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Handle Stagnation:
How to Move the Needle Upward

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Speakers:
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Marshall Gramm PhD: Professor & Chair, Department of Economics, Rhodes College
William A. Nader: Principal, Grand Slam Consultancy, LLC

Ms. Liz Bracken: Okay, if you could come in and take your seats, please.

I know we kinda cut the beverage break a little short, but we wanna give these panelists some time.

We would like to thank our sponsor of this panel, Premier Turf Club, LLC, our sponsor of the beverage break, Sportech Racing Digital.

As we go forward, I wanna kick this off.

We've talked about the owners.

Now it's time to talk about the players, and what we can do in that space.

I'd like to introduce our moderator, Michael Tanner, the Executive Vice President and CEO of USTA.

He'll introduce the panelists.

I think this is going to be a great session, so I'll kick of off to Mike.

Mr. Michael Tanner: Alright. Thank you, Liz.

I've been looking forward to this for weeks, and thank you for the privilege of allowing me to moderate.

I wanna welcome everyone to a panel that you have all likely attended several times before.

It's almost compulsory now that in industry conferences, there is a session that always asks the same two questions.

Those questions are, "Why has pari-mutuel wagering declined so precipitously over the past few decades, and what can be done about it?"

That we're up here again today to discuss the same topic tells you that we haven't found an answer, and that these questions remain the primary challenges that the industry faces.

I am joined by an awfully strong and impressive panel of four today.

I will introduce them individually immediately prior to their presentations, so let's get right underway.

Leading off for us today is Bill Nader.

You probably know Bill from hills years as the Executive Director at the Hong Kong Jockey Club, and before that, he was the Senior Vice President and COO of the New York Racing Association.

My association with Bill goes all the way back to 1991, I think.

It was maybe my first or two on the job at the old Detroit race course. Bill was at Rockingham park, and we executed a major deal to trade simulcast races.

We took the New Hampshire Sweepstakes, Bill took the Michigan Mile, neither track nor races.

They're all gone.

I don't know if that says anything other than we just kinda moved on and got a little bit older.

Bill is a great guy.

He now has his own company, Grand Slam Consultancy.

Without further ado, I give you Bill Nader.

Bill Nader: Thank you, Mike.

Before I get going here, I just wanna say how important I think the University of Arizona Race Track Industry program is for our industry.

I'm a big supporter and a big believer, and it's really great to be back in Tucson and be part of this.

As Mike said, we have a short amount of time, and a lot of panelists.

Personally, I have a lot to say, so I'm gonna get right into it.

There's gonna be a lot of numbers, so bear with me.

I'll try to go through it as slowly as I can, but this is something I'm very, very passionate about, and I'm very happy to be before you to present this today.

Now, just as an overview, with regard to handle, takeout, and churn, it is key not only to all stakeholder, but it's key to everyone whose lively hood depends on the industry, and the health of the industry.

For owners and breeders, they see it in funding of purse money for racetracks as business owners, handle is the sales division of the industry, and probably most importantly for the customers, who actually generate the income that we derive from handle.

It's the price that they pay to participate in what I think is one of the unique advantages of Thoroughbred racing, or horse racing in general, that it's a sport where the customer can participate in the sport through wagering, and its pari-mutuel wagering where they're betting against each other.

I think that's a great advantage for the industry, and one that we need to leverage.

Let's look at the ten-year industry trends.

Now, if you go back to 2002 to 2004, in those three years, handle exceeded $15 billion.

In 2005, 6, and 7 for three consecutive years, it was just shy of $15 billion.

Then as we look at the trend through the ten years, from 2011 through what will be the result in 2017, for seven consecutive years, handle will fail to reach $11 billion.

Now, we can look at the number of races and the decline there.

You can see on the bottom where I've circled the number of races over the ten-year period has declined nearly 27 percent.

The handle has declined 27 percent, so you can draw a straight line there.

When you look at field size, one of the things in field size that has helped is that the number of turf races in America has gone up about 40 percent since 2004.

When you break down the 7.79 in 2016, the average field sizes for dirt races was 7.62, and the average field size for turf races was 8.83.

That weighted average has helped keep the field size at roughly about 7.8 for the last four years, 7.9 as you can see in 2012.

That stayed relatively level, but it's the turf races, and the number of turf races, and the increase that has helped keep that from dropping further.

Now, the purses are down only 8.2 percent, and we heard about the foal crop.

I think the last panel, by the way, kinda teed it up for what I wanna say, is how to do more with less, and also tax reform, which we're gonna come it.

With purses, you can see the game changers, that we're relying more on alternative forms of gaming to keep the purse structure up.

Now, that's a good thing, and it's a bad thing because the best way to keep the purse structure up is to keep the handle up.

When you rely on VLTs, well, sometimes it can be a bit risky if that is sustainable revenue stream 5, 10, 15 years from now.

Historical horse racing has really been the new kid on the block, and as we all know, it's growing at a very rapid rate.

