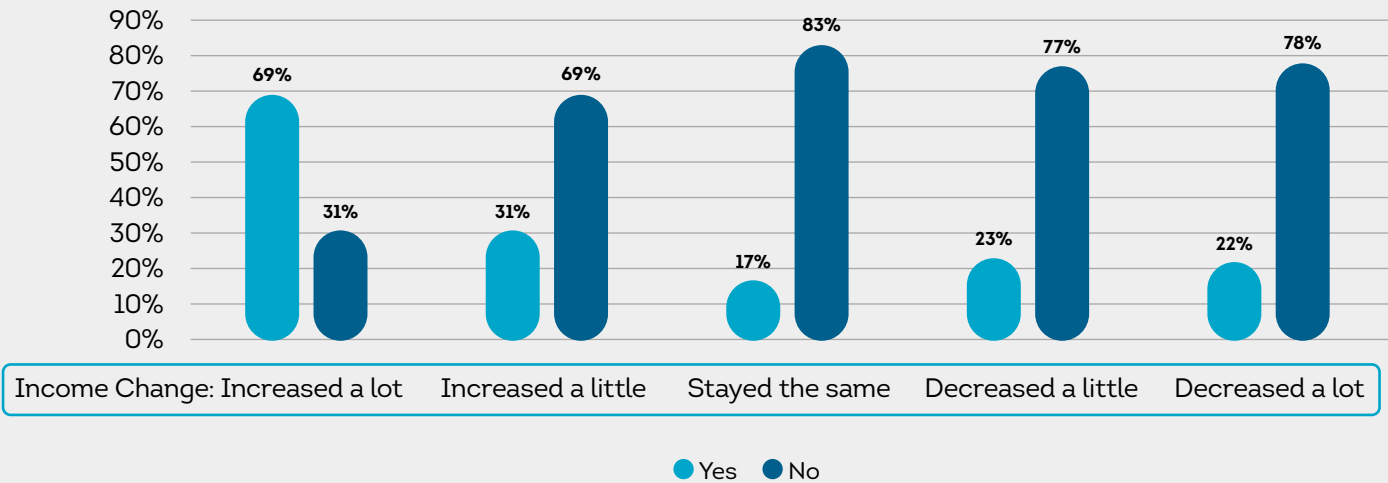


Source: TransUnion Consumer Pulse survey - Q2 2023

Totals may not add to 100% due to rounding

As we've seen with tracking consumer liquidity, having extra money to spend is a strong predictor a consumer will engage in betting activity. However, looking at how income changes, as well as the magnitude of change, can provide deeper insights to gaming operators. Sixty-six percent of consumers whose income increased a lot participated in some betting activity, more than double the betting activity of consumers whose incomes increased a little (31%). What's most interesting is betting activity was lowest among those whose incomes stayed the same (17%). Just over 20% of consumers whose incomes decreased a little or a lot participated in some type of betting activity, a slightly higher rate than low-income consumers.

Do you participate in any kind of betting activity?



Source: TransUnion Consumer Pulse survey - Q2 2023

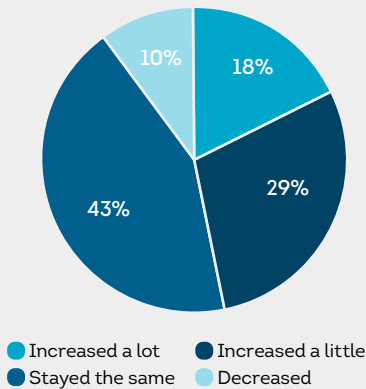
Totals may not add to 100% due to rounding

Analyzing how changes in income impact how much bettors deposit per month for betting activities, we saw positive shifts in income not only increased a consumer’s likelihood to bet – but to bet much more. Among high-income individuals, 43% reported their incomes stayed the same, while 29% said their incomes increased a little, and 18% said their incomes increased a lot. High-income consumers who experienced an income increase were much more likely to deposit over \$500 per month for betting activities.

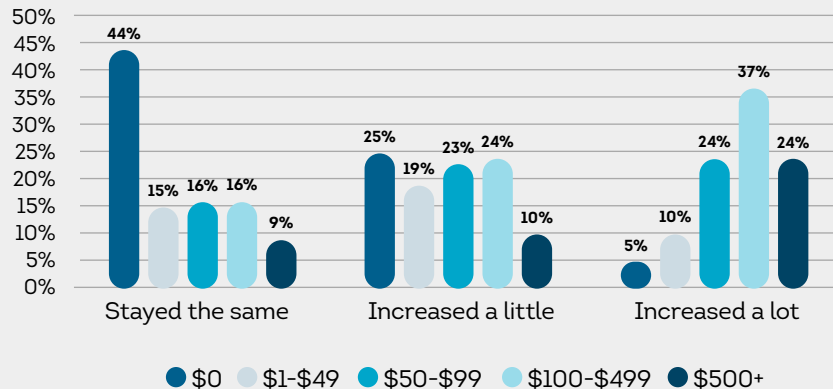
Among this group, 24% said they deposit over \$500 per month for betting activities compared to only 9% of high-income earners whose incomes stayed the same, and 10% of high-income earners whose incomes increased a little – a massive difference! Moreover, this cohort was also much more active across all types of betting activity relative to other high-income cohorts. Only 5% of high-income consumers whose incomes increased deposited \$0 in some betting activity, suggesting deposited funds for nearly all types of betting activity.

For high-income earners whose incomes increased a little, we saw a big drop in \$0 deposit activity, as well as moderate increases in monthly betting activity when compared to high-income consumers whose incomes stayed the same. This suggests high-income bettors, absent any change, tend to be anchored to their favorite betting activities. If they get a little extra cash, they’re likely to moderately increase how much they bet through their favored channels, plus allocate a little extra budget toward activities they normally don’t participate in.

High income consumers by type of income change



On average, how much do you deposit for all types of betting activities per month?



Source: TransUnion Consumer Pulse survey - Q2 2023

Totals may not add to 100% due to rounding

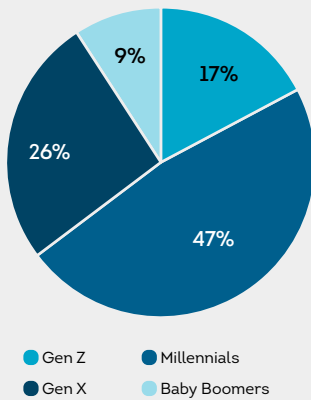


Student loan repayment: Implications for the industry. Changes to income as well as debt service payments are fundamental drivers of consumer liquidity. While many consumers experienced an increase in income, the coming expiration of the federal student loan relief program serves as a looming headwind for consumer liquidity. The pandemic program paused student loan repayment, as well as interest accrual for student loan borrowers. With the recent debt limit deal struck between Congress and the Biden administration, student loan payments are set to resume this October.

