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The Man Who Shook Up Vegas

 By **SAM WALKER**
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LAS VEGAS -- Veteran sports bettors and bookmakers are not prone to fantastic notions. They like to think that everything new is just something old in a fashionable suit.

But this fall, the stereotype no longer fit. Years of studied cynicism gave way to breathless talk. Las Vegas had a mystery on its hands.



Bob Stoll: Hot streaks rarely last. One handicapper says, "He needs to enjoy this while it's going on right now."

Each Thursday morning at precisely 10 a.m. Nevada time, every major casino sports betting operation in the world from here to Costa Rica was being simultaneously pounded by thousands of bettors wagering millions of dollars on the same few college football games. Odder still, most of these lock step bets were turning out to be winners, costing the casinos a fortune.

To protect themselves, bookmakers broke with protocol and began making unusually large and sudden corrections to their betting lines, or "point spreads." At least one offshore casino disabled its Web site for maintenance and restored it only after adjusting the odds. "The whole thing was unreal and unbelievable," says Robert Walker, the race and sports book director for MGM Mirage in Las Vegas. "In 20 years I've never seen anything like it."

There were rumors. Some thought terrorists were involved, or hackers, or maybe a shadowy international gambling syndicate known as the Asian Group. But as the month wore on, the truth began to bubble up through the Las Vegas whisper pool.


Turns out there was no grand conspiracy. The global business of sports betting was being jolted every week by one person: an obscure 41-year-old statistician from San Francisco named Dr. Bob.

If you've never placed a sports bet in America, you are fast becoming a member of the minority. Since its beginnings at Colonial horse tracks in the 17th century, the amount of money Americans wager on sports has grown to rival the gross domestic product of New Zealand.

From Monday's college-football championship game between Florida and Ohio State through the next calendar year, more than 100 million Americans will wager an estimated \$96 billion on sports. Less than \$3 billion will be offered legally at Nevada casinos where bettors must be present to wager. The bulk of it -- about \$93 billion, according to analysts and law-enforcement officials -- flows through office pools, local bookies and offshore online casinos. While these forms of gambling are illegal under U.S. law, the authorities rarely prosecute individual bettors.

If there's one bedrock law of sports gambling, it's that the people taking bets, the bookmakers, always win. Some of this is due to the haplessness of average bettors, or "squares," who never fail to make dumb wagers. The rest is a matter of design. By taking commissions on bets and using oddsmaking tools like point spreads and bet limits, the

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world's bookies have engineered the system to their favor.

Gamblers wagering against a point spread must win more than half their bets (about 53%) to make a profit and must be closer to 55% to make a comfortable living. This is no small feat. Experts say there may be fewer than 100 people who can sustain these rates over time. Most of them belong to professional betting syndicates that hire teams of statisticians, wager millions every week and keep their operations secret.

Nearly everybody else is losing money. In 2005, Nevada's casino sports operations, or books -- those rooms at Caesar's Palace or the Mirage that are walled by televisions and tote boards -- earned \$126.3 million in revenue, a 12% increase from 2004.

Nonetheless, even the grandest edifices in Las Vegas have a habit of toppling. Nevada's casinos have not been able to match the recent boom in betting at online casinos. Though their operations are illegal under U.S. law, American bettors don't seem to care: In 2005, they made an estimated \$47 billion in online sports wagers.

Bookmakers say the popularity of Internet betting, combined with the volume of sports information available online, has made the betting public larger, better informed and less predictable. No one knows what this means for the business, but recent events have raised a new possibility. If the market keeps growing in size and sophistication, smart handicappers may discover that it can be just as lucrative to sell their picks as it is to bet them.

Email, Then Pandemonium

Bob Stoll answers his door in jeans and an untucked blue button-down shirt. It's a foggy afternoon in San Francisco, and Mr. Stoll has been up since before daybreak analyzing college basketball games.

PERFORMANCE PEAK?

Since 1999, Bob Stoll has recommended 658 bets on college football, or about 81 per season. Here are his results. (When betting against a point spread in Las Vegas, bettors must win 52.4% of their wagers to make a profit.)

