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Against the Odds – A Case Study of Betfair.com

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Abstract. Betfair can claim to be Britain's greatest dot com success story. Launched in 2000 its radical innovation was that it enabled people to bet (wager) directly against each other thus cutting out the dominant bookmakers. Rejected by venture capitalists, Betfair raised £1 million (UK Pounds) from private investors and successfully entered the oligopolistic UK betting industry. By 2005 it had made such an impact that it was rumoured to be preparing for an IPO which would value the company at £700 million.The case study analyses the entrepreneurs behind Betfair, its start-up and rapid growth, the product innovation Betfair has brought, its impact on the UK betting industry, the challenges it has faced and its future prospects. Analysis of the case requires the use of theory from entrepreneurship, economics and e-commerce.

Keywords: entrepreneurship, new venture creation, betting, gambling, dot coms.

1. Introduction

Andrew Black makes an unlikely entrepreneur. A University drop out who freely admits he has done a lot of job hopping is not the usual profile of someone hoping to get backing for an unconventional start up. This job hopping was varied, including shelf stacking, golf caddying, trading in the financial markets where he was sacked, programming and finally, if possible investors had not been put off already, making a living from gambling! (Thomas, 2003). However, it was this life experience which enabled Black to come up with his idea to transform the nature of betting (wagering). He was going to shift power away from the bookmakers who dominated betting in the United Kingdom (UK). This would be done by applying the idea of trading shares on the stock exchange to the world of betting using the Internet. This idea was the basis for Betfair, which he set up with Edward Wray, an ex Investment Banker, in 1999. The start up faced initial hurdles and its bid for financing was rejected by venture capital firms. However, by 2005 Betfair had made an enormous impact on the UK betting industry, being estimated by the UK horseracing establishment to account for up to 25-30% of UK horseracing betting activity (UK Parliament, 2004) and was valued at £700 million.

2. The Traditional UK Betting Industry

The betting industry forms part of the wider gambling industry, which includes casinos, bingo and lotteries. The difference between betting and gambling is the possible element of skill in betting, in contrast to the pure chance of gambling.

Ethical concerns about betting, its potential for addiction and criminal involvement, have resulted in its prohibition in many countries or restricted provision, for example with state controlled monopolies. In contrast the UK betting market is a relatively liberal environment.

The UK betting industry is described according to the organisation of its major sport, horseracing, as being on-course betting, at the racecourse where the horseracing takes place, or off-course betting, which describes all other activity. Prior to the 1960s the only permissible form of cash betting was on-course, whilst off-course betting was only allowed on credit terms through telephone and post, although this did not suppress demand and there was a flourishing illegal street bookmaking sector.

In a response to illegal bookmaking, off-course betting was legalised in 1961 at licensed betting offices (LBOs), which required a separate license for each outlet. The LBOs became the dominant betting channel and in 2000 were estimated to account for 80% of total betting stakes. The LBO sector is highly concentrated, dominated by the 'Big Three' fixed odds bookmakers, Ladbrokes, William Hill and Coral, who had a combined market share of 60% in 2000 (Paton et al, 2002). There were large barriers to entry through a restrictive licensing system and the investment required to establish a national network of betting offices.

Fixed odds betting is the dominant form of betting in the UK. Bets are taken by bookmakers who offer a price, or odds, for example 3-1, against a chosen outcome, for a stake paid by the "punter", the term used for a betting customer. If the bet is successful bookmakers will then pay out the stake plus the stake multiplied by the price.

The betting industry was also a significant contributor to the UK government through the general betting duty (GBD), which was a tax levied on off-course bettors.

2.1. An Unfair Market?

Bookmakers build in their profit margins by setting less generous odds than the true probabilities, illustrated by a concept known as the over-round. This is how much greater than 1 the probabilities represented in the odds quoted add up to, expressed as a percentage, which represents the bookmakers theoretical margin. In reality the actual margin depends on the patterns of betting and results, which can lead to bookmakers suffering large losses on occasions. However, the management of odds setting led to UK bookmakers having healthy margins, with the *gross win*, the difference between their turnover (the amount staked) and winnings paid out, traditionally being in the range of 15-20%.