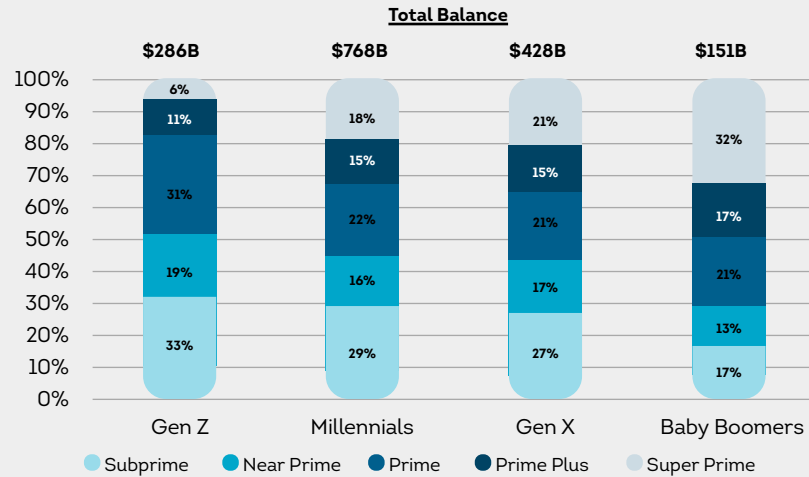
As of Q1 2023, the amount of outstanding student loan debt totaled \$1.6T, with Millennials owning 47% of the total. The ever-important gaming segment is on the hook for \$768B with an average monthly payment amount of \$275. There's no doubt the resumption of student loan payments will pressure the wallets of certain consumer segments. For the gaming industry, there is perhaps a silver lining in the data. While Millennials hold the most student loan debt, the majority of that debt is held by prime and below customers (roughly two-thirds). As high-value bettors (those who deposit over \$500 a month for betting activities) tend to be disproportionately represented in above prime credit segments, restarting student loan payments may have a muted impact on this key segment.

That said, as consumers continue to navigate a shaky economy, the restarting of student loan payments may further crowd out discretionary spend for some consumers while making growth more challenging for the gaming industry.

% Share of total outstanding student loan balance (\$1.6T)



% Share of total outstanding balance by generation and risk tier



Source: TransUnion Consumer Pulse survey - Q2 2023

Key takeaways:

- Consumer finances improved as real disposable income recovers; consumers are seeing their financial positions improve, though this is not evenly distributed. Betting activity picked up among consumers fairing the best.
- Disposable income increases largely translated to increases in betting activity – but especially amongst high-income bettors.
- Student loan repayments restarting may see operators disproportionately affected by this impact to consumer liquidity, especially given the heightened impact to Millennials who are crucial to the industry.



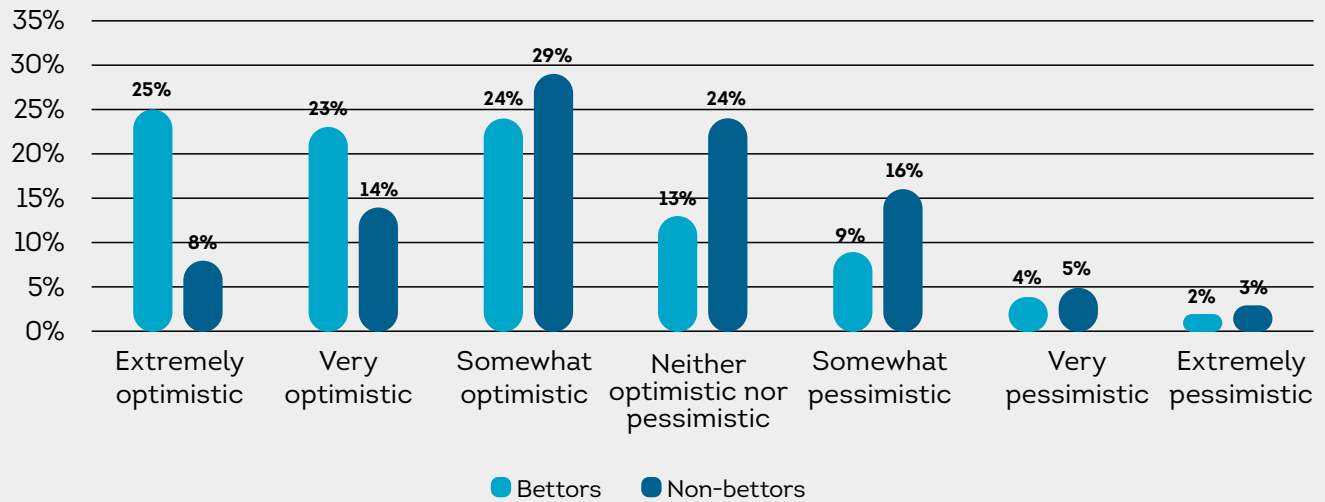
BETTORS VS. NON-BETTORS

Financial management



Optimism pervasive among bettors: As bettors tend to be disproportionately high income and much more likely to have experienced an income increase, it's perhaps no surprise they tend to be much more optimistic about their finances over the next year. Nearly half (48%) of bettors said they were either extremely or very optimistic about their household finances over the next 12 months. Only 22% of non-bettors felt the same about their financial futures. Non-bettors overall were much more likely to be neutral, or somewhat optimistic or pessimistic about their finances. Only a small cohort of bettors and non-bettors expressed extreme pessimism about the future.

How optimistic or pessimistic are you about your household finances in the next 12 months?

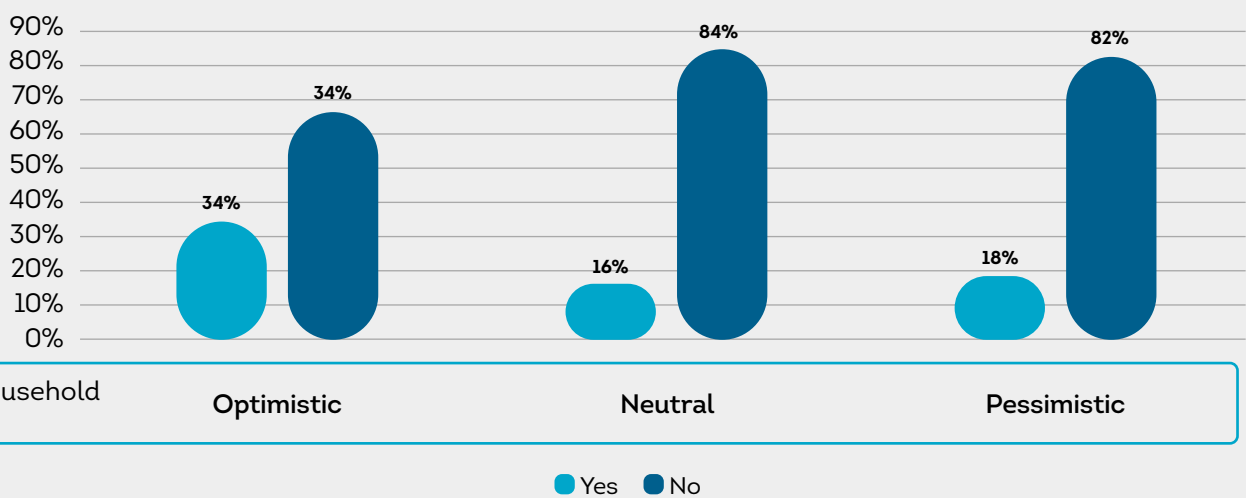


Source: TransUnion Consumer Pulse survey - Q2 2023

Totals may not add to 100% due to rounding

As we saw with positive changes in income, optimism about the future is associated with much higher participation in betting activities. Of those who expressed optimism about their future finances, 34% participated in some form of betting activity, more than double the proportion of those who were neutral, and nearly twice as much as those who were pessimistic about their finances going forward.