YEAR	WIN/LOSS/TIE	%
1999	49-31-1	61
2000	47-25-0	65
2001	35-28-0	56
2002	49-44-3	53
2003	46-55-2	46
2004	55-34-1	62
2005	51-21-2	71
2006	45-34-3	57

Though he goes by Dr. Bob, a nickname he earned playing basketball in high school, Mr. Stoll is not a doctor. The son of an engineer and an insurance company account executive from Vallejo, Calif., he majored in statistics at the University of California, Berkeley, but never graduated.

Tall and athletic-looking with sandy brown hair, he looks more like the actor Richard Chamberlain than a casino regular. He has two cats, doesn't smoke, drinks bottled water while he works, drives a BMW and listens to John Mayer. The only jewelry he wears is a wedding band: His wife, Rebecca, is a writer who attended Brown University. Their apartment in the Haight district is expensive without being lavish. There's an abstract print over the fireplace and a view of the Golden Gate Bridge from the roof deck.

Though he makes a living handicapping college and pro football and basketball, Mr. Stoll rarely visits Las Vegas. He's never placed a bet in one of the city's sports books and hasn't attended an NFL game since he was 9. He does not make a habit of watching sports on TV. "Your eyes can only fool you," he says. Put him in a different setting and he might be running a hedge fund, developing office towers or monitoring the currency markets.

But in the last three months, Mr. Stoll has emerged to become one of the world's most influential sports handicappers. And when it comes to predicting the outcomes of college football games, he is peerless. By his records, which have been tracked by dozens of bettors and bookmakers, the recommendations he's made on college football in the last three seasons have turned out to be winners against the point spread 63% of the time. In 2005 he finished with 51 wins and 21 losses for a success rate of 71%.

While runs like this are rare, they are not unprecedented. In the 1980s, a syndicate called the Computer Group developed predictive models for sports that helped them soak Las Vegas for about \$14 million. At other times,

professional or "sharp" groups like the Kosher Boys or the Poker Players made off with millions, too.

But what separates Mr. Stoll from these professionals and makes him so frightening to bookmakers is that he's not hoarding his information -- he's distributing it to the public. In fact, anyone who wants Mr. Stoll's advice can visit his Web site, drbobssports.com, and buy a subscription package for anywhere from \$25 to \$2,495. All that pandemonium on Thursdays in Las Vegas was no coincidence: That's the day Mr. Stoll sends an email to his subscribers telling them which college football teams to bet on the following weekend.

This season, as his subscriber base jumped 75%, the money his clients were wagering on Thursdays increased to the point that the casinos could no longer afford to ignore it.

"The amount of money being pushed through the counters -- it's got to be insane," says Mr. Walker of MGM Mirage. "If we're taking \$15,000 bets and other [sports] books in Nevada are taking \$100,000, there must be millions being bet offshore."

Investment, Not a Gamble

Anyone looking for betting advice does not have to wander far. The Web is thick with ads for sports handicappers, or touts, who offer guaranteed "locks" and claim to have success rates as high as 80%. Their survival is a testament to the gullibility of the average bettor. "It's a very shifty group," says Glen Walker, a veteran sports gambler and line-making consultant for a casino in Antigua. "At least 70% of them misrepresent their records."

While Mr. Stoll has been a tout for 20 years, he does not follow the standard business model. He has no employees. He declines to advertise or swap links with other handicapping sites. In online essays, he says there is no such thing as a lock and advises clients to bet in a disciplined pattern that leaves less than a 1% chance of exhausting their bankrolls. At the height of his hot streak in 2005, he sent clients a message imploring them not to get carried away. "I'm not going to hit 70% every year," he says.

More unusual is Mr. Stoll's enthusiasm for describing his methods. On his Web site, he discusses the tools he uses to analyze football games: a mathematical model that estimates everything from turnovers to the final score, a handful of "fundamental indicators" (good running teams tend to play better at home, for instance) and more than 100 "situational angles" he uses to forecast performance patterns that do not show up in the raw stats. He makes unapologetic use of terms like variances, square roots, binomials and standard distributions. Sports betting, he says, should be viewed as "an investment rather than a gamble."

Though he will not say how many subscribers he has, how much money he earns or whether he bets his own games, Mr. Stoll says he makes his living as a handicapper, not a bettor. By any measure, it's fair to say he makes a good living. If he has 2,000 subscribers paying an average of \$500 each, his annual income would be \$1 million.

Elihu Feustel, a professional gambler from Indiana, not only bets Mr. Stoll's games, he says most of the biggest syndicates in Las Vegas are subscribers, too. In two years, he says Mr. Stoll has cost bookmakers at least \$20 million. "He's the only winning handicapper I know who makes his living selling his information," he says.