A further key characteristic of UK betting was the use of the final odds available in the competitive on-course sector – known as the SP (starting price) – to set odds in the LBOs for horseracing. Over 80% of bets placed in the LBOs were made at the SP making the SP of crucial importance (DCMS, 2001). The Big Three would also use their financial power to drive the SP downwards, when they felt the odds were too generous and they faced large losses, by placing large bets with on-course bookmakers (Monopolies and Mergers Commission, 1998).

Andrew Black felt that the odds offered by the bookmakers were unfair, meaning that a punter had “to be 20% smarter to make money” (Halper, 2004, p1). This perceived inequality was the motivation for Black’s transformation of the betting experience. He also reflected on his time trading in the New York Stock Exchange where it would be commonplace for traders to switch positions. However, in the bookmaker controlled betting market “if [you] make a mistake, [you] can't trade out of it”. This frustrated Black who thought there had to be a better way to organise betting.

2.2. The Emergence of Internet Betting

It appeared to some that the Internet could offer this “better way” as it offered easier access to the UK market without investment in a network of betting shops. The late 1990s would thus see new entrants, such as Blue Square, target the UK market. Many of the new entrants set up Internet and telephone operations from overseas locations to avoid betting duty, which gave a stimulus to Internet betting. The increase in information available via websites also enabled the more sophisticated punter to compare prices more easily which made the Internet sector more competitive than the LBO sector (Paton et al, 2002). However, these developments did not change the market structure. Firstly, the take up of Internet betting in the general population was limited and it had no impact on the Big Three’s dominance of the LBO sector. Second, the Big Three could leverage their brands, an advantage strengthened by punters’ fear of the Internet. Finally, the Big Three counteracted the tax advantage of offshore bookmakers by the establishment of copycat operations. This led to a far more significant change to the UK betting environment, with the UK government taking advice from UK based academics Paton, Siegel and Vaughan Williams and replacing betting duty (a tax on turnover) with a tax based on the gross win (based on margins) to lure the Big Three's direct channels back to the UK (Paton et al, 2002). This stimulated the demand for betting, leading to betting turnover more than doubling in the period from 1998 to 2003.

3. The Emergence of Betfair

3.1. The Concept of the Betting Exchange

More fundamentally for Andrew Black, Internet betting still left the despised bookmaker in control. His "idea" to shake up UK betting was inspired by earlier study of perfect competition in Economics and his experiences trading shares on the "open outcry" exchange (known as floor or pit trading) on the New York Stock Exchange in the early 1990s. In this colourful environment brokers would shout out their best prices to buy or sell at each other to reach a transaction. His idea would use this model and the Web to enable punters to bet with each other, in a concept which would be known as the betting exchange. It worked as follows:

Laying: Users could take on the role of the bookmaker and offer whatever odds they wanted, creating a free market. Users would enter their odds (e.g. 4-1) on the website with the stake they were prepared to accept (e.g. £100). Funds to cover the liability of £400 would have to be deposited with the exchange.[1]

Backing: A user could accept the odds on offer, or in a further departure from the bookmaker controlled market request better odds which a layer may decide to accept. As with layers they would have to deposit their liability.

To make the system more efficient Black's model would create pools of layers and backers at various odds, which could then matched fully or partially. As an example, if 3 layers were prepared to take stakes of £200, £100 and £50 at odds of 4-1 this would appear as £350 available to a backer, who could take some, or all of this amount.

The exchange would make its money by taking a commission from the winner. Crucially, as the exchange was not laying bets, as with a traditional bookmaker, it did not risk having to make large pay outs. This led Black to

1. Betfair display odds as decimal, which are fractional odds plus one so 3-1 is 4.0. As fractional odds are dominant in the UK betting market they are used in this case study.

develop innovative betting products which bookmakers deemed too high risk for their operations. These included place bets, where bettors could back (or lay) to finish in a certain position, for example, first three, and eventually the option to bet during events, termed in-play or in-running, where the likely outcome can swing wildly. Whilst most UK bookmakers offer in-play betting on certain events, they do not offer it for racing.