While horse racing is just under $11 billion, already, historical horse racing is a $1 billion business.

To me, it's a big number.

Sports betting, I won't touch upon it, but it's possible.

We all know it's the topic of conversation of the day, and we'll see where that leads.

I would make one point on sports betting.

When we think about horse racing, how it differs from slot machines, or lottery, or VLTs, a game that people bet on, we'll take in Nevada, if a game will last three, three and a half hours before you get the outcome, and the bet is 11 to make 10, we say our game sometimes is too slow, and we look at reasons why.

Maybe horse racing and the handle has come down, but a lot of people are willing to risk 11 to make 10 on a game that we all know seem to take longer and longer, whether it be football or baseball.

If it's two even teams and they're evenly matched, it's 11 to 10.

The takeout, the relative takeout on 11 to 10 bets is low, and the length or the duration of the contest is relatively long.

The other thing I point to, and I'm not making excuses for the decline in handle, I don't wanna do that, but to be fair, Bay Meadows out of business August 2008 after 73 years.

New York City after 40 years, gone on December 2010.

Hollywood Park, December 2013 after 74 years, and New England racing, as Mike said, where I'm originally from, is virtually extinct.

These are reasons why it's dropped off, but the power players are still there.

I'm talking about California, New York, Florida, Kentucky, so we can't make excuses.

We talked about handle decline on the earlier slide.

Don't forget, that's not adjusted for inflation.

If you go back to 2007, ten years ago when handle was $14.7 billion, adjusted for inflation, that's $16.4 billion.

It makes that decline look even worse.

While we can make excuses, we shouldn't. Now, Keeneland, which, and I'm not picking on Keeneland, because actually, I'm a big supporter of Keeneland.

I think for decades, they have been a rock for the Thoroughbred racing industry, a real leader.

What they did in the fall, as most of you know, they raised takeout from 16 to 17.5 on standard bets, and from 19 to 22 on exotic bets, 17-day season. It gave us all a chance as a snapshot just to see what an increase in takeout might do at what I would call a premiere meet, the Keeneland meet.

Let's go from the bottom because I think it's important.

In comparing it, average field size, the same.

It was actually up an entity of a point, 9.2 to 9.1.

Races off the turf, which could be a contributing factor in the outcome, eight off the turf this year, two last year.

When you blend those two things together coupled with a number of races, actually one more race this year, it's pretty much a wash.

Attendance was down 2 percent.

Move up on track, handle was down a percent.

It seemed to me that the audience on track, which is really a focused audience on a live content, it held its own with the higher takeout.

They were there for Keeneland, and Keeneland was the reason they were there.

It held its own.

All sources handle overall was down 8.44. What that means is the off track was down 9.6.

The on track down 1.1, off track down 9.6, overall down 8.44. The change in takeout, while it seems small to some, 16 to 17.5 is effectively a 9.6 percent increase in the price.

Think of it that way.

Also, the 19 to 22, three points, is effectively a 15.8 percent increase in what people pay to participate in those pools.

It was an 11.5 percent blended increase.

Now, Keeneland can go back and take a look at that and decide what it wants to do in the spring.

That's their decision.

That's their own business decision, but the industry really needs to take a look at that in the context of there's been really no growth from the last seven years.

In fact, we're losing ground.

By staying even, we're losing ground because we have to think about it as adjusted for inflation handle.

The ten-year wagering trend when we break it down by bet types.

This, to me, is really a key indicator because we as an industry have gravitated to the multi-race, or as we like to say now, the horizontal bets.

The takeout is only extracted one time on those type of bets, so when you see the growth on the bottom of that slide with Pick Four and Pick Five at up, a change of 4.7 points, it's gone from 3 percent of the total in 2007 to 7.7 percent of the total in 2016.

That's a big jump.

Again, the takeout is only extracted once, so the industry gets paid one time.

That's not to say we need to take these bets away.

Absolutely not.

We have to embrace what customers want.

What is going to drive customer satisfaction or a good customer experience?

Part of this is a result of the racing becoming less and less attractive.

I don't think that the quality of racing in terms of field size and just overall appeal is improving, but it only shows the sensitivity, I think, in the signal race bets, or the vertical bets.

This is where the takeout is extracted every time, whether in any race.

It's a single race bet, takeout comes out.

Hopefully, we get more winning tickets.

We would get more winning tickets, obviously in win place and show, than we would in the pick bets, Pick Three to Pick Six, or even the Daily Double.

The money gets a chance to turn over, and the industry gets the chance to be paid gun.

In Asia and Europe, we don't call it handle, we call it turnover.

Turn the money over.

Drive the churn.

Drive the return back to the industry to help purse money, to help the business owner, the racetracks, and also for some of the casual people, to give them a better chance at a winning experience as they enter the game.

The pick bets become more particular with the core customers, who are value-driven, who want that takeout extracted only one time.

Almost in every instance, if you look at a pick betted, the parlay will be much less than what the pick bets pay.

