

**6.- ACCOUNT BETTING PATTERNS IN SINGAPORE – an exploratory study,
by Mr. KOH Yong Guan, Chairman, Singapore Turf Club**



« Cross-border racing has become increasingly evident given the need to enhance the racing product for our industry's survival in light of the many challenges that racing jurisdictions face. Just as horse owners can participate in races outside their home countries, betting activities have also become more international in scope. Less understood, however, are the effects that the internationalization of racing brings to the betting community.

The internationalization of betting occurs on at least two dimensions. First, punters can now increasingly bet on overseas races in addition to those offered domestically. For example, the Singapore Tote operates on races from Singapore, Malaysia, Hong Kong, Perth, and South Africa.

Second, punters can bet on overseas totalisator pools in addition to or instead of their home tote. Betting via the Internet, in jurisdictions which do not forbid it, have facilitated this. Despite the fact that government policies do not allow Internet betting in Singapore, our Tote hosts account holders from several national origins.

To the extent that betting is the lifeblood which sustains our industry, it is important to assess the impact of offering a broader mix of races and the presence of foreign punters on betting patterns and outcomes.

Offering a broader product mix of races increases customer choice, and promotes diversification opportunities for players. The entry of foreign punters enhances turnover beyond that provided by local customers. Clearly, both are positive outcomes that enliven our industry.

However, no empirical data exists that examines the profile, performance, and purpose of international betting and international bettors. Insights into these issues may facilitate a better informed approach to managing cross-border betting activities. It will also provide insights into whether any particular groups might have better information or access to superior information.

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To this end, I would like to share with you our experience in offering domestic and foreign races to local and overseas bettors, based on an exploratory study of betting patterns among account holders in Singapore.

One objective of the study was to determine whether some high-value punters might have better information on some races, or were better able to predict outcomes of those races. If so, then there may be some underlying reasons that may be of concern to our fellow

administrators. We would of course alert our counterparts if we detect any such concerns, of course, without comprising on our respect of the confidentiality of accounts.

Background :

Cross-jurisdiction betting in Singapore started in 1961 when Singapore and the Malaysian clubs began accepting bets on each other's races. More recently, we began telecasting races from Hong Kong, Perth, and South Africa. Today, turnover on imported races constitute about half of our total turnover.

Account-based betting in Singapore started in 1995. As at 2007, there were 22,000 account holders. The value of bets placed are deducted immediately from the advance deposits they have in their accounts with us and winnings are similarly credited immediately. Account betting represents 16 percent of total turnover on the Singapore Tote.

The betting profile of our account holders reveals two main segments : local retail customers who bet less than \$500 per raceday, and high-value punters who bet more than \$100,000 per raceday. The majority of foreign account holders fall into the high-value category, and form roughly a third of such players.

Our study :

Based on this profile, we sampled 24 account holders, half of whom were local retail customers and the other half high-value punters. Among the 12 high-value punters, four were foreign-based accounts, i.e., account holders who reside outside Singapore, while the remainder were local. This was done without infringing and respecting fully the confidentiality of individuals and their accounts.

We compared their betting performance and pattern over a six-month period. It should be qualified that our findings are limited to a small sample base and a limited time frame. It is the methodology that I hope will be of greater interest to this meeting.

Results :

We first compared the betting performance of our sample. Local retail customers as a group, averaged a 16% negative return on their betting, slightly better than the negative 19% return for local and foreign high-value customers. These findings are consistent with the track takeout in Singapore, which averages 17% for the races we run as well as the races from other jurisdictions.

Some 30% of both local retail and high-value betting accounts made a positive return on their investments.

These initial results suggest that the general belief that high-value customers are savvier in their wagering may be untrue. The presence of high-value punters had not apparently disadvantaged local retail customers.

However, a more fine-grained analysis of our high-value account holders by origin yields deeper insights. If such customers do not make more significant or positive investment returns, then why do they continue to wager large amounts on our Tote?

We discovered that most of the high-value customers with positive investment returns are based overseas. These accounts are very selective in their wagering, generally focusing on races from their respective home countries on the Singapore Tote. Clearly, these accounts belong to professional punters who wish to leverage their superior knowledge of home form or who might have better information. Our rebate program is the other key reason for them to bet on the Singapore Tote.

In contrast, many of our local high-value account holders place large bets on multiple runners in the races in which they participate. These wagers are mainly placed on races in one particular jurisdiction. It appears from their betting behaviour that these may be illegal operators or their agents laying off on our tote to reduce their exposures on certain horses. This would explain why a sustained negative return on their wagers may not necessarily be a matter of concern for them. This may not be immediately obvious why so let me explain.

It should be noted that in Asia, illegal operators do not offer fixed odds, but use the official tote as the basis of their payouts. If we accept that realistically, we will not be able to eliminate illegal operators altogether, it is pragmatic that we treat them as our “wholesale” customers.

Sustaining negative returns may be part of the business strategy and risk management of such illegal operators. An illegal operator who collects bets in a particular jurisdiction would lay off a certain amount on their ‘home’ tote to bring the dividends down in order to lower their payouts. In addition, where they are not confident of the outcome of a race, they also lay off a portion of their bet collection on our tote in order to hedge against certain horses winning the race.

Because our tote pools are relatively large, such hedging would not lower the dividends too significantly. If the horse wins, the winnings from our tote would contribute towards the payouts in their home jurisdiction. An added attraction of our tote is the rebate for high volume bets because we regard these operators as “wholesale” customers. Since their purpose of hedging is to minimize exposure to a particular horse or horses winning the race, it explains why they are prepared to sustain negative returns. Where the horse does not win, they would still make a profit as they only lay off a portion of their collections.

Conclusion :

This is a preliminary study of our account-based customers. I must stress it was done fully respecting the confidentiality and identity of account holders. We believe the methodology can be further developed over a longer time frame and the study expanded. It would appear that additional research would be needed before we can be more definitive about whether this methodology can be useful in helping racing administrators monitor the integrity of their races.

Nevertheless, the study has provided us with some initial feel of our account holder betting performance and behaviour. It has also demonstrated the positive effects of having a good mix of local and foreign race meetings as well as having both foreign and local bettors.

I would thus like to encourage all racing jurisdictions to look into complementing your race meetings with those from other jurisdictions. Such an initiative may also deepen your betting pool size, provided that racing and betting integrity are maintained.

Through this sharing, I hope to be able to encourage the racing fraternity towards embracing a more globalised approach in betting just as it has in racing. Commingling would be a logical extension to this end. Collectively, this would foster greater cooperation in the racing fraternity.

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