EXCHANGE EARNERS
STRATEGIES FOR BETTING EXCHANGE PROFITS

BROUGHT TO YOU BY
LUCRATIVE RACING

WWW.LUCRATIVERACING.COM

Introduction

The amount of punters using betting exchanges has been rising ever since the creation of Betfair at the turn of the 21st century. The opportunity to get better odds, to trade, to lay horses and much more is a tempting prospect.

More recently, a vast amount of punters have made the move to the exchanges for no other reason than they have no choice. The Bookmaker began to restrict accounts that were winning consistently, or those suspected of using betting systems, staking plans, or concessions such as welcome bonuses to turn a profit.

This has made finding a way to make money on the exchanges more relevant than ever. The are countless strategies out there that attempt to find a profit on the betting exchange; some are more effective than others and this is what we'll be discussing in this guide.

Our focus will be solely on strategies that don't involve the bookmaker, so this immediately rules approaches like matched betting. We'll also be looking at ways to turn a profit at Betfair SP - something that is believed by many to be the most difficult approach of all.

Exchange Value

The first approach to look at is based on the way many punters succeed at profiting from the bookies - finding value.

There are many services out there that provide 'value' bets for you to place, but if you want to do the finding I recommend learning to compile odds. This is beyond the scope of this guide, since value is usually associated with using the bookmaker to place bets.

Anyone interested in learning to compile odds can access my comprehensive guide [here](#).

If we can identify a value bet i.e. a horse where the odds available are greater than the true chance of the horse winning, it stands to reason that placing this bet on the exchange will give just as much value, provided we can get on at the same odds.

However, a few thing must be taken into account:

1. The exchange takes a commission on winning bets, so we need to get on at slightly higher odds to secure the same profit.

2. The highest value is usually obtained by placing our bets early, and there's a limited amount available to bet on the exchanges earlier in the day.

3. Bookmaker concessions such as best odds guaranteed, and refund offers during the bigger meetings, can give us regular extra profit; the exchange cannot provide these concessions.

The above three factors mean it's difficult to extract the same amount of value from the exchange as the bookmaker.

There are a few approaches I would recommend, which should help to offset these disadvantages:

1. **Avoid the top end of the betting market.** Strong favorites are often over-bet by the masses, meaning the odds available are usually poor value. Higher priced horses tend to have more favourable odds on the exchange, improving our edge. However, betting at higher odds will mean a lower strike rate, so this will need to be factored in when deciding what sized bankroll and stakes to use.

2. **Look at races with more runners.** The more horses in a race, the less likely each horses odds are accurate. Value lies in wait for those who can identify the least accurate prices.

3. **Explore the lower classes and lesser used markets.** Generally speaking, betting markets with more money traded have more accurate odds. It can be difficult to find value in the highest class races where the majority of money is traded.

Lower class races attract less interest, and we are therefore more likely to find incorrectly priced horses. This also applies to the place market where less money is traded.

Application of these three simple techniques should help to increase the value received from our bets, and provide a viable alternative for anyone who has been 'gubbed' by the bookmaker.

Trading

Betting exchanges such as Betfair are set up in a very similar way to the major stock and foreign exchanges. There are a wide range of opportunities to profit for those skilled at trading.

A few of the more effective trading methods include Scalping, Swing trading and 'Back to Lay' trading. There's whole books written on the subject of each, so I won't attempt to fully explain these methods here, but a simple search on Google or YouTube should provide plenty of info and tutorials.

There's also the possibility of simply backing at high odds, and laying at low odds, to secure a profit - easy enough to do if you're able to find value, as discussed previously.

There are a few disadvantages to trading, which include:

1. **Time consuming** - trading generally involves being available close to race start time to make or close our trades. Not ideal for anyone with a regular job or other daytime commitments.

2. **Requires betting software** - the most successful traders use sophisticated betting software, often at cost.

3. **It can become tedious** – it's normally a good few hours staring at betting markets, rather than simply placing a few bets.

In-Play Betting

This involves placing bets while the race is happening. Aside from using trading techniques, betting in-running can enable us to get our bets on at higher odds than were initially available, or to lay at a reduced risk.

There are a fair few restrictions to betting in-running, including the need to be available at the time of each race, to have a live-feed of the race running, and the possible need for software to speed up the bet placing process.

A simpler option that can be used, if we already have one or more bets in mind, is to request a higher price than is currently available and set the bet to remain active 'in-play'. Depending on the odds requested, it's likely our bet will be matched either before the race begins, or if not while the race is running.

A couple of things to point out here:

1**. This approach does not work well with 'value' bets**, since our horse's odds are likely to drop towards race start time.

2. If the available odds don't go as high as our requested odds, **our bet will be voided**. This is something of a catch 22, *since we are guaranteed to get matched if our horse loses, but not guaranteed to get matched if our horse wins*.

.

Unlike the previous approaches to earning on the exchange, where the disadvantages usually seem to outweigh the benefits, being able to profit at Betfair SP has several advantages :

1. **The ability to bet as big as we like** (within reason)
2. **Bets can be placed anytime**
3. **Little or no time commitment**
4. **Past results more accurately reflect future profits**

So why are so few people using Betfair SP to place all their bets? The answer is simple: ***Few punters are able to turn a profit at Betfair SP, and even seasoned pros have a difficult time of it***. Why?

Betfair SP is widely accepted as the most accurate measure we have of a given horses true chance of winning. This coincides with the 'Wisdom of Crowds' theory, most compellingly justified in James Surowiecki's 2005 book by the same name.