If it's a Pick Five, it will pay this number, and if you did the parlay, it's gonna pay much less.

It has to because if you do it on a parlay basis, the takeout is extracted every time.

On a Pick Five or Pick Four, the takeout is extracted only once, so obviously, the value will be greater if you win.

If you lose, the takeout is 100 percent.

You've lost.

Trying to look at where I'm going to go is in takeout sensitivity.

The takeout should, if we come together as an industry and we get the smartest minds in the business at the biggest tracks in the business who can lead the way, and not just have one track do it on its own in an isolated environment, because that will not work, but bring, really, the industry together, and the big tracks together, to think about lowering takeout on the single race bets, to try to make it a more attractive proposition.

Let those other bets enjoy growth, but build the foundation by bringing back participation in the single race bets.

The fact that win, place, and show is down seven tenths of a point, exacta is down almost three full points, and trifecta is down almost six points, that tells you why we had that big drop, from basically $15 billion down to $11 billion.

Now, when I was at Hong Kong, and I'm only giving you this for background. You cannot compare Hong Kong to America, different ballgame.

With Hong Kong, huge differences.

85 percent of the total turnover is on standard, single race bets.

Win in place, so a place in Hong Kong, like Europe, means to us show, must finish first, second, or third, is 37 percent of the total.

Quinella, which is completely out of the picture here, there's no value proposition in quinella with fields that average 7.8 runners. It doesn't work here.

People don't like it.

There, it's 26 percent of the total.

Quinella place means if your selections, they must finish in any order in the top three.

If your horses finish second and third, you get paid, first and third, you get paid.

That's 22 percent of the total. Average race day, 88 days of racing in Hong Kong, average race day, turnover, we call it handle, $180 million US dollars, of which $153 million US dollars are just on these three bet types.

There's no rebate on any winning bet in Hong Kong.

That's not on.

You cannot get a rebate no matter how much you bet on a winning bet.

Doesn't qualify.

The only rebates given in Hong Kong are on these three bet types, win or place quinella, or quinella place, four bet types, if your wager is 10,000 Hong Kong or more on that bet.

That's $1,285.00 US dollars on that individual transaction to be eligible for a 10 percent rebate if you lose.

Anything less than that, no rebate.

Fractual investment is allowed on multi-race and jackpot bet types.

I'll come to that later.

Now, one of the things that really gets me is when people say, "Well, Chinese will bet on anything."

Well, okay.

We also ran the lottery in Hong Kong.

If you consider lottery gambling, horse racing outperformed the lottery in Hong Kong 17 to 1.

The lottery did nothing.

We did or continue to do, as you see, $180 million USD per day on racing, which comes to about $15 billion, I believe it's $15 billion USD on 88 days of racing.

The lottery only does — actually, I believe it's $17 billion now, USD, on the 88 days of racing, and the lottery just does $1 billion.

It is a 17 to 1. In the US, to put that in context, on traditional lottery bets, the US is at $73.5 billion.

There is an attachment to horse racing, and the idea that if you make a bet on a horse race, it's a skill game.

You have an educated guess as to the outcome of the race.

This is where I come back to the proposition.

We have a very good product in that it's the sport of horse racing that people can connect through the pari-mutuel engine and participate through wagering.

When people look at the alternative in Hong Kong and they look at the lottery, they don't look at it as an educated guess to the outcome.

They don't look at it as a skill game.

They don't see that participation to be linked to the sport.

They look at it as just pure game of chance, and they reject it.

In the prior panel, we talked about tax reform; we talked about do more with less.

My recommendations would be I think it has to start with the industry leaders, with the big tracks.

The big tracks need to come together and take the very difficult leap, which is really to make a concerted effort to increase handle and reverse this seven-year trend of under $11 billion per year through a reduced takeout on win place, show, and exacta wagering, and possibly even consider something on trifecta, on the single race bets.

I don't personally understand why a 15 percent takeout is needed on a Pick Five bet, where the takeout only comes out one time, and that money can be tied up for two, three, four, or even five races, and the industry is gonna get a small number relative to what it could get with a lower takeout on win place, show, and exacta, where hopefully more tickets can be cashed, customers can get a greater return, and then reinvest.

That's the churn, and that's the turnover.

Then, the other difficult leap is that all share holds in terms of the revenue distribution should absorb a pro rata discount, or a reduction, in their share through the reduced takeout.

We are all in this together.

We are all partners, whether they're horsemen, state governments.

Everyone who's sharing should share in that reduction.

Again, it will not work in isolation.

If one track tries to do it on its own in the new world that we live in, which is multi-track simulcasting, it won't work.

It has to be, I think, start with the top tracks, with the quality racing, and it's really about the industry making a bet on itself.

I talked to an owner one day years ago, big owner, massive owner, and he told me he didn't bet on horse racing.

He's just an owner, but he does bet.

He's investing his money in blood stock to get a return on investment, just like the guy in the reference before, that many horse players eventually can become owners.

It's the same idea.