3.2. Financing and Start Up

Black had started to develop the software for the betting exchange in 1998 but felt he needed a partner to build an actual business. Thomas (2003) writes that his search was to be difficult as his unconventional career background and the unknown idea of the betting exchange deterred potential investors. However, in 1999 Black was to meet Edward Wray, the brother of a gambling friend, who had recently left a Vice President role at the Investment Bank JP Morgan and was looking for business opportunities. Wray was a more willing listener, as Black describes: "Ed was talking about a horse he'd bet on but was complaining he hadn't won much. I said, 'well it shouldn't have been like that, soon bookmaking will all change'. Ed said 'tell me more' and so I explained the idea." (Thomas, 2003, p1) Wray liked the exchange idea but felt that a more concrete business plan was needed along with substantial financing. After Black agreed Wray became a 50-50 partner in the new venture, originally called Hexagon 233 Limited, which was incorporated as a private company in May 1999.[2]

Black and Wray looked for investment by venture capital firms, which typically comes in the form of money in return for an equity stake. In the 1990s such investment had risen sharply in Europe driven on by the dot com boom, nearly doubling from 1999 to its 2000 level of nearly 20 Billion Euros (European Venture Capital Journal, 2001). However, they had been beaten to the venture capitalists doors' by a rival P2P betting start up Flutter.com, founded in February 1999 by American management consultants Joshua Hannah and Vince Monical. Flutter, based in London as a result of the UK's liberal approach to gambling, obtained $5.2 million in October 1999 in a first round of funding from Europ@web, an investment fund set up by the French billionaire Bernard Arnault, and launched their website in April 2000 (Red Herring, 2000).

After realising Flutter had attracted the available venture capital funding Black and Wray considered giving up. Instead, however, they widened their search for funding to private investors and firms, presenting the idea to Wray's contacts in the financial district of London, The City. To quote Black "We'd pick a bank, do a presentation and two or three would leave the room having invested

2. Hexagon 233 Limited would be renamed as The Sporting Exchange Limited in August 1999 which has since been the official name of the company. However, the company has always traded using the marketing name of "Betfair".

£25,000" (Thomas, 2003). Interest from such investors grew and quickly £1 million had been raised. The founders added Mark Davies, an ex bond trader, to the management team, obtained a bookmaker's permit and started trading under the name Betfair with a staff of 8, based in an attic in the suburb of Putney, South West London, something of a contrast to Flutter's expensive offices in the fashionable and expensive Clerkenwell district of central London (Red Herring, 2000). The Betfair website opened for business on June 7th 2000, in time for one of the major events of the racing calendar, the Epsom Derby. Money was tight for the Betfair launch, however, and the company had to rely on unconventional tactics to generate awareness. These included the organization of a fake funeral procession in London, with coffins proclaiming 'the death of the bookmaker'. The attention of the London based "The Times" newspaper was caught by this 'audacious marketing' which gave Betfair some much needed publicity.

4. Place Your Bets – The First Race

The website, however, was not an instant success and only £30,000 of bets were matched in its first week. The matched bets figure, which has been used to illustrate the turnover of Betfair, is the backer's stake multiplied by 2.

With the enormous imbalance with Flutter – a second round of venture capital funding worth $33 million was arranged in June 2000 – and Flutter's first mover advantage it appeared that Betfair had little chance of success.

Black was still convinced in the Betfair model, although he thought it would take some time for people to understand the concept of the exchange (Thomas, 2003). His faith was vindicated as Betfair matched £100,000 of bets a week in July 2000 and reached £1 million in April 2001. In the same month it achieved break even and was achieving market dominance over Flutter, its better funded rival, who were left floundering. Betfair's success can be attributed to the following factors, all of which show a greater understanding of the betting process and how the Internet could transform it.

