

Customer B

Response to Ladbroke/Coral initial submission

<https://assets.digital.cabinet-office.gov.uk/media/56be0b76e5274a036600001b/Ladbrokes - Coral initial submission 27 January 2016.pdf>

This really is a remarkable document. One may be forgiven for wondering whether the author was badly briefed or this is an intentional attempt to mislead the CMA. There are so many points made that are plainly incorrect. Some are even contradicted by Ladbrokes latest figures.

<http://www.ladbrokesplc.com/investors/results-and-presentations/2016.aspx>

<http://www.ladbrokesplc.com/~media/Files/L/Ladbrokes-V2/results-presentations/2016/FY15-prelims-presentation.pdf>

Several respondents have already gone into detail rebutting some of the Ladbroke-Coral excuses, so I won't bother repeating them. However I think it is worth looking a little closer at football betting. (4.11 and on...)

Firstly 4.11 b. The ability to adjust prices is NOT limited; they do it often, and the excuse that they haven't the ability to produce football coupons in-shop is laughable. Betfred, Paddy Power, Mark Jarvis, Chisholm, Corbett etc etc all print their own coupons in shop.

All the Parties graphs and tables produced to try to prove Ladbrokes and Corals football prices are about the same are irrelevant. The claim that 80% of retail football betting takes place on the favourite may be true, however it should be realised that most of these bets are not single wagers. The most popular football bets are accumulators (also known as "accs, accas, roll ups, parlays). An accumulator bet involves 2 or more selections. In a 5 team accumulator the stake and winnings from the first selection is invested on the 2nd selection, then on to the 3<sup>rd</sup>, 4<sup>th</sup> 5<sup>th</sup>. For the bet to be successful all selections must win. One loser and the bet is a loser. The more selections the greater the odds and therefore more winnings if successful. Accumulator bets are very popular with both punters and bookmakers. The punter can invest a small stake in the hope of a big win. The bookmaker likes accumulator bets, the more selections the higher theoretical profit as the over round is multiplied with each selection. As explained by Hills in their initial submission, overround is the sum of the prices offered on an event. The probability on any event will add up to 1 if no profit margin. For example a football match where the home, away and draw all have an equal probability. With no profit margin (or as Hills term it "uplift") the probability of each possible result is 0.333 or 1/3 (2 to 1 against in odds terms). The total will add up to 1. (a flat book) The bookmaker needs to make a profit and would reduce the offer to say 0.363 on each possibility (odds of 7 to 4) this totals 1.09 – a profit margin of 8.25% (0.09/1.09)

Analysis of Ladbrokes and Coral football coupons from Saturday 27/02/16 shows an average overround of 1.125 (11% profit margin) after excluding Ladbrokes prices for the Premiership, which showed an average overround of only 1.085 (7.83% profit margin)

At 1.125 overround the theoretical profit margin on a 5 team accumulator is therefore 38%  
( $1.125 \times 1.125 \times 1.125 \times 1.125 \times 1.125 = 1.80$ ;  $0.80/1.80 = 38\%$ )

Even with such high profit (to the bookmaker) bets, the punter can often save money by taking advantage of relatively minor price differences between bookmakers.

Example 1

28/02/16	Ladbrokes Prices	Corals Prices
Cardiff	11/10	6/5
Notts Forrest	Evens	6/5
Colchester	6/5	13/10
Peterborough	8/11	5/6
Rochdale	6/4	8/5
Stake needed to win £1000	£25.71	£19.21

## Example 2

28/02/16	Ladbrokes Odds	Coral Odds
Wigan	4/7	8/15
Accrington	8/11	8/13
Leyton Orient	8/13	8/15
Portsmouth	4/5	4/6
Gillingham	10/11	5/6
Stake needed to win £1000	£71.12	£94.32

Odds taken from coupons obtained from Ladbrokes and Coral shops on the morning of 28/02/16. These are just two examples, from thousands of combinations available to the value conscious bettor.

Example 1 shows Ladbrokes to be 33.8% more expensive than Corals

Example 2 shows Coral to be 32.6% more expensive than Ladbrokes

This is excellent competition, a saving of 33% against either company on certain bets.

From 4.18 of the Ladbroke Coral submission “....*Ladbrokes and Coral are not close competitors on price..*”

Well they certainly are on the above examples.

One point concerning:

1.6 Should the CMA conclude that there are specific local areas in which there may be a realistic prospect of a substantial lessening of competition, the Parties are willing to consider making appropriate local divestments to address these concerns. The Parties submit that these divestments, which would ensure that there is no significant change to the strength of competition in any local area, will be sufficient to ensure that no detriment arises from the transaction.

“...no significant change to the strength of competition.....” Does this mean that the parties will not divest any betting offices to Paddy Power and Betfred, as these are the companies the Parties have most difficulty competing against?

Finally

Please do not allow this merger to proceed. Aside from the inaccuracies in the Ladbroke/Coral initial submission, it is against the public interest, it is against the customers interests and it is against the shop workers interests.

=