Whether you're betting on a race, you own a piece of that horse, or you own the horse.

It's all tied together.

We want to make sure that it's all done at the top level together, and now we're making a bet.

The industry is it making a bet that by reducing takeout on takeout sensitive bets, which are the single race pools, will generate an increase in handle, and it will be sustainable growth, and it shouldn't be for a short period of time.

It should be a one-year period where we really give it a chance and see what happens.

Status quo, we can do it, we've been doing it, and it's only gonna continue.

I mean, I don't know how much more we would need to see, really, seven years where it's basically at $10.7 unadjusted for inflation, so adjust for inflation, we're declining.

Sliding takeout scale.

To me, this makes absolutely perfect sense.

It requires some work with the Tote companies, but when we have small fields and there's 25 or 30 minutes between races, one of the things that we looked at in Hong Kong through every single lens was how does it impact the customer experience.

Who are the customers?

In many cases, we think of owners as our biggest customers, so we look at it to the delight of that last panel.

We would look at it from the view of the owner, from the view of the customer, at every level on a segmentation basis, high volume customers, low value customers, how to bring the low valued customers up to a mid-level.

Really, when you think about it, the average field size, by the way, in Hong Kong is 12.6, much different ballgame.

If you're a racing secretary and you talk about boots on the ground, hustle horses, forget about it.

There's no racing office, really, because it's 12.6 horses per race, because it's a captive horse population.

They have nowhere else to go.

There are no extra races.

There's no overnight, really, but you come out with a program in August that covers September through December, four full months, no extra races at all, 12.6 runners per race.

We can't really compare that, but we should recognize that in Hong Kong, average field size is 12.6.

That really helps drive the handle, so there's no disputing field size and handle, and the relationship between the two.

The flexibility between the takeout structure would be call it five horses, call it six horses, make the floor wherever you wanna put it as an industry, but probably five or six is the right number, and when that happens, the takeout on win place, show, and exacta should come down.

It's not a great experience for customers.

Recognize that, and do the right thing, much like the mindset that I put here, reduce for a quick sale.

You've got something that hasn't met the standard that we would consider, from a health standpoint, fair and reasonable to a good customer experience, so reduce the takeout when that happens.

The Pick Six.

I look now at how the Pick Five has become a big, big bet, the Pick Four, and I think it's because the minimums are lower.

In California or in New York, the Pick Six requires a $2.00 minimum, so if you allowed — back in my day, if somebody had presented this to me, I probably would have said, "No, we don't wanna do that," but I look at it differently now, because there's more to look at in terms of data that we could learn from.

One thing that we should learn, allow a $1.00 bet on a Pick 6, but if you bet $1.00, you only get half of the payout.

If there was a pool to be distributed, and the jackpot was $100,000.00, and I won for a $1.00 unit, I get $50,000.00, and $50,000.00 goes to the carryover for the next day.

I don't get the whole pool.

If you wanna go even deeper on that and take it down even further and allow a $0.50 unit investment on a Pick Six, they're entitled to 25 percent of the dividend or the pool, and the rest would go to the carryover.

Very simple.

That would help drive the handle higher.

The second point underneath Pick Six, flexibility, is you could require a minimum bet threshold to be able to make that per unit investment at a lower level, to be decided.

It might be $24.00 to participate in a fractional Pick Six wager.

Maybe, maybe not.

Maybe it's $12.00, maybe you say no, maybe $8.00.

Maybe there is no minimum, to be decided.

The key point is they're only eligible for the fraction of their investment.

Again, if it's one quarter investment, one quarter return.

Half is half. Very easy.
Believe me, that would help the Pick Six.

In closing, I wanna repeat what I think should be the obvious.

We're in a very unique business.

It's sporting entertainment, and its sporting entertainment where it allows the customer to connect with horse racing through the pari-mutuel wagering engine.

We just simply need to work on the fundamentals.

This is where Hong Kong excels, and this is where we need to improve, and we need to do it in stages.

Quality racing, field size, integrity, and liquidity.

Why does Hong Kong do so great?

Well, look, on the last day of the year, the win pool is probably gonna be $8 or $9 million.

I mean, the liquidity is so great, so we need to build out liquidity.

I recommend we do it by the industry leaders coming together in one room, and taking the giant leap that by reducing takeout on win place show and exacta, we're gonna rebuild that foundation.

That's gonna help every customer.

By the way, on rebates, I didn't mention that, when we talk about every stakeholder taking a cut, whether it be if it's a pro rata discount through a reduced takeout, obviously those who get rebates also take that cut, and they should take it willingly, because by rebuilding the foundation, we secure the health of the industry going forward, that the floor is higher.

That's very important to a big customer, too, a professional customer.

They don't wanna see handle at $10.7 billion, and they certainly don't wanna see it at $10.3 billion.

They wanna see it coming the other way.

It's time to implement real change.

Seven years is a long enough look to see what we're doing.
There's going to be no change, so it's time to implement real change, and real change has to be through a coming together where we take that leap of faith and make a bet on our self.