4.1. Liquidity

Flutter's website was not based around the Betfair idea of matching pools of money from backers and layers, instead requiring a complete match between a single backer and a single layer. Multiple transactions on an event by a punter on Flutter were also treated separately which led to inefficiency whilst the Betfair model recognised mutually exclusive outcomes. As Black explains: "With Flutter if you laid three horses to lose £500 in the same race you'd have to stump up £1,500. With us it was £500" (Buckley, 2005).

4.2. Betting is a Serious Business

Flutter believed that they could thrive by facilitating social bets between friends, for example about who would win a game of golf, and also limited the value and frequency of bets allowed. This led them to ignore the core betting categories which already existed, in particular horse racing. Ian Davies a racing journalist who became a consultant at Flutter described them as "a gambling company that had no-one who knew much about gambling" (Ashforth, 2003, p1).

4.3. The Merger

After initially failing to match the Betfair product Flutter took advice from Ian Davies and reorganised their website into a Betfair style exchange. This resulted in Flutter gaining an estimated 30% market share in December 2001 and becoming a serious rival to Betfair (Wood, 2002).

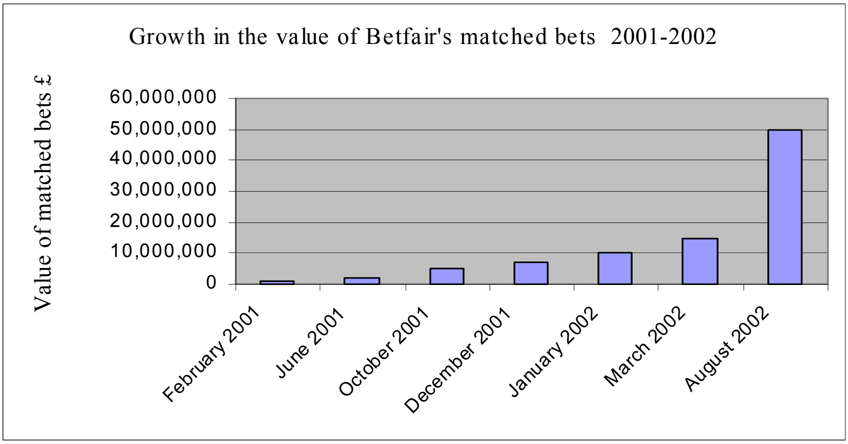
However, in December 2001 Betfair and Flutter announced that they were merging. Whilst many observers felt Betfair saved Flutter from collapse, insiders at Flutter believed Betfair acted to protect their market lead. Though Flutter had narrowed the gap with Betfair they had spent heavily and their venture capital funders were open to offers, which was believed to have been 25% of the merged entity. In reality, as with most mergers, this was a takeover as the merged entity was called Betfair and Edward Wray was its CEO (Wood, 2002).

5. The Tipping Point

The new users acquired from the merger now had the opportunity to bet in a more liquid market and contributed to the rapid growth the business was to see in 2002. This is illustrated by figure 1 as the figure of £50 million of bets matched in a week was reached in 2002.

The merger had left Betfair dominant with estimates of up to 98% of the exchange market (Wood, 2002). This success inspired imitation websites, all based on the exchange model. The two most well known targeting in the UK market were Betdaq and Sporting Options. However, the high barriers to entry were illustrated by the inability of the new players to gain significant market share with lower commission rates; Betdaq even offered zero commission for the first 12 months.

Figure 1: Growth in the value of Betfair's matched bets 2001-2002



Source: Company press releases. Note: After August 2002 Betfair no longer released this information.

Betfair did not rest on its laurels and pressed on with its marketing drive. Using the cash reserve it gained from the merger and its increasing size it became a serious sponsor of sport, in 2003 being the fourth largest sponsor of horse races in the UK. Long odds winners through betting in-play also attracted media attention. In early 2002 after a jockey came off his horse during a race, two layers each offered 1000-1 at £2 which were matched and the jockey actually went on to win the race. Official recognition then came to the company with the Queen's Award for Innovation in 2003, and the Confederation for British Industry's Growing Business Company of the Year award for 2004.

