

## **Understanding the bookmaker.**

In a recent survey carried out at a UK racecourse, punters were asked if they understood how bookmakers make money. What is it about the odds that they offer that allows them to make money?

The survey found what most of us already know. That is, that the average punter has very little understanding of the NUMBERS that allow bookmakers to be in the driving seat when accepting bets from punters. This is more than a little worrying in my view. Most punters fall down long-term in their inability to understand the numbers that matter, regardless of the sporting or betting event that they are looking at.

Just take a minute out of your busy schedule and ask yourself a very simple question. Who is it that has become famous or notorious for winning money from betting? There are essentially 3 groups of people:

1. Those that get incredibly lucky, perhaps with a lottery win or some massive accumulator win.
2. Those that have more information than the rest of us regarding the participants in an event.
3. Those that use NUMBERS and probability to determine likely outcomes.

Now, it is most probably fair to say that the vast majority of us do not fall into category 1 or 2 above and, despite the high profile cases that we are made aware of, we are talking about a very small number of people who win as a result of being in either of these categories.

The vast majority of successful bettors fall into category 3. The example that instantly springs to mind is the “card counters” who frequent casinos. They use probability to determine when and how to bet. They understand NUMBERS. Admittedly, they are not very popular and are not invited back but they do win simply because they understand the fundamental fact that we should only bet when the odds, the probability, the numbers, call it what you will, are in our favour!

So, I hear you say, that is all very well for a game of cards but do the same fundamentals apply to horse racing. Well, the answer is yes! Horse racing, or any other event where people bet for that matter, is all about NUMBERS, understanding them and applying logic to determine when and how you are going to bet.

Back to our original survey. Why do bookmakers generally make money? Well quite simply because they bet (or lay to be exact) when the odds are in their favour.

You may well have heard the expression “over-round” or “bookmaker’s margin” but not really understood it because you thought it was too mysterious or too complicated. I may be wrong. The survey to which I have alluded found that about 10% of punters at a racecourse had a good idea of what it was, why it was important and a fair idea of how to go about calculating it.

I particularly like this easy way of explaining it from a recent book. There are 3 horses in a race. They are (amazingly) all of equal ability and each of them has an equal chance of winning the race. When we go to the bookmaker’s stand all of the horses are priced up at evens. Now even the less mathematically inclined should see that this is a very poor race to bet in.

Let us first of all convert our traditional fractional odds into decimal odds that those who use the exchanges will be more than familiar with. Evens in decimal is 2. Then take the reciprocal of this:  $1/2$  which equals 50%. The bookmaker is saying that all 3 horses have a 50% chance of winning.


Now of course this is absolute nonsense.  $50\% + 50\% + 50\% = 150\%$ .

The over-round is 150% and the bookmaker stands to make a lot of money if people are daft enough to bet at these very poor odds.

Of course, this is a very easy and extreme example to demonstrate a point but it should be something that you bear in mind when placing a bet. The Racing Post shows us the over-round at the bottom of the results page. Look at the bottom of the following results page where you will see the over-round as Total SP 109%.


07 Feb 2009  
**1:30 AYR**

**DAILY RECORD NOVICES' CHASE**  
 (Class 3) (5yo+) 2m4f Soft 15 fences 2 omitted  
 £6,439.95, £1,890.90, £945.45, £472.23



RESULT RATE RACE

Show all comments in running  Show all pedigrees

	HORSE/SP	AGE	WGT	TRAINER/DOCKEY	OR	TS	RPR
1	<input checked="" type="checkbox"/> <b>Silver By Nature</b> SP 9/4 	7	10-12	Miss Lucinda V Russell Peter Buchanan	122	57	
2	<sup>2 1/2</sup> <input checked="" type="checkbox"/> <b>Boris The Blade</b> SP 12/1	7	10-12	Miss T Jackson Brian Harding	111	54	
3	<sup>10</sup> <input checked="" type="checkbox"/> <b>Aston Lad</b> SP 50/1	8	10-12	Micky Hammond Wilson Renwick	—	43	
4	<sup>24</sup> <input checked="" type="checkbox"/> <b>Cromwell Court</b> SP 5/4F	8	11-4	D McCain Jnr Jason Maguire	124	21	
F	<input checked="" type="checkbox"/> <b>Sa Suffit</b> (FR) SP 3/1	6	11-4	J P L Ewart Dougie Costello	123	—	

5 ran TIME 5m 39.50s (slow by 50.50s) Total SP 109%  
 NON RUNNERS: Great Approach (IRE) Lysical Assassin (IRE) Master Builder (FR )  
 1st OWNER: G S Brown BRED: G Brown TRAINER: Miss Lucinda V Russell  
 2nd OWNER: Mrs P A Cowey  
 3rd OWNER: S T Brankin  
 TOTE toteswinger: 1&2 £4.80, WIN £3.40 PL £1.30, £2.90; Ex £21.10; CSF £22.29  
 Flag start. The second last fence in the back straight was omitted on each circuit.

Let me explain, as this is a more complicated example, how they have arrived at this.

First of all, convert all fractional odds into decimal odds.

- 9/4 is 3.25
- 12/1 is 13
- 50/1 is 51
- 5/4 is 2.25
- 3/1 is 4

Then take the reciprocal of all of these and convert them into a percentage.

- 1/3.25 is 30.77%
- 1/13 is 7.7%
- 1/51 is 2%
- 1/2.25 is 44.45%
- 1/4 is 25%

Then add all of these percentages together and you are left with 109.92%.

The over-rounds do vary from course to course and some courses are renowned for being a little more “cautious” than the rest but as a rule of

thumb the over-round will be 1.75% per horse in the race, so in a 10 horse race the over-round will be about 17.5%. Check out some of the bigger races on the Racing Post website results pages and notice how much greater the Total SP is for these.

Use the NUMBERS to your advantage. Are you now more inclined to bet in smaller or larger races? You will certainly understand why bookmakers love massive races like the Grand National! How easy it is to hide massive over-rounds from the general public who have no idea what they are or how they are calculated.

Consider this! If in your workplace, your golf club, down the pub or wherever, there is a healthy discussion going on, on an almost daily basis, about the upcoming sporting event, whatever it is, why not set yourself up as the bookmaker? You have the understanding of how to calculate the over-round to put the odds very much in your favour so give it a whirl!

A member at my golf club takes weekly bets on the weekend medal where up to 100 are competing and it has become a part of the culture of the golf club that you have a bet on whom ever as well as pay your entry fee.

I must be one of the few that does not have a bet. I'm a stickler as I NEVER bet for "fun", especially when I do a quick calculation of the over-round and it is floating at around 350%! You have to take your hat off to this self-made bookmaker though. The bookmaker at the golf club is simply betting when the odds are very much in his favour!