Thank you very much.

Mr. Michael Tanner: Thank you, Bill.

Our next panelist is Marshall Gramm.

Marshall is a professor and chair of the Department of Economics at Rhodes College in Memphis.

He also happens to be an avid contest player, having been an NHC qualifier for several years.

He is also an owner via the Ten Strike Racing Partnership, of which he is a principal, and has dabbled in breeding.

I read in an interview with Marshall from about a year ago, I've been using this quote periodically to talk to people about takeout, and Marshall, I'm just gonna read it back to you, part of it, anyway.

What you said was, "My college students, they're too smart to play a game with a 25 to 30 percent takeout.

It's a bad parallel, but it's like raising the tax on cigarettes.

The people who are old and addicted pay, but no one starts because it's unaffordable.

I think that's the problem that we have right now."

I'm guessing you still feel that way, and I'm looking forward to hearing your presentation.

Dr. Marshall Gramm: Alright.

Anyway, thanks for having me out.

I appreciate the chance to talking with all the industry professionals, and I'm the resident degenerate on the panel talking about takeout and churn.

I have the PhD in economics which lets me at least give somewhat credibility to this, but fundamentally, I'm a horse player first, an economist second.

Really, I guess the question is, really, is this a panel on increasing handle or increasing hold.

I mean, if we wanted to eliminate takeout, we could dramatically increase handle, but I'm gonna approach it more as how we can increase hold, so a little bit of a different approach.

I'm gonna talk a little bit about the way things are, and then be prescriptive.

First off, I'm gonna talk about this related to churn, and I'm gonna look at it from a theoretical perspective.

Todd from PTC, the ADW guys at the table, will present some real numbers associated with churn, how players actually behavior.

I'm gonna look at it from a theoretical setup.

Churn should equal one over the takeout rate.

The table to the left, the left most, I guess it's the left most table, shows different takeout rates, and different churn levels over a distribution over percentiles given the takeout rate.

If you look at the track hold, takeout rate is irrelevant.

If people churn their money, turn their money over, if I take $100.00 to the racetrack, make $2.00 bets, and continue to bet until I'm out of money, the track will hold onto the $100.00 in the end, where I churn my bankroll ten times with a 10 percent takeout, or I churn it once and make one bet, and lose it with 100 percent takeout.

My horse wins, I still lose because takeout's 100 percent.

Theoretically, the turnover should be, or the churn should be, one over the takeout.

For our industry, it should be five to six times what the takeout rate is.

I have the percentile distribution there from running this replication 10,000 times.

Now, I think it would be soluble, if you're pretty inclined mathematically, to actually solve for the probability distribution, cuz I think it is — these are just sort of repeated games with a probability, and unfortunately, it was easier for me to just do a Monte Carlo simulation, just a little bit of code to simulate, as opposed to solving out for the distribution.

What these percentiles give us is the distribution of handle, so these are handle numbers.

At a 10 percent takeout, when we run this 10,000 times, on average, we had $1,000.00 of handle.

That's the mean.

Certain times, the lowest was, the bottom 5 percent, was 468, the betting at even money people are losing such that they only turnover 468, at the high end, 1,894.

There's a distribution.

It's a normal distribution around what the mean takeout is.

That distribution changes based upon what the takeout number is, so a mean distribution for — a mean for handle, a distribution around that handle number, and the hold is equivalent.

The hold is also equivalent depending on what kind of horse’s people bet, and I do this for even money, 2 to one, 4 to 1, 8 to 1, 20 to 1, 50 to 1.

I use 20 to 1 and 50 to 1 not saying that people go to the track with the intent on betting 50 to 1 shots, but 20 to 1 and 50 to 1 may more accurately represent how a trifecta or superfecta player plays.

They cover a lot of different combinations.

There are 1,670 superfecta combinations for an 8-horse race.

I guess if you bet $32.00, I guess that's the equivalent to 20 to 1.

Maybe that's incorrect math.

20 to 1, 50 to 1, may represent these players who are looking for that skewness, who are looking for by playing superfectas or by playing Pick Four, Pick Five, Pick Six, investing a smaller amount of money to make a bigger score.

If we look at it from a churn standpoint, again, if these people churn all of their money, we're gonna end up with the same handle.

The mean level of handle, a 20 percent takeout, regardless of the odds people are betting, regardless of whether they're betting all even money horses in the win pool, or the equivalent of 50 to 1 shots in Pick Four wagers, 50 to 1 being the probability of hitting that Pick Four wager.

We still turn over $500.00, and we still have a track hold of $100.00. I think what's important to remember here is that we lose outliers.

This is where the distribution is important.

For even money betting, at the low end, the bottom — so, if we look at between 25 to 75 percent of churning my money, I take it at even money with a 20 percent takeout.

The probability I hit my wager is 40 percent, and so all I did was a ran this through my simulation of successive 40 percent, losing 60 percent, and getting the payout of even money when you have success, and losing $1.00 when you lose.

