The Value Revolution

What is the value revolution?

Don Scott, an Australian punting legend first coined the phrase “Value Revolution”.

Scott defined Value in horse racing as when a horse’s available price (with either bookmaker or TAB), was better than its “true price” (as calculated by Scott).

Any punter that obtains such value has a serious statistical edge over the rest of the market.

A statistical edge is when either a statistical event, such as a race winner, occurs more often than the market believes it should, or when the winner’s price is better than the market perceives it to be.

Imagine you were tossing coins with “Simple Simon” and you bet $1.00 that Heads would be tossed and Simon bets $1.00 that the outcome would be Tails.

In other words, if a Head is tossed, Simon pays you $1.00 (giving you a $2.00 payout), and if a Tail is tossed, Simon gets a $2.00 payout.

After 1,000 tosses, we all know that there would be approximately 500 Heads and approximately 500 Tails…but is very unlikely to be EXACTLY 500 and 500.

The outcome of the game is that both of you would be approximately square at the end of 1,000 tosses. This is called a Statistically Fair game because neither party has an edge.

It is ONLY possible to make a profit in a statistically UNFAIR or biased game.

This article discusses how to recognise a statistically unfair game, and how professionals capitalise on it when they find such an event.

The statistical edge

Case I the higher payout

For example, what happens if you previously negotiated that Simon pays you $1.50 each time there is a Head (presumably how he got the nickname “Simple”), and you continue to pay him $1.00 for each Tail?

At the end of 1,000 tosses you will have an expectation of (approximately) 500 heads and will have collected $750 (500 times $1.50).

Simon in turn will have collected $500 (500 times $1.00).

Even though both of you collected approximately 500 times each, 50 % strike rate, you are significantly better off…a statistical edge.

Case 2 the higher probability

Imagine you are playing the same game and this time Simon is a little smarter and only pays off $1.00 for each Head, likewise you only pay him $1.00 for each Tail.

However, you know from one of your sources (Dodgy Dan) that the coin has been specially weighted so that it will come up Heads 60% of the time and Tails the remaining 40%. In racing this might be secret information about a horses improvement.

After 1,000 coin tosses with this coin we expect (approximately) 600 Heads and 400 Tails. The payoff to you will be $600 (600 Heads times $1.00) and to Simon $400 (400 Tails times $1.00).

You will win $200 or make 20% profit on turnover…another statistical edge.

Hotshot Winners is a supporter of responsible gaming. All forms of wagering involve risk, NEVER bet with any funds you cannot comfortably afford to lose. HotShot Winners accepts no responsibility/liability for losses which may be incurred by persons using the information supplied.

Having a statistical edge means that either you obtain a better price than the expected outcomes would indicate (Case 1) or, you obtain better outcomes than the current "general" knowledge (or market price) would indicate (Case 2).

Putting aside for the time being the moral and ethical dilemma of whether you should knowingly be playing with a biased coin, the point is that Simon cannot possibly win in the long-term in either of these cases, even though he "wins" on several hundred occasions.

This is unfortunately the position of the average punter.

How professional punters obtain value

Professional punters spend virtually all of their time looking for:

Horses at better prices than their assessed (or "true") price Specialised knowledge that a horse or horses will perform better (or worse) than the current available odds (bookmaker or TAB) would indicate.

Professional punting is a business, much like any other business; a product is bought (or manufactured) for an agreed amount (cost or true value), and sold for a profit (selling price or market value).

In the case of professional punting, the product is money (the product bought is the bet itself, the product sold is the dividend collected).

Professional punters make their money by "buying" for $1.00 and "selling" for $1.20. The reason they can "sell" for $1.20 (or in some cases, more) is that they have done their research and determined that a particular race has some biases not detected by the general public.

Typically one or more of the favoured horses may be too short and should be avoided. Alternatively they may have information that one or more of the longer priced horses are expected to perform better than their available price indicates.

Pittsburgh Phil *(early 20th century U.S punter) apparently had a photographic memory and allegedly memorized the form of every horse he had ever seen.*

Eric Connolly *(an Australian professional) in the 1920's and 1930's had a card system for as many horses that he could physically observe and recorded vital information such as the horses' form, track work, looks and "luck in running" for each run. This was in the day before such information was freely available in the daily press and it gave Connolly a tremendous edge.*

Don Scott *(a Sydney professional from the mid-1950s to mid-1970s) maintained a similar but far more extensive card system than Connolly on all horses racing in Sydney and subsequently all over Australia. He developed a rating system based on the result a horse returned at each race. He then used this "past" rating to predict the "future" rating when that horse ran against other horses…giving him a huge edge.*

Scott eventually combined with ***Warren Block*** *(a computer expert) to computerize his ratings and they became accessible to the public in the early 1980's.*

The reason recreational punters cannot make money (in the long term) is because they buy for $1.00 and sell for $0.80. This is because they do not have any method of working out the true prices of the horses, and so they blindly accept all the prices offered by the bookmakers and the TAB.

Bookmakers make their money selling "under the true odds" prices – or poor value horses. The more poor value they can sell, the more money they make. Share Traders and Currency Traders are actually punters with the same issues! They just operate in different markets.

Hotshot Winners is a supporter of responsible gaming. All forms of wagering involve risk, NEVER bet with any funds you cannot comfortably afford to lose. HotShot Winners accepts no responsibility/liability for losses which may be incurred by persons using the information supplied.