As his reputation grows, Mr. Stoll is learning that notoriety cuts both ways. There have been rumors that he doesn't exist, that he's really a front for a Chinese syndicate, or that he's giving out his picks early to some rich bettors (not true, he says). Then came the great battle of wits with the bookmakers.

For years, Mr. Stoll's routine started on Sundays when he would download the college box scores and organize the data. He'd spend two days working with his models and angles and another one writing a blurb on every upcoming game. When his clients received his recommended bets on Thursdays, they would have 48 hours to bet at their leisure.

But in 2005, Mr. Stoll noticed that a few minutes after he sent his advice, the lines on those games would shift slightly. The moves were not big enough to cause a stir, but they did get the phone ringing. One day the principal of a major sports betting syndicate called to offer him a job.

While the line moves were flattering at first, they quickly became a problem. By the beginning of the 2006 college football season, within 30 seconds of the moment he pressed "send" on his Thursday picks, one online sports book would adjust the odds to make his recommendations less likely to pay off. Seconds after that, every other major casino in the world would fall into line. The bookmakers had clearly subscribed, he says, and were trying to change the lines before his clients could make bets. (Representatives for three of the most influential online casinos declined to comment.)

When a stock analyst moves the market with a recommendation, investors who get in early can make money on it regardless of its merits. "It's just the opposite in my business," Mr. Stoll says. When he makes picks, it's as if brokers and traders collude to drive down the price.

As his customers started to complain, Mr. Stoll fought back. Rather than bundling his "best bets" into one Thursday email, he split them into groups of two and staggered them every two minutes. When this didn't work he sent them one at a time every three minutes -- only to discover that clients with slow email servers were getting them too late. Finally, he set up a private Web page where he can reveal the picks to everyone at once. Lately there's a new problem: People are posting his picks on free Internet forums. Some days, Mr. Stoll says, "I want to be anonymous again."

Point Spread's Origins

If modern sports gambling has a spiritual father, it's a Chicago bookmaker named Charles McNeil.

When Mr. McNeil quit his job as a securities analyst to devote himself to gambling in the 1930s, its conventions were very different. Bets on a sport like football were based on "straight" odds: If Army was favored to beat Navy, for instance, the game might be offered at 7 to 1. The problem: If the game wasn't expected to be close, it was difficult to find anyone willing to bet on the favorite.

For bookmakers, this was bad news. When taking bets, the only safe strategy is to balance the wagering -- to make sure your liability is the same no matter what happens in the game. By splitting all the bets and factoring in a small commission, or "juice," a bookie will always profit.

Mr. McNeil's solution was to switch the focus from which team would win to something less predictable: the final scoring margin, or point spread. Rather than favoring Army at 7 to 1, bookmakers would set the spread at a logical number -- say 10 points. If Army "covered" the spread, or beat Navy by more than 10, Army bettors would win. If Army failed to win by 10, or lost, Navy bettors would collect.

The system worked impeccably. Not only did it increase betting, it made it much easier for bookmakers to stay balanced. If the public bet heavily on one side of a game, bookmakers would shift the point spread until smart bettors began making wagers on the other side. Most of the time, the bookmakers and wiseguys would win while the public got clobbered.

The problem with Mr. Stoll's emergence is that he threatens to undermine this equilibrium. By sharing his advice with the public, he's creating more sharp bettors. And by enabling them to bet as one, he's made the sports books more vulnerable to bad lines.

A Word of Warning

While they make money, Las Vegas sports-betting operations are not especially profitable. A typical Nevada sports book produces about \$600 in revenue per square foot -- less than one-third of the revenue generated by slot machines or "pit" games like craps and blackjack. All told, sports books generate only about 1% of the state's gaming revenue. If they weren't such a draw for casino visitors, they might have been paved over by now.

What's not clear is what may happen if their profits continue to shrink at the hands of a talented tout.

The job of defending the casinos falls to the handicappers at Las Vegas Sports Consultants, one of several companies the casinos hire to supply betting lines for their sports books. The company's chief operating officer, Ken White, learned the handicapping business from his father and worked his way up from taking parlay cards at a sports book to opening his own consultancy. He works 70 hours a week and rarely takes a day off.