At the bottom 25 percent is $396.00 in turnover, 198 wagers, and at the high end at 75 percent's 596.

It's a fairly tight distribution.

As we go out to 50 to 1, up to 25 percent of the people betting never make it, lose their money before they ever cash a ticket, with a $100.00 bankroll.

50 to 1, they're gone.

Then, at the other side, the other extreme, 75 percent get to 406, and that's still, that's not very high, that they only hit the bet four times.

At 95 percent, they make some big scores.

They turnover $2,038.00. What this is saying is as the odds get bigger, the distribution gets bigger.

Now, what does that imply for churn?

Again, the actual churn is one over the takeout.

Betters of the tails of the distribution will drop out, so that's what I would believe.

If you lose a lot, you're going to drop out, so if you're playing these Pick N wagers, or you're playing into a high takeout where you lose, you drop out as a better.

For these skewed distributions, a lot of people aren't turning over their bankroll over the takeout.

They're losing their money.

At the high end of the distribution, the people who make these big scores, hit a Pick Six for a large amount of money, or a Pick Four for a large amount of money, they pull their money out.

That money doesn't churn as well.

When you have people playing these skewed wagers, these wagers with large payouts, they're not churning as much money, and so your churn is not one over the takeout.

Higher takeout lowers realized churn.

That's part of it, is you have to have this illusion of winning.

The takeout is higher; people who have fewer winning days are gonna walk away.

They're not going to play.

Then, the more extreme tails of the distribution, also lower churn.

You make a big score, that money is pocketed.

It's not turned over again.

Now, all that being said, that's not an argument against these wagers.

People love skewness.

These are the most popular ways of the track.

People like to bet a little amount of money to make large scores, so unfortunately, there's not much to that extent that we can do.

People want to make those big scores.

Let's turn the takeout now.

Higher prices reduce handle.

There's no question about that.

The demand curve for racing, sort of back to my cigarette example.

The demand curve for racetracks tend to be inelastic in the short run in that the demand curve for wagering is less sensitive to price changes.

We can raise takeout in the short run, and it's not gonna have a large impact on handle, or will reduce handle, but it'll have a smaller impact in the short run than in the long run.

The demand curve for racetrack wagering is elastic in the long run, much more sensitive to price changes.

What ends up happening is we raise takeout for the short run gain.

Total revenues will go up in the short run, we'll raise takeout Keeneland, and get a look at the numbers.

What I believe is that Keeneland raised takeout, they lowered their handle, but they increased their revenue.

Overall, it was a net gain, and so there's this incentive for tracks to raise takeout for the short run benefits, because they're facing inelastic demand curve, remember knew goes up.

In the long run, they're chasing players away from the gain, and we need to focus on the long run here.

Players don't start playing.

Again, I taught a class of 35 students in the economics of racetrack wagering markets this spring.

It's one of the biggest classes at Rhodes, and students had to have an introductory Econ class to take it, very popular, overfilled, and they were very excited.

I talk a lot about finding value, since I didn't want them to come — I didn't wanna talk explicitly by betting in the academic setting, and it was hard to talk about value when we were talking about a game, again, with an 18 to 25 percent takeout when they can bet sports.

Again, sports betting is on the horizon with a 4.76 percent takeout, or they can go play blackjack with a 4 percent takeout.

You can play slot machines with a below 10 percent takeout.

That's an unfortunate part of what we face.

I understand the dynamics that created the takeout to be what it is, but when we raise the takeout, there may be short run gains, but there are huge long run costs, which we've seen to come to roost.

Why are we doing that?

Why are tracks raising takeout?

Well, we're in an environment in the simulcast environment where people play multiple tracks, so let's look at two tracks here, Track A and Track B, and I bet both tracks.

Let's say I bet both tracks, Track A and Track B, and these are the prospective takeout’s, just for simplicity's sakes, that Track A and Track B can offer.

If both tracks offer 20 percent takeout, then of my $100.00 wagered, Track A will hold $50.00, Track B will hold $50.00, so that's the payout function. For A is to the left, for B is to the right.

If Track A raises its takeout to 25 percent and Track B continues to hold 20 percent, I play both tracks.

Track A is gonna hold 55 dollars, Track B is gonna hold 45 dollars.

Again, that's the second, if you look at the row there, that's the second row, first column. Track A's 25 percent takeout, track B's 20 percent of my $100.00, and I churn that money. A will hold $55.00, B will hold $45.00.

Doesn't really matter where I'm winning or losing, that's what will happen.

This is basically a game theory example. It's an example of a dominant strategy equilibrium.

What's the dominant strategy here?

Well, look at the potential payouts for Track A.

If Track A sets its takeout at 20 percent, they're getting $50.00, $45.00, or $40.00 as a potential payout set.

If they set it at 25 percent, it's $55.00, $50.00, and $45.00.

All of those are better than 20 percent.

If they set it at 30 percent, it's $60.00, $55.00, $50.00.