Do you participate in any kind of betting activity?



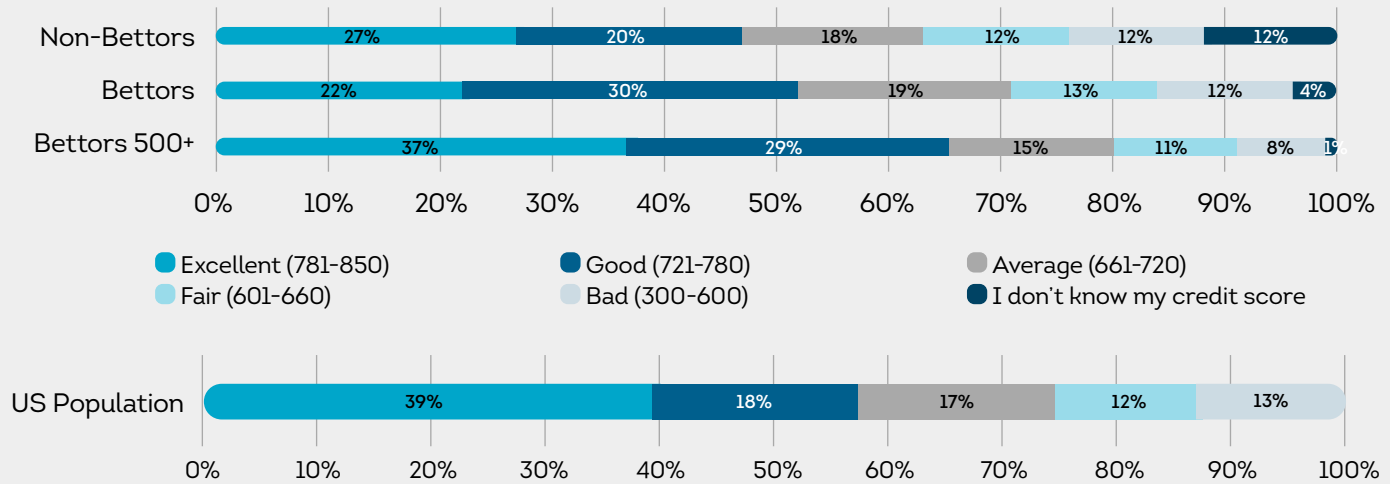
Source: TransUnion Consumer Pulse survey - Q2 2023

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Shaky financial management: Bettors tend to experience much more volatility in their finances. It's true that bettors are more likely to experience increases in their incomes, but high income doesn't necessarily guarantee good financial management. Over half (52%) of bettors said they had good or excellent credit compared with 47% of non-bettors. Roughly the same percentage of bettors and non-bettors had fair or poor credit and were both in line with the general population.

What range best classifies your current credit score?

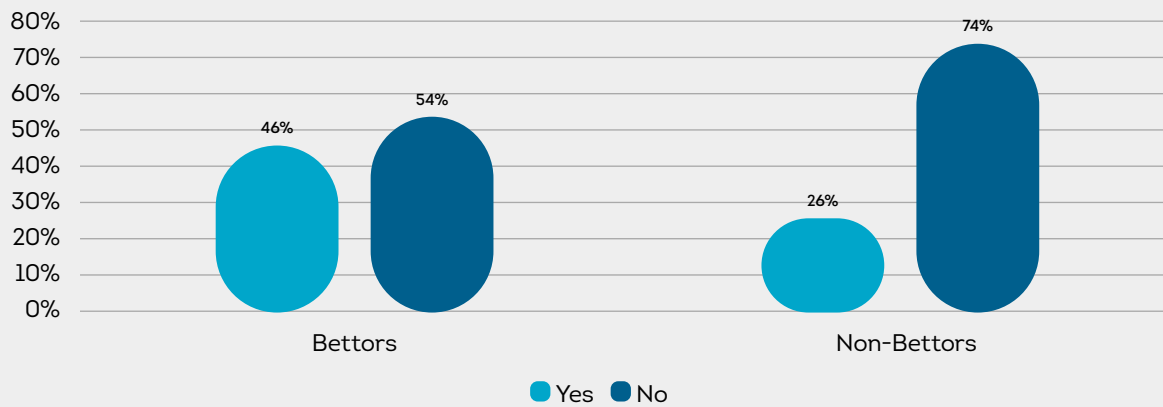


Source: TransUnion Consumer Pulse survey - Q2 2023

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Despite similarities in credit scores, bettors tended to exhibit potential signs of financial distress when it came to meeting their financial obligations. When asked if they expected to be unable to pay any of their current bills or loans in full, 46% of bettors responded yes compared to 26% of non-bettors. Even after adjusting for income, bettors showed a much higher propensity to be unable to meet all their financial obligations in full. Among high-income consumers, 44% of bettors said they expected to be unable to fully meet their financial obligations compared to only 13% of non-bettors. Within the low-income cohort, 55% of bettors expected to be unable to fully pay their bills compared to 35% of non-bettors.

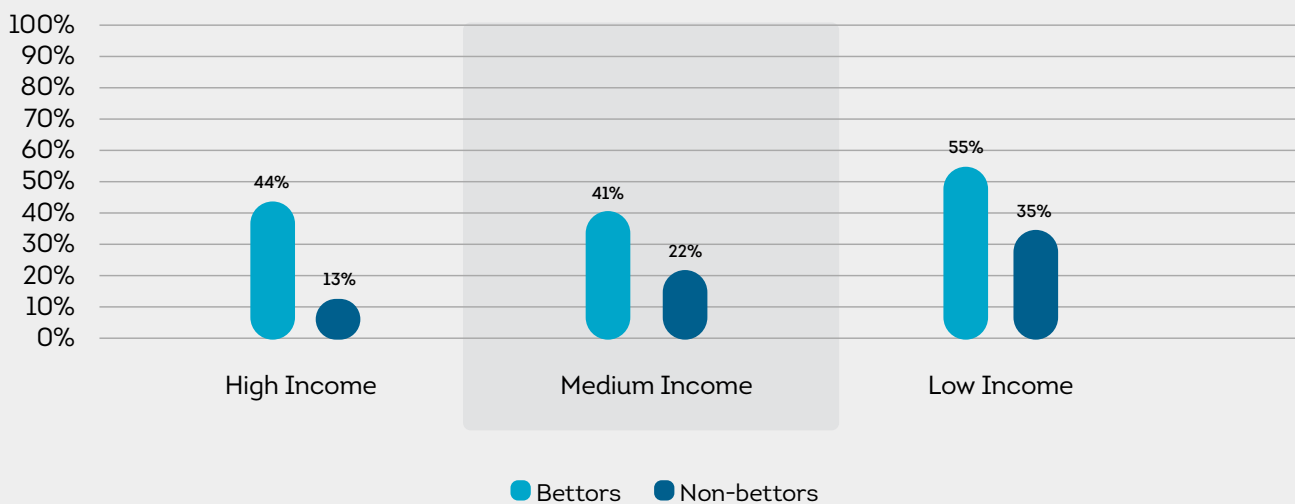
Yes, I expect to be unable to pay one or more current bills/loans in full.



Source: TransUnion Consumer Pulse survey - Q2 2023

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Yes, I expect to be unable to pay one or more current bills/loans in full.

