

How co-mingling Tabcorp's pari-mutuel racing pools will invigorate and grow Australia's wagering and racing landscape

Overview:

Outside of the last minute rushing pub, club or TAB outlet punter and the handful of high volume/low margin (HVLM) syndicates receiving rebates, pari-mutuel betting with the TAB is generally a place to wager that rarely is considered. With increased competition in our technological world and the ability of corporates to produce 'Best of the Totes' etc products alongside offshore exchanges able to provide significant rebates on tote prices it makes it a difficult task for the TAB to be competitive. Punters, particularly savvy and informed ones, like shoppers of any goods or services are very price sensitive and the argument of the TAB providing significantly more funding to the industry than their competition is one that isn't considered anywhere near as important as a slightly superior dividend. Astute gamblers understand that it is hard enough to return a consistent profit, so they are not quick to consider lowering their potential return.

Although in very recent times results have shown that betting has marginally increased (3.3% from 1/7/14 to 9/5/15)¹ it can be very dangerous for Tabcorp to become complacent and not be proactive in finding a solution to what is currently a lackluster betting product. Although the argument for the growth of sport betting is sometimes over emphasized (it didn't matter what decade sports betting begun, it was always going to be significant)² it is still something that the racing industry needs to keep an eye on. It isn't about stopping the bleeding, it's about restricting it, and a key part of this is re invigorating current products to allow middle to high level punters to sustain or increase their turnover on horse racing on Australian shores.

Co-Mingling of State Pools

It is suggested that in the new world order of global gaming that one of the limitations placed upon Tabcorp is the size of its State based betting pools.

Although the nucleus of the solution is to co-mingle the three current state pools that operate (VIC, NSW&ACT), that alone will not provide enough incentive for astute punters to avoid 'drip-feeding' their bets through the corporate bookmakers or going offshore. In this paper it is proposed there are some other changes to the tote landscape that it is suggested would solve the current problems Tabcorp faces in enticing and maintaining a good relationship to the significant block of punters that consistently wager on Australian racing; and how this new legislation forces the middle to high level punter to make a 'no-brainer' decision against betting with two of the major competitors of the tote.

Alongside of this, due to the expected natural increase of the co-mingled pool size this will allow the HVLM syndicates currently betting of the tote to identically increase their turnover by the size of the increase of the pool, as it is their intention to turnover as much money as possible on each race without over distorting the dividend they receive. This will produce a 'mirror effect' between the two parties, meaning as the pool sizes increase the syndicates turnover will also increase adjacently.

¹ Anderson, S 2015, 'Does racing listen to its customer enough', *Racing.com*, 13 May, viewed 13 May 2015, <<http://www.racing.com/news/2015-05-13/does-racing-listen-to-its-customer-enough>>

² Traditionally horse racing was the only sport upon which betting was allowed. When legal sport betting was generally opened up it appealed to a wider market and resulted in more competition for the wagering dollar.

Rebates – the key for all this to work

Alongside co-mingling and a tax deduction, rebates are the thing that all punters want. Most astute people understand that Tabcorp cannot blatantly give rebates to all punters as that would mean that you are significantly decreasing the take-out which is unsustainable. But like what occurs in Hong Kong (HK) with the Hong Kong Jockey Club (HKJC) a minimum bet could apply before a rebate is offered.

As the HKJC has no competition to compete for customers for low to medium punters, (high level punters you could argue wager on Asian exchanges also) they are able to set their 10% rebate cap at a minimum bet of approx AU\$1600. Due to the increased competition in Australia and the proposed strategy for Tabcorp requires it to be more aggressive in its implementation of this strategy, a figure of around \$500 to receive a 10% rebate is one that all medium-high level punters would find extremely attractive. Track bookmakers and other market providers alike will also use these rebates to place some of their bet-backs which will also help increase turnover.

Over time, the benefits of this will be well found. It is also suggested that a similar thing will occur to that which has occurred HK. In HK due to the 'win' markets being so efficient, it is leading the high-level punters/syndicates to increase their turnover on the exotic markets. The pool sizes of these types of bets can sometimes be higher than the win pool (particularly quinellas)³. This not only increases the pools in these markets but also means you receive an increase tax from their wagers.