5.1. Betfair's Customers

These initiatives led to further growth, and by September 2004 Betfair stated that 47,000 clients were using the site (now offered in 9 languages) on a weekly basis. The company was certainly attracting "value punters" seeking the 20% better odds the company promised in its advertising campaigns and also those enticed by the product innovations such as laying and in-running. More serious higher value punters were also being attracted, with the average stake being 3 times that of the LBO customer (Stanley, 2003). A commission scale which ranged from 2%-5% and fell to according to the value of the bets was used to reward loyalty and retain valuable punters.

Betfair were also enabling financial style trading activities, as by enabling laying a user could bet on price movements in the odds offered to take a profit. An example of this would be laying at 3-1 for £1500 and then if the odds for the same outcome changed to 4-1, backing at £1200 for a guaranteed profit as illustrated below.

Table 1: Trading scenario using P2P betting

	Horse Wins	Horse Loses
Return	£4800	£1500
Loss	£4500	£1200
Net profit (before commission)	£300	£300

Source: Author

Such betting was essentially price speculation as seen in financial markets, whereby a punter could buy (back) and sell (lay) for a profit. Multiple betting in the above manner was actively encouraged by the ability to offset losses when paying commission. However, as with any form of trading this involves the risk that the odds do not move as predicted and the punter cannot change their position.

5.2. The Impact of Betfair on UK Betting

5.2.1. Commission Revenue and Profitability

The growth in Betfair's commission revenue and its profitability is illustrated in table 2.

Table 2: Betfair's commission revenue 2000-2004 (Year ending 30 April)

	2000*	2001	2002	2003	2004
Revenue £'000	-	480	6,090	32,319	66,725
Operating profit (loss) £'000	(240)	(2,014)	1,511	7,838	11,876
Profit (loss) before tax £'000	(236)	(1,968)	1,759	8,706	13,278
Profit (loss) after tax £'000	(236)	(1,968)	1,760	7,518	10,519

* 2000 is for 10 months year ending 30 April 2000
Source: Betfair Annual Report 2004

Compared with William Hill's aggregate gross win (stakes minus winnings paid out) of £722 million for 2004, and even its Interactive gross win of £106 million, Betfair appeared to have had limited impact.

5.2.2. Turnover

However, the exchange model is a high turnover, low margin model. Betfair only charge commission on their customer's net profits for an event, which encourages the trading activities outlined earlier. This makes the relationship between their commission and turnover – the value of matched bets – difficult to precisely estimate. Estimates for Betfair's turnover ranged to close to £6 Billion for 2004, whilst in comparison William Hill had turnover (amount staked) for the year ending December 31st 2004 of £8.3 billion which suggests the impact of Betfair is far higher than their commission income would suggest.

However, Betfair's turnover cannot easily be compared with a traditional bookmaker. Firstly, Betfair define turnover as the backer's stake multiplied by 2, as there is a layer for every trade, which if done by bookmakers would double their turnover. Secondly, much of the turnover of Betfair is via products not available at traditional bookmakers. Finally, to complicate matters further Betfair have not revealed their turnover since August 2002 as what was once a means of gaining publicity had become a stick to beat them with; the horseracing establishment argued that the scale of Betfair's turnover meant they should pay more for the Levy – a charge for racing data rights – and the UK government started to review the tax position of betting exchanges.

Whilst Betfair gained a tiny commission from the activity they facilitated, their operating margins were impressive, for the year ending 30th April 2004 a pre-tax profit of £13.3 million was reported, a margin of approximately 20%.