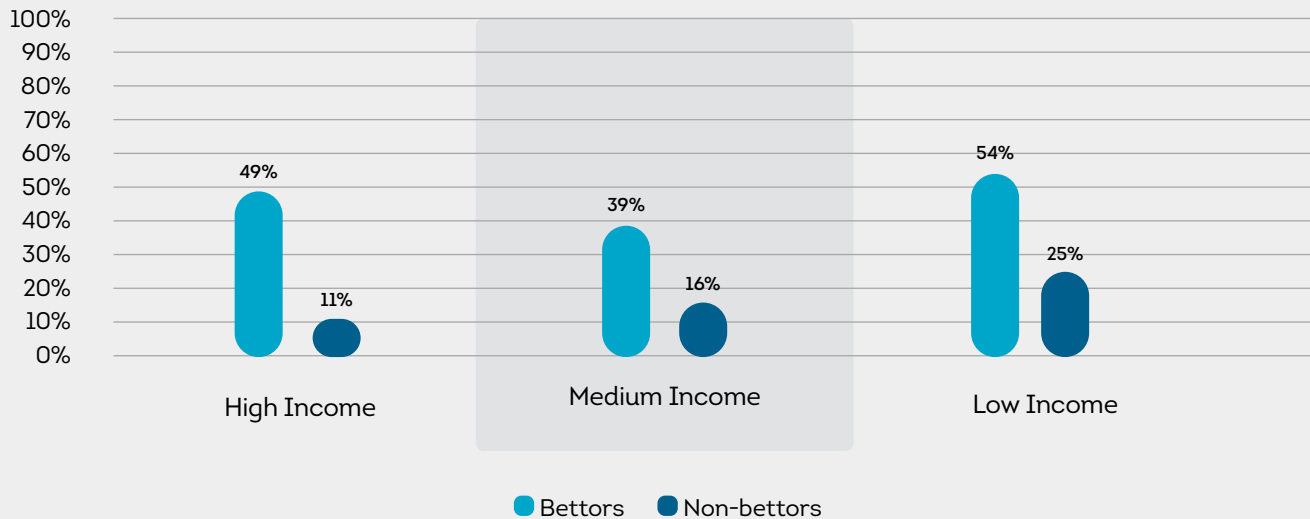


Source: TransUnion Consumer Pulse survey - Q2 2023

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Consumer expectations about not being able to meet all their financial obligations in full are a good indicator of potential financial stress; however, these fears may be overstated. To get a better picture of actual missed payments, we asked consumers whether they've been 90 days or more past due on any of their financial obligations. Even after adjusting for income, we saw bettors again are much more likely to have been 90 days or more past due on one of their financial obligations. Across all income cohorts, bettors were more than twice as likely to report being severely past due on one of their bills.

Have you been in past due status for any bill or loan payment for 90 days or longer in the past 12 months?



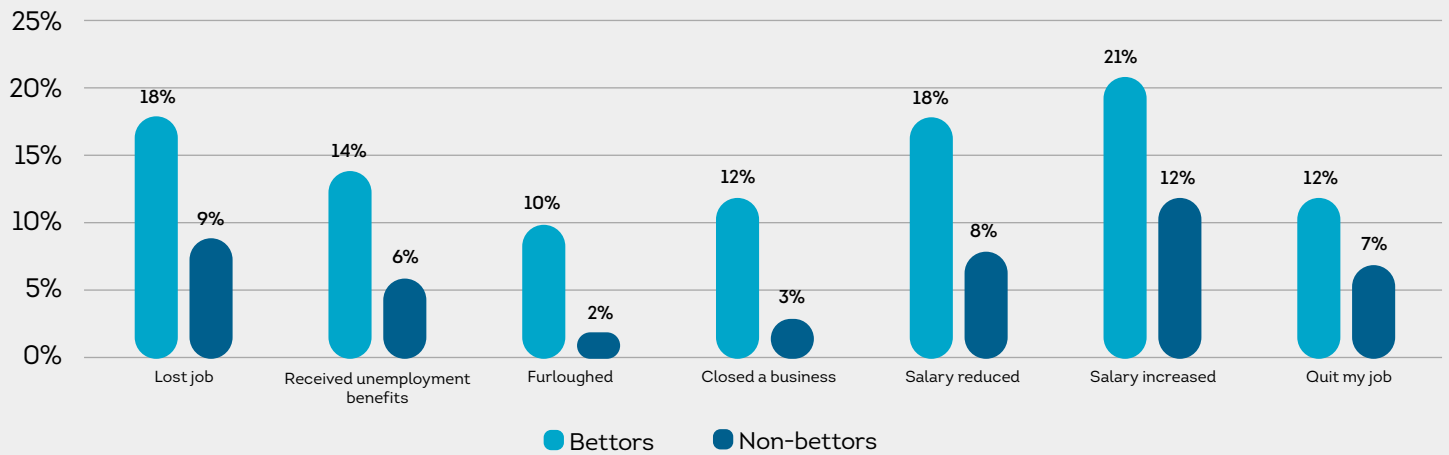
Source: TransUnion Consumer Pulse survey - Q2 2023

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Bettors' bill payment behaviors may appear paradoxical considering their relatively strong incomes and credit positions. A possible explanation for the seemingly erratic behavior could be bettors are much more likely to be in a period of financial transition. With the exception of retirement, bettors experienced some type of income change (positive or negative) at much higher rates than non-bettors. For example, bettors were twice as likely as non-bettors to have started a new job and seven times as likely to have started a new business.

On the opposite end, 12% of bettors quit their jobs or closed a business compared with 7% of non-bettors who quit their jobs and 3% who closed a business. Given the overall volatility of bettors, it's important operators stay on top of changes among their player bases and understand when to encourage or discourage increased activity.

Income changes: Is your household income currently being impacted in any of the following ways – select all that apply?



Source: TransUnion Consumer Pulse survey – Q2 2023

Totals may not add to 100% due to rounding

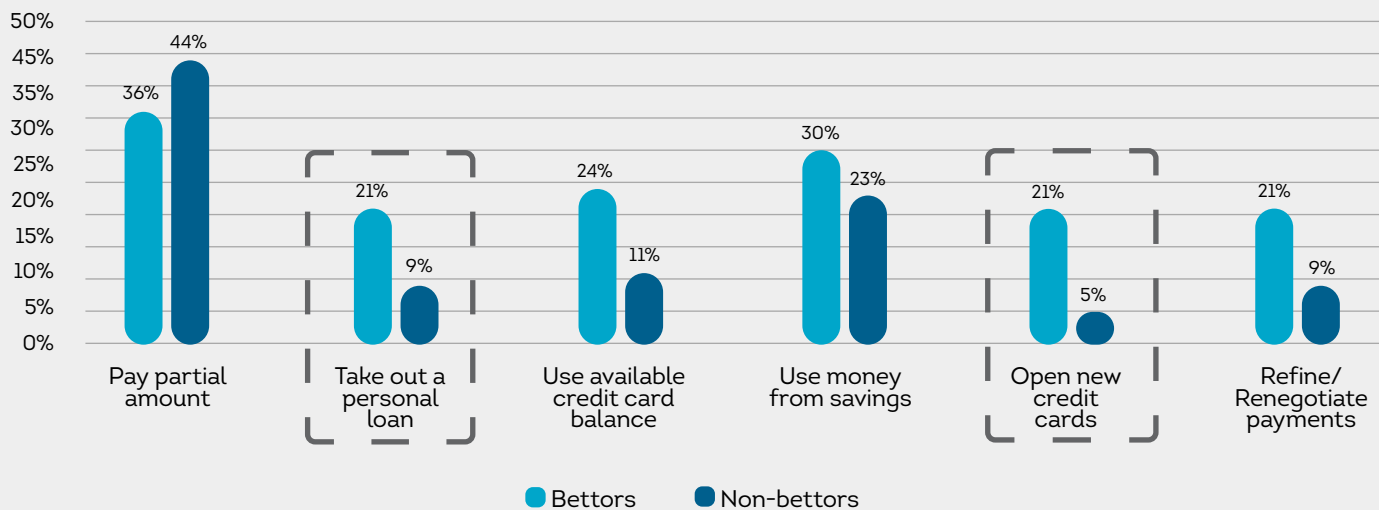
Have you made any of the following changes to your savings or debt in the past three months?