Again, from the game theoretic standpoint, we have a dominant strategy equilibrium, and that's 30 percent, 30 percent.

What happens is for this short run gain, each track is competing for a bigger piece of what is a smaller pie, and what will be even a smaller pie in the future.

This is unfortunately what we're seeing.

Here's the evidence of why Keeneland raised the takeout, and that was, in effect, their argument.

We're not holding enough relative to our peers, and so this equilibrium, very predictable.

Again, it's at the expense of shrinking the pie short-term, and even shrinking it more long run, so that's problematic.

The other thing that's important to remember that all of us know is we no longer have a monopoly, and that all changed I guess in part in 1964, when New Hampshire had the lottery, in 1978 with New Jersey, and the casinos, and now there are casinos all over the place, there's sports betting that's prevalent.

The good news is, I mean, millennials wanna gamble.

I mean, people were excited about my wagering market course, people are asking me when I'm gonna offer it again.

People come by and they talk about finding value with me all the time.

Again, we're in a situation we can no longer set our prices, and we haven't been able to set our prices for a long time.

It's an unfortunate part of that we have to use the takeout to fund all the rest of what we do when they can bet sports for 4.76 percent.

To your better, it's less of a concern.

Even as an intellectual game, we were able to hold out this component of horse racing as an intellectual game, betting on horses as an intellectual game.

Still, poker's an intellectual game, takeout's less than 10 percent, betting sports, 4.76 percent.

It's gonna be very interesting to see, again, the proliferation of sports betting, of daily fantasy, what that's going to do, and again, as we sort of cling to this notion of these high takeout's, which no longer make sense. We don't have monopoly power.

It made sense in the 1940s when we had monopoly power.

We no longer do.

There's nothing we can do about that.

Potentially new customers, they are priced out.

What do we do?

What's the solution in this case?

I think we need to experiment with takeout.

I wanna echo Bill's sentiments of let's figure out a way, and again, I know it involves changing regulation, but let's figure out a way to lower takeout rates on smaller races.

Again, into a 4.76 percent takeout, people are betting sports, two teams, no one ever says, "Well, there are too few teams playing on the field."

Three and a half hours.

If we could figure out a way to get our numbers down, and we have two, three, four-horse races.

It's problematic for us because the effect of the takeout.

If you wanna lower takeout on smaller races, you can raise them on larger races. Think about it from a better's perspective.

There are 15 horses in a race, and I could effectively throw out three, four, five horses.

From a value standpoint, I'm lowering my takeout.

That's what you get with larger fields, and so if we could have a sliding scale, I think that would be interesting.

I think eliminating breakage is big.

I don't know if it's possible.

I know there's a bunch of different regulations involved in terms of the way things are split, but eliminating breakage would make the place and show pool more playable to price-sensitive players, and again, the place and show pool create volume, create churn.

When you play place and show, you win more often, and you churn your money.

I went to Oaklawn, had their 10 percent show pool, so whenever I'd go to Oaklawn, I'd pull out $400.00, and I'd try to churn that money.

I'm betting $400.00 per race to show versus betting smaller exactas, smaller trifectas.

You're eaten up by the breakage, and the breakage is hidden takeout, and I'll give you an example.

There was a race this spring at — a match race this spring at San Anita, when a race was rained off, and the payouts were $3.00 for the winner and $3.40 for the second-place horse.

San Anita's got a 15.43 percent win place show takeout rate. Well, it was the worst possible scenario.

The $3.19 was rounded down to $3.00, $3.59 was rounded down to $3.40.

The optics are horrible, and the effective takeout rate was huge.

I really push for that next move to be eliminating breakage, and especially, again, I think it would push more money into the place and show pool where that money would get churned.

I think innovation, any sort of innovation we can have among ADWs, among tracks to promote betting, encouraging innovation.

I really think we should figure out a way to make everyone a CRW, give everyone computer applications to play, let everyone have the tools to analyze pools. Right? So instead of thinking about how to construct a ticket where I like Sharp Azteca, but I wanna play against Practical Joke.

I'd love to see an ADW come up with something where I can put in my own probabilities and can spit out efficient trifecta and superfecta tickets for me.

What are computers doing when they're playing dime supers, or dollar tris, or $0.50 tris?

They're creating 2, 3,000 efficient superfecta tickets.

Regular players can't do that, so give me the tools so I can do that. What does that mean?

That means eliminating things like having — there are certain ADWs where you can only put in one bet per second.

I have a simple spreadsheet for my Pick Six.

It has 84 different betting combinations.

I would hardly call that computer betting.

Below my ticket, I'm gonna make sure I upload it in time, so it can churn through the process.

There's no reason to have that.

Furthermore, this next generation is much more computer-savvy.

We've got a number of students who enrolled in a course called Data Management and Analysis, and so they're basically gonna be working with big data and analyzing big data.

We can't do that in horse racing.

The data's not out there, so they're gonna run a lot of data replications on baseball, it's easy to get baseball data, it's free, it's available.