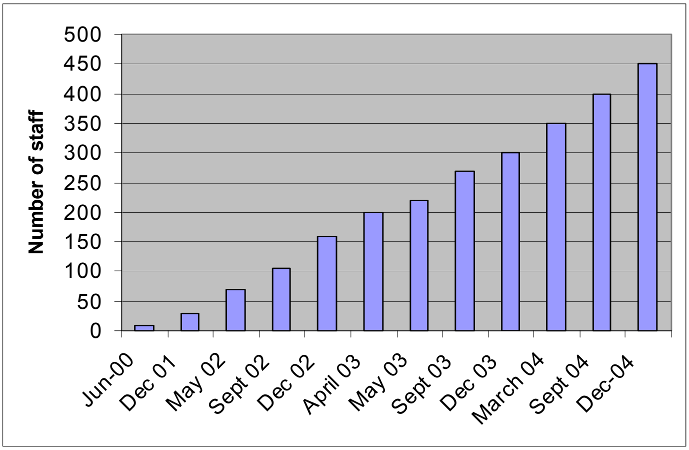
Perhaps the biggest impact of Betfair was in the LBO sector as it impacted on the starting price (SP) mechanism, whereby the final on-course odds were used to set odds in the LBOs. Firstly, it was argued that on-course bookmakers were now able to take more risks as they could hedge their liabilities on Betfair leading the SP to drift upwards. Moreover, The Big Three could not manipulate the SP by placing large bets on-course, as on-course bookmakers had the ability to hedge via Betfair (BBC, 2004).

6. The Problems of Success

6.1. From Start Up to Medium Sized Firm

From its launch in June 2000 Betfair had grown from a start up of eight people, based in an attic, to a high growth SME employing 400 staff in September 2004 as illustrated in figure 2.

Figure 2: Growth in staff numbers at Betfair 2000-2004



Source: Collated from published data

This rapid growth had involved a merger and three office moves until finally the company became based in a purpose built office with space for growth in West London. Whilst moving offices is a stressful event for any organisation, for a firm offering volatile in-play markets this was particularly so, and on one such move the site crashed.

Estimating and planning for future growth became a major issue. This involved balancing the difficulty of recruiting the in-demand technology experts the company relied upon, against the cost of such highly skilled staff and estimating what the company's future needs. To quote Mark Davies, the Communications Director, "It costs around £60,000 a year to employ someone. If you hire 20 and you only needed 10, you've got 10 people sitting there at a cost of £600,000 a year. You'll soon go bust" (Internet Works, 2003, p2).

6.2. Technology

6.2.1. The Strains of Growth

By March 2003 the Betfair exchange was matching 1 million trades per day, four times more trades than those matched on the London Stock Exchange. Moreover, the "spikes" in demand, when usage increases massively, increased the demands on the website even more. Information from Tangosol (www.tangosol.com), a Betfair technology supplier, revealed that for popular events 80% of the sites' active users could be betting in-play in a ten minute window leading to peaks of 12,000 matched bets per minute.

At times the strain began to tell and Betfair's site went down on a number of occasions; the reasons given including human error, server problems, moving offices, and integration with Flutter. In an attempt to provide a reliable betting platform Betfair had spent £20 million on technology by April 2003, an astounding amount of money for a £1 million start up less than 3 years old (Arnold, 2003).

6.2.2. Security

In 2004 it was reported that many betting sites were facing extortion threats from criminal gangs based in Eastern Europe. Unless payments were made denial-of-service (DOS) attacks would be launched, whereby a website is overloaded with requests for data, causing it to crash. With the dependence of revenue on live events this was a particular threat to Betfair, and its site was to be brought down by a DOS attack in 2004.

Credit card fraud is also a major concern in e-commerce and has costs, both financial and reputational. There were news reports in 2003 of unauthorised transactions on adult websites involving credit cards used by Betfair customers, though the company were firm in their assurances that their site was secure and not the source of any leaks.

6.3. A Safe Bet?

The growth of Betfair led to a concerted campaign against the whole concept of betting exchanges by the "Big Three" bookmakers. This was based on the following arguments.

Licensing: Layers were bookmakers and should be licensed as all other bookmakers are. It was argued that small bookmakers were taking advantage of the low costs of trading on Betfair, which was making it difficult for other bookmakers who had to pay tax and levy to compete[3].