	Saved more in emergency fund			Paying down debt faster			Increased usage of available credit			Used retirement savings		
	Q4 '22	Q2 '23	Change	Q4 '22	Q2 '23	Change	Q4 '22	Q2 '23	Change	Q4 '22	Q2 '23	Change
Bettors	34%	37%	3%	35%	36%	1%	31%	34%	3%	15%	22%	7%
Non-bettors	22%	24%	2%	21%	22%	1%	16%	12%	-4%	11%	9%	-2%

Bettors were much more likely to be behind on their financial obligations. When asked to share their plans for meeting their financial obligations, bettors exhibited some worrying behavior. Bettors were much more likely to say they plan to take on new debt to service existing payments. Twenty-one percent of bettors said they planned to take out a personal loan or credit card to help make payments on current bills. Only 9% of non-bettors planned to take out a new personal loan, and 5% planned to open a new credit card in order to service existing loans.

While their current incomes may support taking out new loans or they're beginning a period of financial transition (e.g., in between jobs or starting a new business), operators should be aware of their players' financial management practices to prevent potentially problematic betting activity. Should the economy experience greater negative headwinds, players with high levels of debt and poor payment performance may be vulnerable to financial shocks, such as a loss in income.

What is your plan to help pay your current bills and loans?



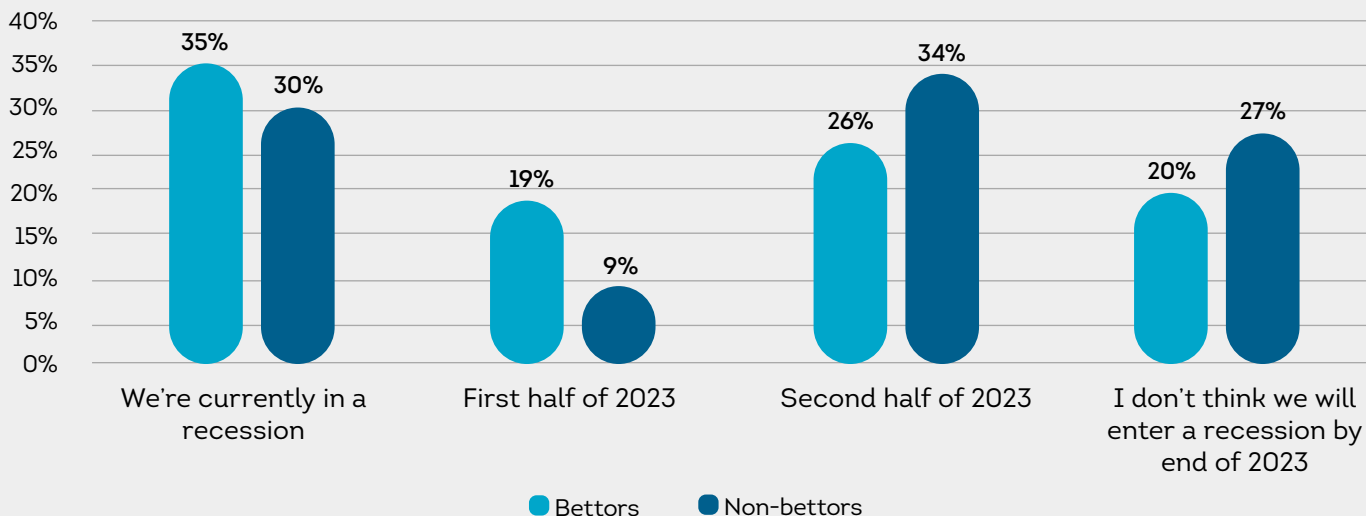
Source: TransUnion Consumer Pulse survey - Q2 2023

Totals may not add to 100% due to rounding



Fears of recession remain a dark cloud: Both bettors and non-bettors expressed concerns about the US economy entering recession. Bettors were much more likely to think we're currently in or will soon enter a recession; 54% said we're already in or will be in recession in the first half of this year. Thirty-four percent of non-bettors thought we'd enter a recession in the back half of 2023 compared to 26% of bettors, while 27% of non-bettors didn't think we'd enter a recession this year compared to 20% of bettors.

Do you think we will enter a recession before the end of 2023? If so, when do you think the country will enter a recession?



Source: TransUnion Consumer Pulse survey - Q2 2023

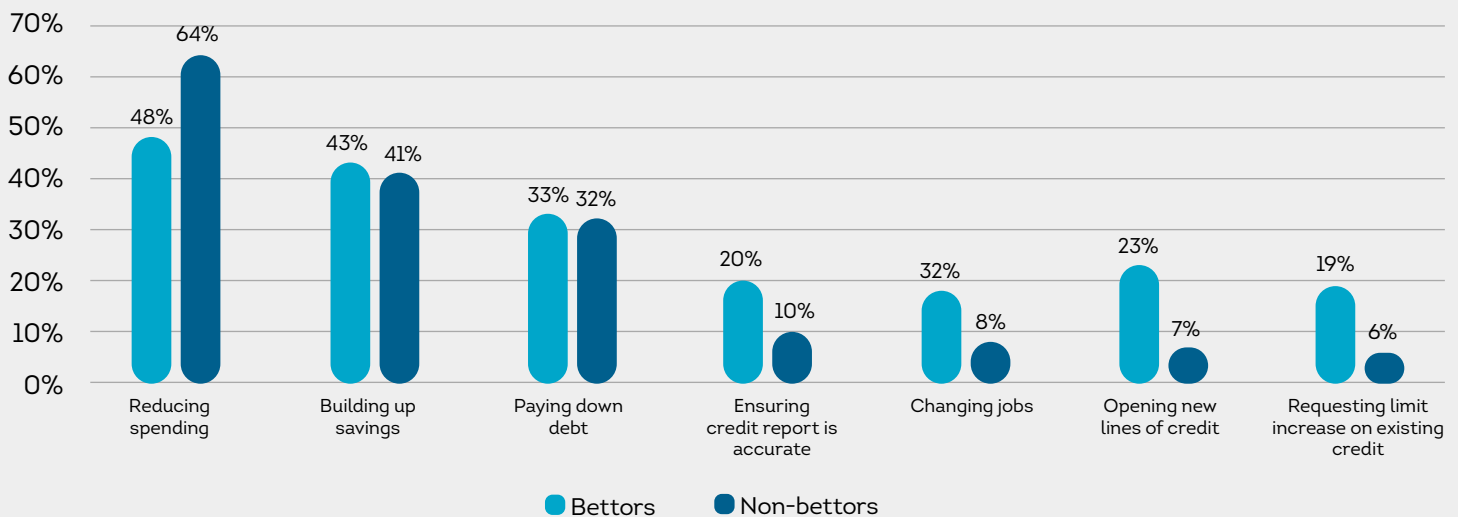
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In preparation for a possible recession, both bettors and non-bettors are making changes to their finances. Similar shares of bettors and non-bettors said they were building up savings and paying down debt faster in preparation for a possible recession. Where the two cohorts diverged was with respect to cutting spending. Only 48% of bettors said they were reducing their spending, while 64% of non-bettors planned to do so. Bettors were also much more likely to take steps to shore up their liquidity; 23% of bettors opened new lines of credit and 19% requested line increases on existing credit.

