

Customer C comments on the proposed merger of Ladbrokes and Corals

I have read the initial submission put forward by Ladbrokes and Corals which was made available via the CMA website: [https://assets.digital.cabinet-office.gov.uk/media/56be0b76e5274a036600001b/Ladbrokes - Coral initial submission 27 January 2016.pdf](https://assets.digital.cabinet-office.gov.uk/media/56be0b76e5274a036600001b/Ladbrokes_-_Coral_initial_submission_27_January_2016.pdf)

It is quite clear to me that the companies involved are trying to hoodwink the CMA in various ways. Ladbrokes and Corals are quite aware that in the eyes of the CMA and the government, competition is regarded as a positive force while cartels and monopolies are regarded as negative. That was why this same merger was rejected in 1998 and should be rejected again. My reasoning follows.

Regarding the Background to the Proposed Merger (Section 2)

In paragraphs 1.2 and 2.5 of their submission, the parties are at pains to point out how competition has seemingly increased in the intervening 18 years. One almost begins to feel sorry for them when they point out the challenge they face from the likes of Betfred and Paddy Power. Almost, but not quite.

The overarching picture of betting offices since 1998 is that there are fewer options available to punters, with more shops being concentrated in fewer hands. In 1998 Ladbrokes and Corals owned around 30% of betting offices yet now that figure is approaching half. Can the CMA really allow one such behemoth to dominate high street betting?

This is especially pertinent given the crocodile tears which the parties are shedding over their own difficulties. They dramatically point out how they face the 'significant expansion of Betfred and Paddy Power' (para 2.5) yet one of the main ways this has happened is by these companies taking over smaller rivals – Betfred acquired the Tote and Paddy Power has now merged with Betfair. The loss of the Tote reduced the 'Big 6' betting office chains to the 'Big 5'. Ladbrokes and Corals are now putting forward the heinous argument that as a consequence, they should be allowed to reduce the number of major companies to a 'Big 4'. By that logic how long would it be before the new conglomerate advocates a merger with Hills? Why not just go the whole way and let them all merge into a single, monopolistic entity?

Regarding Betting (Section 3)

Much of this section is spent by the parties moaning about how difficult conditions for retail betting operations have become given the growth of internet betting. This is an issue faced by all betting office chains, not just Ladbrokes and Corals.

Yet paragraph 3.3 takes some swallowing. In it, the parties admit that their online operations are rubbish; that Paddy Power, William Hill and Betfred have been far more successful at 'capturing customers migrating over to the online channel'. Solely blaming their 'relative lateness' to the online market, their solution – as above – is that they 'wish to emulate this through the merger'.

Hold on a minute and let's look at this statement. Ladbrokes and Corals are saying that individually

they don't know how to run a successful betting website and that they don't know how to get their own high street customers to bet with them online. This can't be due to a lack of resources – each group had revenue of around £1.2 billion in 2014 – therefore it must be down to a lack of knowledge or ability, or management failure. Yet they now ask the CMA to believe that this complete desert of online expertise will bloom like a Kentish garden in spring simply because they have merged! How many times have you seen two groups of failures create a success solely by being thrown together?

Paragraph 3.6 should be referred back to the parties for correction. Both of them constantly offer poorer odds to their retail customers than they make available online. I have many, many times gone into one of their betting offices (and of their rivals) knowing what the advertised price and terms of a bet are, yet have been told that these were 'only online'. On two separate occasions I have asked Corals managers why this happens. Both told me it was because Corals wanted to drive customers online. Given what was written in para 3.3, this is beyond ironic.

Regarding Local Competition (Section 4)

In the introduction to the initial submission, para 1.4 states 'Competition among retail operators is entirely local across all parameters of competition'. When I read that I had two reactions. Firstly, that this was an obvious falsehood; secondly, that it was so obviously wrong that I wondered why on earth the parties were even trying to make such a claim. As I continued reading, however, the answer became clear.

There are various points I wish to make.

Betting offices are not like other retail outlets such as supermarkets in that they do not sell products. What they 'sell' is primarily the chance to win money – each bet placed has a certain probability of winning a certain amount of money for the person who places it. Notwithstanding factors such as location and service, the key factors about a betting shop's main 'product' are therefore the punter's skill or luck in choosing the right outcome and the odds offered. And these odds are set centrally, not locally. If the number of central odds-setters declines, as they would under the proposed merger, then the result will be less competition, higher profits for the bookmakers, and higher losses for the public.

Ladbrokes and Corals, however, would try to convince the CMA that the odds offered are relatively unimportant – though even their own figures admit to 82% of punters finding it a key factor in deciding which shops to use. I suggest that members of the CMA look at the Racing Post on a Saturday, or during a big weekday race meeting such as the Cheltenham festival coming up in March. Wade through the full-page adverts placed by the big bookmakers. Do Ladbrokes focus on the fact that betting with them is more convenient because they have more shops? No. Do Corals advertise the fact that they have the best response rate for customer care? No. What these very expensive adverts do focus on, however, is the odds that each company offers – particularly those which are better than their rivals. Why is this? Because odds underpin everything a bookmaker does.

I was very disappointed with paras 4.17-4.21, particularly given the parties' refusal to allow access to the full data contained with the annexes even when it was based on information published in the Racing Post. I am sure that the CMA will recognise that the analysis was carried out by the

parties own economic advisers and therefore presents the best possible picture for them, not their customers.

For example, Figure 4 (para 4.21) appears to show that in terms of the odds offered on the favourite in horse races, Ladbrokes and Corals offer the best odds almost exactly the same number of times – on around a third of occasions. The inference we are invited to draw is that it won't make any difference if the companies merge because the new 'LadbrokesCorals' company will also offer the best odds in a third of horse races.

But why do betting companies offer the best odds? A complete betting tyro might think it is in the best interest of the bookmaker to offer lower odds as a matter of policy so the payout is less. Of course, any bookmaker who did that would go bust very quickly because no one would bet with them – punters would go elsewhere. Therefore, high street betting companies have to compete with each other to offer good prices to punters at least some of the time. At the moment, Ladbrokes and Corals compete with each other as well as against Betfred, Paddy Power, William Hill et al. All bookmakers monitor their prices against all of their rivals – one reason is so that they can boast in the Racing Post along the lines of, 'Our Premiership prices beat [rival] 75% of the time'. If this merger is allowed to go ahead, the new entity will have one less key rival to beat. And as pointed out already, odds are set centrally and applied nationally.

So why are Ladbrokes and Corals trying to persuade the CMA that competition is 'entirely local'? The two parties know from their 1998 experience that a merger creating such a large player in the market goes against the very grain of the CMA. However, if they create the illusion that it is all a series of A vs B, and A vs C in multiple small areas, then the bigger picture might be obscured. It is a question of granularity, and this is a national decision not several thousand local decisions.

Pursuant to this end, the two parties have tried to smuggle an apparent solution under the CMA's nose, in much the same manner as Derren Brown would by sleight of hand or word persuade an ordinary person to do something which they know is wrong. Knowing that the CMA might be minded to reject the application, they have tried to offer a solution – the divestment of a certain number of shops in 'specific local areas in which there may be a realistic prospect of a substantial lessening of competition' (para 6.2). That is why they have constantly been banging the drum that competition is local, while it is nothing of the sort. Yet what would be the result of this divestment? Merely the purchase of this small number of shops by one or more of their 'Big 4' rivals with the consequences outlined above – less competition on odds and a resultant decrease in returns to customers.