The theory originates from an observation made by Charles Darwin's cousin, Francis Galton in 1907. Galton pointed out that the average of all the entries in a 'guess the weight of the ox' competition at a country fair was amazingly accurate – beating not only most of the individual guesses but also those of alleged cattle experts.

This is the essence of the wisdom of crowds: their average judgement converges on the right solution. The majority of the betting community take this theory as fact, but is it? **It is only a 'theory', after all**.

Studies have shown that given the right circumstances, the opinion of the many does indeed increase accuracy. However, Surowiecki himself admitted that the crowd is far from infallible; there are certain requirements that need to be met in order for the crowds opinion to be truly accurate:

1. Individual decisions should be made independently of one another.

An interesting study done by the Swiss Institute of Technology in 2011, involved asking participants to estimate certain quantities in crime e.g. the annual number of murders in Switzerland. The study found that the more information participants were given about each others guesses, the narrower the range of guesses became, with the center of the range drifting from it's true value.

This is extremely relevant to Horse Racing, where the majority of punters follow a well known tipster, get opinions from friends or simply follow the masses and bet on the favourite. **This 'copycat' behavior destroys accuracy**, *and is widely regarded as a major contributing factor to the financial crisis of 2008*.

2. The wisest crowds are the most diverse.

A 2004 study in Michigan found that a diverse group of problem-solvers made a better collective guess than the group of best-performing solvers.

Are horse racing punters that bet on the exchanges a diverse group? Not on face value...in terms of demographics, the crowd is certainly male dominated, for one thing. Opinions are also likely to lack diversity, as the information looked at by your average punter is largely the same e.g. recent form.

There are quite a few factors to consider when determining if the crowd for a given event is diverse, but there's certainly factors present that would indicate lack of crowd diversity when it comes to Horse Racing.

3. Beware of over-confidence

A 2011 study from Yale found that group predictions about American Football results were skewed away from real outcomes by the **over-confidence of the fans decisions**, which biased them towards alleged 'favourites'.

In relation to horse racing, punters following a specific horse, jockey, trainer or tipster can potentially skew the market

away from true odds, usually resulting in the favourite of a given race being over-bet.

There's one additional piece of evidence that could be looked at as 'proof' that it's possible to get value at Betfair SP - **the existence of betting strategies that are able to produce profit at Betfair SP**.

A good example of one such strategy is the *Cash Chasers* system you received recently. If the wisdom of crowds theory was true in all circumstances, and the Betfair start price represented true odds in all cases, ***it shouldn't be possible for any betting strategy to profit at Betfair SP in the long run***. This is clearly not the case.

The above factors are just a few of the main arguments which go against the 'wisdom of crowds' theory, specifically in relation to horse racing betting.

This indicates that there are circumstances in which Betfair SP does not represent 'true odds'.

Armed with the research, we're now tasked with finding the circumstances where Betfair SP is most likely to be inaccurate.

The simplest methods I've found are based on **perception**; identifying when individuals in the crowd perceive an event similarly, or when the perception of the crowd is being externally influenced. Here's a few perception based strategies that can be used to improve our profitability at Betfair SP:

1. Identify False Information

How many times have we been stung by betting on the 'sure thing', only to see it fail? There's a reason for this; the crowd is fed false information on a regular basis.

False information originates from many sources, but whether it's from our friend down the pub, or directly from the training yard, is irrelevant. *This is a classic example of decisions not being made independently*. Add to this the 'overconfidence' factor – punters perceiving something as a sure thing, and betting big, and we've got a definite skew of the crowd towards one particular horse.

In no circumstances should we bet on these horses to win at Betfair SP, since they are likely to be bet by the masses and the price driven down throughout the day.

Our options in this situation include betting other horses in the race to win or place, 'Dutching' two or more other runners, or laying the horse who's price is being driven down.

2. Look Beyond Recent Form

Have you ever tried betting on horses based solely on recent form? If so, *how often has this approach made you money*? The likely answer is rarely, or never.

This is the most common piece of information used by your average punter, and therein lies it's weakness. Horses with the best recent form are often over-bet, the odds driven down and the resulting Betfair SP lower than it should be. This is a good example of **lack of diversity in the crowd** causing a skew in the odds.

Omit the horses that are likely to be over-bet, and find the stronger contenders from the remaining runners - these are likely to give more favourable odds at Betfair SP.

3. Look for Mass Marketing Clues

Bookmakers and media advertising form a well oiled machine, designed to lure the crowd away from value. Finding specific horses that are heavily advertised at the bookmaker or on mainstream media gives us clues that can help us profit.

This is especially relevant for the bigger meetings and major festivals, when Horse Racing has the most media coverage.

Just like avoiding the 'sure thing', staying clear of a heavily advertised horse is the way to go. Likewise, betting these runners to lose or concentrating on other runners are both good strategies to put to the test.

Conclusion

There are a vast number of angles to explore when it comes to making money on the exchanges, both throughout the day and at race start time. Although we've only managed to cover a few of these angles in this guide, I'm confident that application of the basic approaches provided will help improve your betting considerably.

Finding ways to profit at Betfair SP, although the most difficult in theory, removes many of the disadvantages normally associated with betting, and is the most sustainable long term.

Thanks again for taking the time to read this guide - I hope you found it useful.

Michael J Carr
Director, Lucrative Racing