This would eliminate the presence of:

Corporates: *Like what is stated below, it will lead to corporates only being able to take bets <\$500 on their 'Best Tote+ or Best Tote +5%' products as all others will wager with the TAB to take the rebate. Corporates will not be able to provide bonuses on top of this rebate as their market will fall below 100%. Many corporates will find this forced strategy unsustainable and just bet fixed odds on the races, the way it always should've been.*

Asian Exchanges: *The average rebate on Australian racing is ~10% on Citibet. With the easiness of TAB's betting products compared to the complex exchange alongside that it a licensed wagering provider of the industry there is increased security for the punter and their wagers. And also due to a similar dividend now being provided TAB's increased funding to the industry will now be in their conscience.*

Lowering the take – is it necessary?

According to the VIC Totalisator Betting Rules which was implemented in November 2012 the maximum take-out on a win bet is 14.5%. This number is one that fits in very well for Tabcorp when attempting to entice rebates punters as the take is the maximum take-out available for Tabcorp while also restricting the corporate bookmakers from providing their 'Best Tote +5% or Best Tote+' products to these astute punters as if they are implemented the market percentage would be <100%. They would only be taking bets on these products from punters wagering below the TAB rebate threshold which will only disgruntle the punters big and small wagering with them.

Promote TAB Pro-Bet

The TAB Pro-Bet product, which is a professional computerised wagering product,⁴ is a fantastic tool for astute punters to use to wager more intelligently and efficiently into your pools. It is something that should be promoted more in general marketing streams (including social media) and should also be directly marketed to known medium level punters, including owners of known tipping/analysis providers to encourage them and their clients to use the product.

Having simple 'how-to' videos done by respected, contracted Tabcorp analysts/punters on the website would also only increase interest in the already existing product.⁵

³ Chang, B 2007, 'Impact of Takeout Rate on Revenue', *International Federation of Horseracing Authorities*

⁴ See < <http://www.tabprobet.com.au/site/>>

⁵ See < <http://www.tabprobet.com.au/site/Home/HowTo>>

This would eliminate the presence of:

Corporates: *They only want the business of losing 'mug' punters so they would not even consider providing a product like this.*

Asian Exchanges: *Although APIs can be built, they are an expensive exercise and still extremely difficult to understand and use just like the normal websites. Communication between the exchanges and punters is minimal, and agents are forced to do 1-on-1 sessions with each client to give them an understanding of the product. Having videos and staff available online straight away through phone/live chat to help is a distinct advantage.*

Encourage Arbitraging

'Arbers' are slowly becoming a dying breed in the modern Australian wagering landscape. With corporates quick to identify Arbers and ban them, they are left to wager with the exchange and the handful of bookmakers that will take their bets off-shore.

With the rebates on offer, and the significant amount of racing on each day, this will frequently allow Arbers to use the 10% rebate on offer to back horses at an inflated price and then lay it back on the exchange for a lower price for a guaranteed profit. Both TAB & Betfair of course don't have a problem with this as they produce a tax on punters winnings.

For example: If a horse is \$3.00 on both the exchange & tote. The punter can back the horse for >\$500 on the inflated price of \$3.30 (factoring in 10% rebate) and then lay it back on the exchange at the \$3.00

It is a strategy that of course isn't worthy of being mass-marketed but it is something that should be enlightened to astute people. Of course the HVLM syndicates already operate this and they will only increase their turnover using these strategies.

This would eliminate the presence of:

Corporates: *Nearly impossible to arbitrage through the corporates on racing due to their increased market percentages on races compared to the exchange. They are also quick to ban them if they do it on sport.*

Asian Exchanges: *Although the back/lay is able to be done on the exchange, you need to be very quick and you would only be making 1-2% per trade. On the rare occasion that a horse would be trading at a lower rebate than 10% (be shocked if this occurs as much once your providing rebates) this would only increase TAB turnover as they will be increasing their betting to get the guaranteed profit which means more money on the TAB pool to bet on the win wide of the trade.*

Conclusion

Strategies like this naturally take time to implement and see the benefits of, and they of course can be altered and tinkered with over time. But if implemented it will create a wagering landscape that will be similar to the olden days (pre corporates and exchanges). The only battle of prices is between the fixed odds just like in the bookie ring and the TAB which has dominance over tote products.

It is suggested that the above strategy will happily force medium to high level punters to bet with Tabcorp instead of corporates and Asian exchanges which will benefit the punters, shareholders and the industry more broadly, given Tabcorp's immense support of the industry.