Inside the black notebooks on his desk he keeps "power ratings" for hundreds of teams ranging from the Dallas Cowboys to the Marist College men's basketball squad. They are based on a mix of algorithms and subjective factors that he calls "70% science and 30% art." He acknowledges that Mr. Stoll and his followers have cost the sports books money lately. He's instructed his staff to study Mr. Stoll's picks.

But over the years, Mr. White says he's seen enough touts get hot to know how the story ends. The more the point spreads move, the less effective his advice becomes. And when the bookmakers figure him out, his disciples will drift away. "He needs to enjoy this while it's going on right now," he says.

18 Hours and 4% Better

Bob Stoll's handicapping career began at Berkeley when he entered a \$2 NFL pool and, after doing a few minutes of simple math, won \$100.

From then on, his statistics classes became excuses to feed football data through campus mainframes. After winning 63% of his bets in three years, he quit school to become a tout.

He built his business by publishing a betting guide, advertising a 900 number, writing columns for gambling publications and appearing on radio shows. He also waited tables. In 1998, as 900 numbers began to fall out of vogue, he made a desperate move: He equipped his Web site to take credit cards. Over the next six weeks he made \$30,000, he says, "and that was that."

For most of his career, Mr. Stoll handicapped teams by looking for situations or "angles" that had a way of predicting future results. If a college football team was favored by seven points or more in a minor bowl after losing their last game, for instance, Mr. Stoll would know that the last 36 teams who met that criteria had covered the point spread only eight times. If one of these strong angles applied to a team, he would bet accordingly.

But after a losing season in football in 2003, Mr. Stoll decided to add another layer of rigor. For NFL games, he'd built a mathematical model to project how many points each team was likely to score in a coming matchup. With three years of data and hundreds of hours of tinkering, Mr. Stoll built a math model for college.

As well as these methods have worked, they have done nothing to cut his workload. In the months when basketball and football overlap, Mr. Stoll works 18 hours a day nearly every day, sleeping in bursts of no more than four hours. The carpet below his desk chair has been worn bald. "I tell him to stand up so he doesn't get blood clots in his legs," his wife says.

Much of his time is spent making tiny adjustments. If a team lost 12 yards on a running play, he checks the game summary to make sure it wasn't a botched punt. He compensates for the strength of every team's opponents. It takes him eight hours just to calculate a rating he invented to measure special teams. Trivial as this seems, Mr. Stoll says the extra work makes his predictions 4% better.

Despite his mathematical bent, Mr. Stoll does not discount psychology. If his records show that military teams tend to play their best in bowl games, he'll incorporate that into his analysis, too. "Being creative with numbers is more important than being the best at analyzing them," he says.

All the work culminates on Thursdays when Mr. Stoll sends out his college football "best bet" selections. There are usually four or five of them, all weighted from two stars to five depending on how much his projection differs from the point spread.

For the recent Alamo Bowl, Mr. Stoll's analysis ran 557 words -- covering everything from the likely number of

Texas turnovers to the potential impact of Iowa defensive back Adam Shada. While the sports books listed Texas as a 10-point favorite, Mr. Stoll said his math model favored them by only five and his situational angles favored Iowa. Moreover, he wrote, Iowa would likely be more motivated to play in this minor bowl game than Texas, the defending national champs. He told his clients to bet on Iowa, meaning Texas would not cover the point spread.

The moment he sent this pick to clients last month, the bookmakers were waiting. Within 78 seconds, 10 casinos moved the point spread by as many as two points in Iowa's favor. In the end, the move wasn't big enough. Texas won the game by just two points, confirming Mr. Stoll's prediction.

No handicapper is immune from rough spells. Mr. Stoll has now had two consecutive losing seasons in the NFL. And while he was right about Iowa, his current record in this year's bowls is 1-4. Some of his most recent subscribers are already venting on gambling forums. "So far all he has done is torch my money," writes one.

It's a story Mr. Stoll says he's heard thousands of times from clients who don't look at the long term. Even good bets lose 40% of the time, he says, but some clients don't grasp that. "They think I'm either hot or I'm cold."

If the bookmakers ever put him out of business, Mr. Stoll says he'd be happy to manage his stock portfolio, raise kids, coach sports and maybe run for school board. One thing he won't do is become a professional gambler.

"I'm not flashy by nature," he says. "I don't need three houses and a boat. I just like to handicap. For me, it's about problem solving."

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