This compares with only 7% of non-bettors who planned to open new lines of credit or increase their existing lines of credit (6%). A potential explanation for this behavior is since bettors are more likely to think the recession is already here or coming shortly, they're also preparing to emerge from a recession earlier. Given their confidence in their own financial positions, bettors may believe if the worst outcome is already here, there isn't much more they need to do.

Non-bettors may remain cautious as they believed the economy won't enter recession until the back half of the year or potentially in early 2024. Comparing changes in discretionary spend, we saw bettors and non-bettors cut discretionary spend at similar rates. What's different is a segment of bettors began to increase their discretionary spend as confidence reemerges among this group. A change in sentiment among non-bettors could have them increasing their discretionary spend and potentially contributing to increased gaming

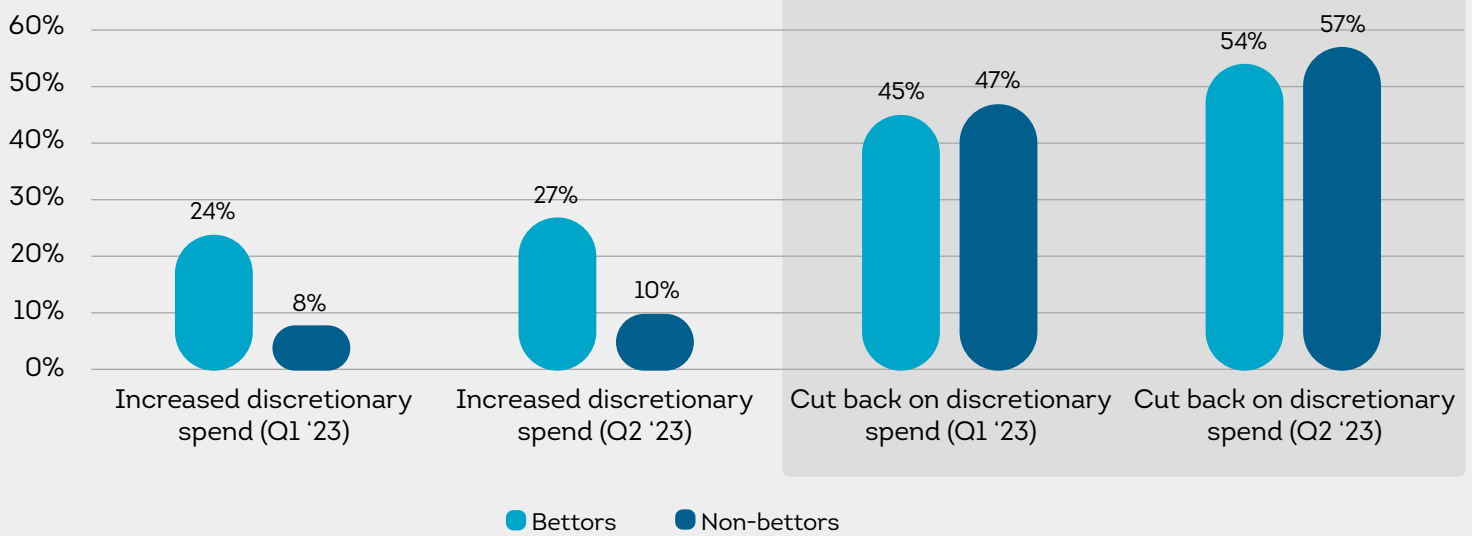
How, if at all, are you preparing for a possible recession?



Source: TransUnion Consumer Pulse survey - Q2 2023

Totals may not add to 100% due to rounding

Spending changes: has your household spending changed in any of the following ways in the past three months?



Source: TransUnion Consumer Pulse survey - Q2 2023

Totals may not add to 100% due to rounding

Key takeaways:

- Bettors exhibit signs of financial stress at a greater rate than non-bettors – especially when it comes to meeting their financial obligations. Bettors are in a relatively strong financial position today – but may be more vulnerable to an economic downturn.
- Bettors are more likely to experience income volatility – or find themselves in a period of financial transition, such as changing jobs or opening a new business.
- Bettors occupy both ends of the financial spectrum, creating a challenge for operators to identify true distress in their players and allocate resources in a timely fashion.



INFORMATION SHARING AND FRAUD

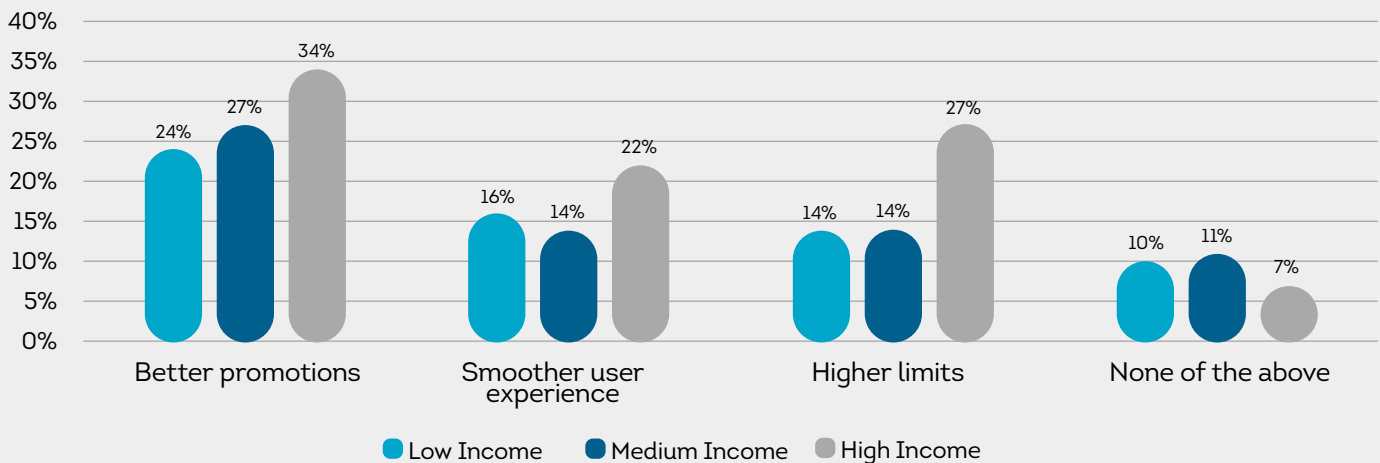
In gaming, operators are tasked with assessing whether a consumer can sustain their playing levels without access to the same data other industries like banking use. Furthermore, consumers demand friction-right experiences when trying to place a bet while remaining hesitant to share personal information. Finally, there are significant instances of fraud in gaming given the ample opportunity to abuse bonuses, but fraudsters are also focused on gaining access to player accounts.

