

## ONTARIO LOTTERY AND GAMING CORPORATION FINDS ITS MATCH (A)

*Harley Redlick and Effie Wolle prepared this case under the supervision of Professor Chris K. Anderson solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

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It was June 1, 2004, and Effie Wolle was sitting at his office desk preparing the fourth version of the same PowerPoint presentation for his client. Work was a bore. The phone rang, and Wolle's good friend Harley was on the line.

Effie, I think I found something here. I'm confident with my numbers, but I want you to review them.

Harley had come up with some successful betting schemes, and this one really caught Wolle's attention.

Okay Harley, let's hear it.

Harley knew he would have to do quite a job convincing Wolle of the impending arbitrage opportunity — Wolle was very risk averse.

It involves ProLine, the sports betting arm of the Ontario Lottery and Gaming Corporation. My father, Reuben and I were chatting over dinner and we think they're significantly mispricing something.

Wolle was skeptical.

## **ONTARIO LOTTERY AND GAMING CORPORATION**

In April 2000, the Government of Ontario created the Ontario Lottery and Gaming Corporation (OLGC) through the merger of the Ontario Casino Corporation (OCC), established in 1994, and the Ontario Lottery Corporation (OLC), established in 1975.

OCC owned and managed the commercial casinos in Windsor, Niagara Falls and Mnjikaning First Nation land. OLC offered 12 lottery games and over 7,900 lottery terminals to more than 10,500 retailers.

Both Crown agencies were experienced in developing gaming activities that generated millions of dollars for the province.

With more than 8,100 employees across Ontario, OLGC was responsible for four business divisions.

### **1. Lottery Products**

OLGC currently operated 12 lottery games through more than 10,600 OLGC retailers across the province.

### **2. Charity and Aboriginal Casinos**

OLGC operated five charity casinos in Ontario: Casino Sault Ste. Marie, Brantford Charity Casino, Point Edward Charity Casino, Thunder Bay Charity Casino and Thousand Islands Charity Casino. OLGC also owned and maintained authority over the slot operation at the Great Blue Heron Charity Casino, an aboriginal casino owned by the Mississaugas of Scugog Island First Nation, situated just east of Port Perry.

### **3. Commercial Casinos**

OLGC was responsible for four commercial casinos: Casino Windsor™, Casino Niagara™, Casino Rama™ and Niagara Fallsview Casino Resort. These sites were owned and managed by OLGC but were operated by the private sector.

### **4. Slots-at-Racetracks**

OLGC operated 16 slot machine facilities at racetracks across Ontario.

## THE BET

Baseball hitting (BBH) was a new form of sports wagering being offered by ProLine in April 2004. An individual could bet on a BBH matchup that would place two major league baseball players in a heads-up matchup for a single game. The baseball hitter with more total bases (TB) for the game (one for a single, two for a double, three for a triple and four for a home run) would be the winner of the event.

## Example

If the Blue Jays were playing the Orioles, ProLine would pit outfielder Vernon Wells of the Blue Jays against shortstop Miguel Tejada of the Orioles; the matchups usually consisted of the leading player on each team. One player was designated the favorite, and the other, the underdog. ProLine would determine the favorite (presumably based on statistics). The player that accumulated the most TBs would win the match. In the case of a tie, the underdog would win. Thus, the favorite must win by at least one TB.

If Wells was the favorite and had two singles, and Miguel Tejada had a double, Tejada would be declared the winner as both players got two points, so the underdog would win.

## HARLEY'S HUNCH

Harley eyed the new game being offered by ProLine and immediately suspected that making one hitter a favorite by a margin of half (given that a tie represented an underdog win) was an enormous advantage to the underdog. His curiosity was peaked.

## THE ODDS

ProLine offered odds if an individual could correctly select the winner of five or eight of such matchups. If an individual selected five matchups and was correct on all five, he would win 19 times his money, or stated differently, 20 for one. Similarly, if an individual selected six, seven or eight matchups and was correct on all, his payouts were 34-, 74- and 149-to-1 respectively.

**TRACKING THE DATA AND THE DECISION**

Harley began tracking the data. Through a sample of 529 such events (ProLine offered about nine games per night and there were games almost everyday throughout the baseball season), the underdog won 312 times. He thought the sample size was large enough, and he knew he had enough data to test his hypothesis. How should he proceed? Was there anything else he should think of? Was there money to be made?

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