

# FINAL WORD

## Does the house really always win?

**Mike Ciavarella**, CEO at Newgioco Group, Inc., discusses the importance of modern operators being vigilant



Deciphering the matrix of complex betting transactions through advanced business, artificial intelligence, predictive analytics for processing and applying bet data, is fundamentally changing the infrastructure of sportsbook coding and platforms.

Despite common folklore, the house doesn't always win. When implementing a sportsbook, casino operators need to be crystal clear that a sportsbook is not a casino-class product. It is a volatile and speculative event-driven machine. Running a book means operators take both sides of the wager and therefore spread risk on the completely random outcome of an event in time. There are no do-overs once the event is closed. Although sports betting is based on passion and exuberance, it is nonetheless a business first and foremost.

Without successful and profitable sportsbook operators, bettors would have no venue to wager on their favorite team

or athlete in a safe, flexible and convenient environment. A fair and balanced environment means operators need not only provide the venue for customers to play safe, but also need to be competitive and profitable. To reach that conspicuous plateau requires taking emotion out of the bet acceptance decision.

Idle and boring talk about flexibility, versatile, omni-channel, UX, UI, differentiation, customisation, odds management, feature-rich, speed, etc., masks the reality of business risk in sportsbook operations. With all the event options, in-play, pre-match and so on available to bettors today, the sportsbook business is no longer manual or a laid-on-the-line operation. Modern sportsbook operators must have their finger on the pulse of the markets they offer with real-time, reactive data to balance bet trades through equitable and attractive lay-off options.

Accepting every single bet is pure recklessness and the processing of a high volume of trades per second, to an operator, cannot and should not be taken lightly. Platform providers that seek to sell their system to inexperienced operators at all cost should consider the business risk they present - no differently than financial experts and entities are required to provide full risk-disclosure to prospective investors. To a certain degree, a duty to "warn and inform" is a regulatory consideration.

Turning a volatility sportsbook into a powerful, reliable revenue generator is the "win" that casino and betting operators need. The use of technology-based risk management algorithms and adaptive business intelligence is a key to differentiating regulated betting operators and vendors from smoke and mirror operations.

The importance of intelligent business data for a successful sportsbook operation was the development nexus for Newgioco's ELYS betting platform by Odissea. The purpose of applying business intelligence and artificial

intelligence is to allow the technology to eliminate emotion by doing the thinking at incredible speeds, not necessarily to give the operator a competitive advantage, but rather to even out the so-called playing field in imbalanced betting probabilities. Competitive advantage in the modern sportsbook age is precious and infinitesimal. In our age of big-data and machine learning, reducing raw data feeds from hundreds of thousands of daily events into useable decision-making business information needs to be applicable to our business sector, which in sports betting is based on purely speculative and random outcomes, and thus quite remarkable and specialised. Superficial risk-management marketing is simply not enough when promoting sports betting platforms.

Sequential odds differentiation and risk management are separate, but closely linked segments of the architectural stack of the betting platform. To infer that a platform provides limitless customisation to odds and event offerings does little to protect the betting operators interest versus simply stating that it's like using a pencil and eraser to record bets in the book.

Specialised stacked schematics combines processing technology, applications and human skill to extract key data from incoming bets to reveal observations that would otherwise be imperceptible by human traders and off-the-shelf, plug-in risk management software alone. Properly engineered betting software coding integrates data from across a broad spectrum of events, odds and player patterns to capture information and predictive analytics to help a trader make faster and more accurate bet acceptance decisions.

The result is a smoother GGR curve, reducing the effect of random event outcomes and the making for a more traditional business-modelling basis. To this end, sports betting platform providers like Newgioco become business partners with the betting operator, rather than a mere vendor. ◀