Win by losing: Whilst corruption has a long history in betting, the innovation of laying makes race fixing far easier. In conventional fixed odds betting fixing an event for financial gain requires far more effort as a win needs to be obtained. In a horse race, for example, this means that all the other horses would have to be "stopped", whilst on a betting exchange a corrupt insider can bet on one horse to lose.

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3. Coral, the number 3 bookmaker, actually launched a P2P site www.play2match.com in 2000. The site was closed down in 2001 because of legal concerns and an inability to attract enough customers.

Betfair's response was that their clients did not need to be licensed, that Betfair was the bookmaker, and that tax and levy was paid by Betfair. It argued that laying was simply betting in the same way that backing was and that exchange users should not be discriminated against. Betfair also argued that the proposed regulation was unworkable as many of their users were overseas. Betfair further stated that, rather than increasing corruption, it actually played a major role in exposing corrupt practice as it involved no cash transactions and users could be identified through their login and credit card details. To make use of these "audit trails" Betfair signed agreements with sporting authorities to share information if corruption was suspected, which enabled action to be taken against suspected race fixing in 2004.

In 2004 a Committee of Members of the UK Parliament recommended that "non-recreational users" – those laying over a threshold per month – should be licensed, which would severely curtail the activity of Betfair (UK Parliament, 2004). However, after intense lobbying from both sides the UK government decided not to implement the recommendations of the Committee.

Betfair had also attracted the attention of the UK Treasury who were concerned about the impact of the betting exchange concept on tax revenues from betting. The tax levied was 15% of net revenue – gross win for bookmakers and commission for Betfair – with Betfair's low margin model leading to them paying far less than the conventional bookmakers. In the background the Big Three kept up the campaign against Betfair with rumours that if regulation did not rein it in, they would fund their own exchanges, possibly as loss making ventures, to weaken Betfair.

7. The Future

7.1. Growth into New Markets

Even though the core UK betting market was still growing expansion opportunities were developed. In 2003 a Betfair P2P poker site was launched to take advantage of the booming Internet market. In January 2005 a deal was also announced with Yahoo in which a customised version of Betfair would be available via the Yahoo portal, in an attempt to move into the mass market.

Growth into overseas markets was also a high priority, which illustrated their potential through the 25% of Betfair's turnover generated by non UK accounts. However, the illegal status of Internet betting in many jurisdictions made overseas expansion difficult[4]. Even where Internet betting is legal, problems may still arise. Australia, for example, allows exchanges to accept accounts with their citizens and in November 2003 Betfair had a weekly turnover of $5 million

(Australian Dollars). The company applied for a license to open an office in the country with the freedom to advertise, but this met with hostile opposition from the Australian horseracing lobby, who were not prepared to see a rerun of the UK experience of betting exchanges.

7.2. The Founding Fathers

In a recognition that the start up phase of the firm had ended Stephen Hill, the former Chief Executive of the Financial Times was appointed as Chief Executive in 2003 and in the same year Owen O'Donnell, formerly with Pearson, joined the firm as Chief Financial Officer.

The founding entrepreneurs were still major shareholders, each owning 15%, but they had moved away from day to day management. However, they kept their entrepreneurial drive; Edward Wray focused his energies into Betfair's expansion into overseas markets and Andrew Black, still a high profile figure as the company's inventor, became an investor in Game Account in 2004, a start-up which offered further variants of the P2P experience in gaming.

7.3. Towards Flotation

It seemed appropriate that a company based on a stock market model would itself launch an IPO (flotation). Whilst Betfair did not seem in need of finance with cash balances of £32 million reported in 2004, a float would provide investors with an exit opportunity. There were rumours of such moves in March 2005, valuing Betfair at £700 million, but the threat of potential UK regulation cast a shadow over any plans. As with all experienced gamblers Betfair would not reveal their hand. But one thing was certain; the start-up rejected by venture capitalists at birth had led to a revolution in UK betting, a revolution which The Big Three did not yet know how to react to.

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4. Interestingly, Betfair accepted accounts in Hong Kong where Internet betting is illegal, but decided not to accept US accounts, apparently because the US might enforce the law, whilst in Hong Kong the law on betting is widely flouted.

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