As part of our recent survey, we asked consumers what information they're willing to share; whether they'd be willing to share more information for incentives; and whether they had experienced fraud to understand how operators can strike the right balance between a smooth player experience and security.



Players can be tempted to share more: Income changes increase willingness to share information. Bettors expressed a range of opinions regarding when they're more likely to share their financial information: better promotions (34%), higher limits (27%), as well as a smoother user experience (22%). Medium- and low-income bettors expressed roughly the same willingness to share their financial information for different incentives; medium-income bettors were slightly more likely to share information for better promotions (27%) when compared to low-income bettors (24%). Across all income segments, only about 10% said no incentive would prompt them to share their financial information, a clear indication of bettors' willingness to trade data for gaming related benefits. It came to their willingness to share their financial data in exchange for different incentives.

For betting activities, which of the following benefits would encourage you to share financial information about yourself?



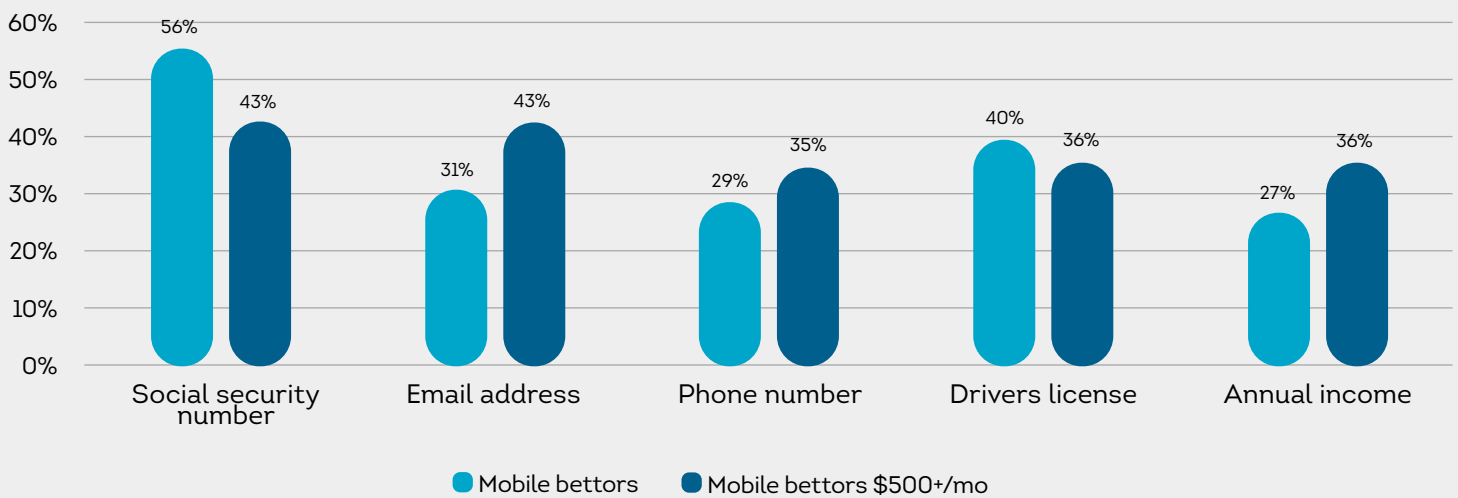
Source: TransUnion Consumer Pulse survey - Q2 2023

Totals may not add to 100% due to rounding

Changes to income showed much more interesting results compared to looking at income alone. For those whose incomes increased a lot, 34% said they'd be willing to share their financial information in response to better promotions or for higher limits. Notably, 33% of those whose incomes decreased a lot also said they'd be willing to share financial information for better promotions. This is an important finding for gaming operators as the potential implication is a significant portion of bettors whose incomes have gone down a lot may be looking for and responsive to incentives that would allow them to continue betting despite their vulnerable financial states.

Incorporating the right third-party data into marketing strategies can help operators filter out offers that might inadvertently encourage problematic play to vulnerable audiences. Another key finding was bettors whose incomes stayed the same were the least responsive to every incentive. For operators looking to increase safe betting activity, it's not enough to look at income alone. Incorporating short-term changes in a bettor's financial situation can result in a much higher return on marketing campaigns.

When asked to share pieces of personal information on an online application, which item would prompt you to stop filling out information?



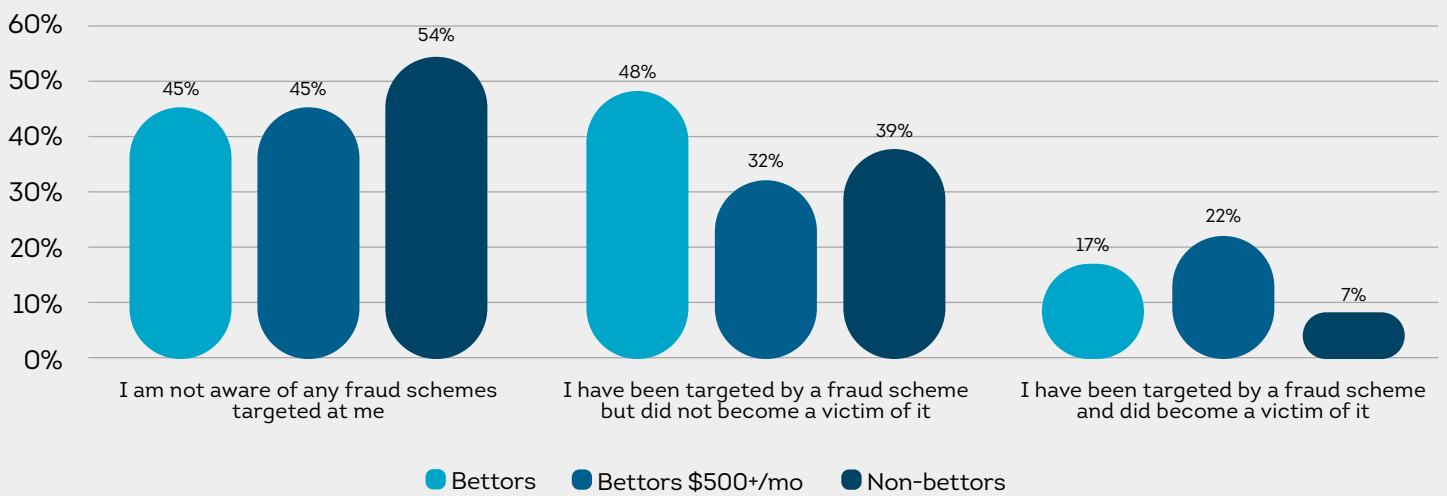
Source: TransUnion Consumer Pulse survey - Q2 2023

Totals may not add to 100% due to rounding



Bettors and fraud: Given bettors' heightened proclivity to exchange their personal data for various benefits, it's important operators implement a robust fraud prevention strategy. While bettors and non-bettors were targeted by fraud schemes at roughly the same rate, bettors were more than twice as likely to have fallen victim to a fraud attempt. Over the last three months, 15% of bettors said they were targeted and fell victim to a fraud scheme while only 7% of non-bettors said the same. Regarding the types of fraud respondents reported falling victim to, bettors were almost twice as likely to experience identity theft (13%) as non-bettors (7%). As bettors continue to share more and more data with operators, building trust and prioritizing the safety of their customer data can serve as a key differentiator for operators.

