A win-win situation

Douglas W. Mishkin, SVP, legal affairs & business operations at Metric Gaming, considers how capping player losses could actually increase operator turnover

At its core, commerce is driven by differences in perceived value. A carton of milk, for example, is priced to reflect a host of factors, including production costs, distribution expenses, competitive forces and profit margin, whereas a consumer will likely consider the value of that milk based on less quantifiable considerations, such as convenience and personal preferences. That the sale ever happens at all by its very nature confirms that the seller and buyer disagree. Indeed, by consummating the purchase, the consumer has implicitly signaled that he or she believes the milk was worth more than its sale price, otherwise its very purchase would be irrational.

This discrepancy in perceived value, or spread, is arguably the engine of a capitalist market, and applies in all industries, including real-money gaming. But gaming, and in particular sports betting, are somewhat anomalous, as the product itself is difficult to define, and the nature of the transaction, where the consumer may be entitled to profit depending on the outcome of the wager, creates an unusual dynamic. In fact, there are few, if any, industries where the seller and buyer are so squarely at odds, as each bet represents a zero sum game for the parties directly involved.

But if we can safely assume that not all bettors are irrational, there must accordingly exist a legitimate value spread that has fuelled the industry and its steady growth for decades. More specifically, the rational bettor must believe that sufficient value exists in the transaction to offset the house advantage.

Perhaps unremarkably, for the average bettor, this spread is almost certainly derived from entertainment value – i.e. the thrill of having a chance to win money by correctly guessing the outcome of a sporting event, and the enhanced excitement of watching that sporting event unfold with money on the line. In that regard, a bookmaker and bettor are very much aligned, as the bookmaker is providing entertainment that, at least to the bettor, is worth more than what the bookmaker is charging for it.

It is within the flexibility afforded by this value spread that Metric Gaming has developed its patent pending Bet the Board wagering product. From the start, the objective was to take advantage of this seemingly paradoxical common ground and maximise value for both the operator and the punter by exploiting precisely what constitutes that value for each of the parties.

For the bookmaker, the answer is simple. In light of the house's theoretical edge, the greater the turnover, the greater the profits. For the bettor, the analysis may be less straightforward, given each punter's individual preferences, but the entertainment can generally be attributed to the excitement of watching games with money at risk. Accordingly, the more games wagered, the more entertainment value there is.

Bet the Board leverages these value propositions on both sides by enabling punters to wager on more games – without extending any credit – while at the same time limiting losses and maximising turnover. Bettors select at least 10 wagers and designate a budget within the confines of their account balance, representing the total they are willing to risk.

Based on these inputs, Bet the Board's algorithms generate a quote stating how much the bettor can have in-play on each selected wager – a total that will be significantly greater than the bettor's designated risk limit. If the bettor accepts, he or she will be entitled to keep all of the winnings from each of those wagers, while losses would be strictly capped at the designated budget, regardless of how many of the wagers are ultimately lost.

While operators are understandably sceptical when first presented with this concept, Bet the Board relies on Metric's expertise in advanced quantitative analytics and modeling to ensure that the additional risk an operator assumes by capping a punter's losses are, to a mathematical certainty, more than offset by the theoretical value of the corresponding increase in turnover. As a result, operators achieve greater margins from higher turnover, and bettors derive greater entertainment value while staying within their wagering limits.