Which statement best describes your personal experience with any online, email, phone call or text messaging fraud attempts in the last 3 months?



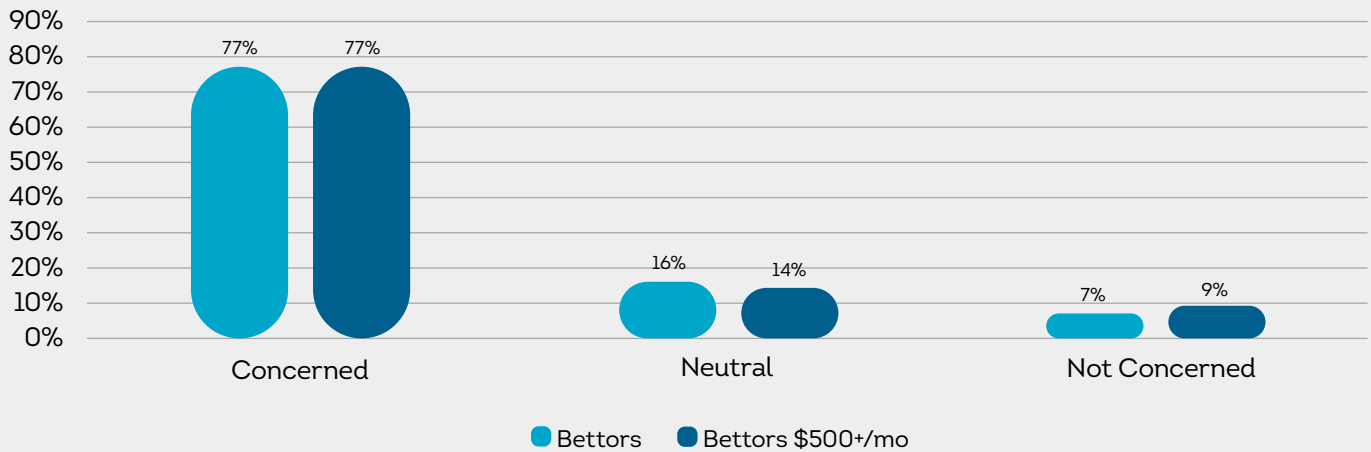
Source: TransUnion Consumer Pulse survey - Q2 2023

Totals may not add to 100% due to rounding



Bettors more likely to share data: When asked to evaluate their concerns about sharing their personal information, bettors indexed high on concern with sharing their data (77%). However, despite this concern, bettors demonstrated a high likelihood of having shared information in the past, and were likely to respond to incentives to share their data for specific financial benefits. Their willingness to share personal info was comparatively higher for online bettors who reported spending \$500 or more per month in online betting channels.

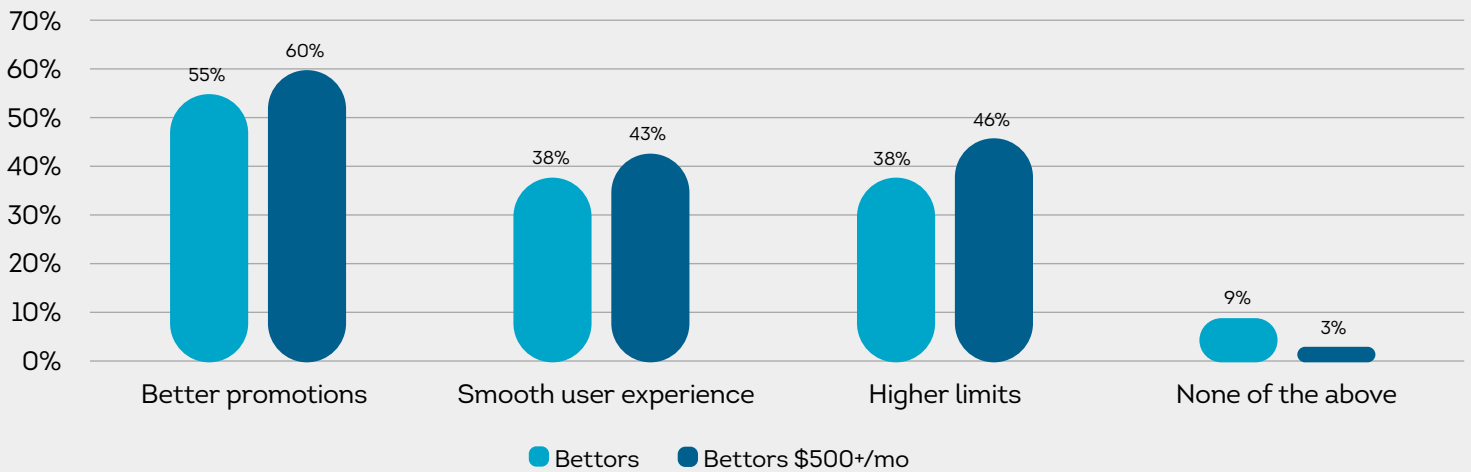
How concerned are you with sharing your personal information?



Source: TransUnion Consumer Pulse survey - Q2 2023

Totals may not add to 100% due to rounding

For betting activities, which of the following benefits would encourage you to share financial information about yourself?



Source: TransUnion Consumer Pulse survey - Q2 2023

Totals may not add to 100% due to rounding

Key takeaways:

- Bettors more likely to fall victim to fraud – Strengthening fraud prevention and account takeover measures are crucial to ensuring accounts are protected.
- Bettors more willing to share information – Operators can leverage this willingness to reinforce their enhanced due diligence processes to better protect players showing signs of distress and protect accounts.
- Consider the high-value player (\$500+) experience – If operators can validate financially resilient consumers, a bespoke workflow for this segment may drive increased loyalty – considering their willingness to share financial information for better experiences.

Research Methodology

This online survey of 3,000 adults was conducted April 25–May 9, 2023 by TransUnion in partnership with third-party research provider, Dynata. Adults 18 years of age and older residing in the United States were surveyed using an online research panel method across a combination of desktop, mobile and tablet devices. Survey questions were administered in English.

All states are represented in the study survey responses. To ensure general population sample representativeness across United States resident demographics, the survey included quotas to balance responses to the census statistics on the dimensions of age, gender, household income, race and region. Generations are defined as follows: Gen Z, born 1995–2005; Millennials, born 1980–1994; Gen X, born 1965–1979; and Baby Boomers, born 1944–1964.

These research results are unweighted and statistically significant at a 95% confidence level within ±1.79 percentage points based on calculated error margin. Please note some chart percentages may not add up to 100% due to rounding or multiple answers being accepted.

For more information about TransUnion gaming solutions, visit transunion.com/industry/gaming-gambling.



About TransUnion (NYSE: TRU)

TransUnion is a global information and insights company that makes trust possible in the modern economy. We do this by providing an actionable picture of each person so they can be reliably represented in the marketplace. As a result, businesses and consumers can transact with confidence and achieve great things. We call this Information for Good®.

A leading presence in more than 30 countries across five continents, TransUnion provides solutions that help create economic opportunity, great experiences and personal empowerment for hundreds of millions of people.

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