I can pull up a box score from a 1922 minor league baseball game.

I can put together a dataset, run regressions, get results.

Wouldn't it be great for the students to do that for horse racing, and then come up with betting systems, and then upload those bets?

That's something that a lot of people will be able to do in the future.

We're afraid of computer betters, but I think we should embrace them, and I think we should try to make more regular players computer betters.

I think there could be scenarios where you have — I'll give you an example.

My daughter, we go to Saratoga, she's 12.

She has a little number system for coming up with her bets.
I mean, I could computerize that.

I could write code, computerize that with past performances, and then upload bets for her.

We can run her little system with $2.00 bets and see how it works.

Why not let everyone become a computer better, where the barriers to entry is the data is not free?

If baseball, football, other sports data is out there available, there's no reason horse racing data shouldn't be.

The technology's such that we block people from uploading betters, and making the data expensive, and blocking regular people from uploading bet files results in hurting small time people at the expense of CRWs.

The CRWs love it.

They're gonna pay for the data anyway, and they like regular players being restricted from experimentation, so it keeps their monopoly advantage.

We need competition.

I think we've had consolidation.

I worry about what that means as a horse player, I worry about what that means for rebates, I worry about what that means for takeout rates at hold.

If anything, we've seen hold and takeout rise.

Market segmentation, I'm a strong believer that we should break up our market.

For more serious players, we should rebate them.

For more casual players, maybe we shouldn't, and we need to figure out a way to identify serious players.

I think that's one tricky thing that — it's one tricky thing that we have a hard time doing.

Who are those players at the track who are betting a serious amount of money, and how can we get them to bet more?

Again, data transparency, sort of back to what I was really talking about.

Anyway, I do think this is still the greatest game.

I do think there's a wonderful enthusiasm for the intellectual challenge that is horse racing.

I just think we need to make it a little bit more appealing to the better, and we'll have a brighter future.

Thank you.

Mr. Michael Tanner: I knew this was going be good panel.

That was terrific. Next up is Todd Bowker.

Todd is the General Manager of Premiere Turf Club.

He's been there since 2010.

Prior to that, he was the General Manager at AmericaTab.

He has his own company, Starting Gate Consulting.

I've known Todd for a number of years, a vast knowledge on all things pari-mutuel, and knows as much about ADW platforms as anyone I've met, and I'm sure what he has to present is very interesting.

Mr. Todd Bowker: Thank you.

Just so that you know, today was my first notice that we were actually the sponsor for this panel, and I just assure everybody that I didn't actually pay to get up here.

I was asked to be here.

I just wanna start my remarks out today by asking everybody a question.

How many of you at some point in time of your life have had someone come to you and ask for advice?

Everybody, right?

Yeah, hands are going up everywhere.

After you've heard what they want the advice on, you ask yourself, "Why on earth are they asking me for advice on this?

Because the answer's really simple," or you think the answer's really simple based on your experience.

What do you do?

You give your advice.

After you get done giving your advice, then all of a sudden, you get the, "Well, did you think about this," or, "What about that," or, "But this," and what's happened?

Well, you come to the realization that the person that's asking you for advice didn't really want your advice.

What they wanted was for them to give them an excuse to do something that's not the right thing, but it's what they really wanted to do, or what they think is easy to do, or what makes them look better or feel better, or for whatever excuse they wanna give, they just don't wanna do the right thing.

I kinda feel like this today.

I think the industry knows the things that it needs to do to move the handle meter forward, but I think in many cases it's reluctant to do them because it's not going to be easy, and it maybe is going to involve a little short-term pain for the long-term about gain.

Here's my advice. Listen to your customers.

That's all I've got, really.

Sorry.

Yeah, it's that simple.
No, so I should just drop the mic and sit down, and in fact, many of you might prefer that I do that, I don't know.

Since I've been here and asked for my advice, I might as well give it to you and continue on for a little built.

What are the customers really saying to us?

Well, in some cases, they don't trust the game.

Some people still think there's widespread past-posting going on.

They think a lot of the horsemen are cheating.

They think drugs are rampant in the industry.

They think some big players have access to things they don't, like direct access to tote.

Actually, recently, I saw a post on Pace Advantage where everybody was questioning the photo finish system, so there's a lot of distrust out there, and much of it is really misplaced, but I think the industry hasn't necessarily always done a great job of explaining things.

Bettors also wanna be able to find value in the pools.

Marshall touched on that a little bit.

They want big fields, they a lot of times lament the so-called super-trainers, which just by virtue of having a horse in the race, they think they can't bet the race because they can't trust what's going to happen in the race.

They also believe the game's too expensive.

We've had everybody so far before me has talked about takeout.

They think it's too high.

They think data costs too much.

They think admissions, programs, and parking shouldn't cost you anything.

You keep hearing the, "Well, at the casino, they don't charge us for this," and, "Oh, the vig [takeout] at the casino is less," and so even though the casino environment is different, I'm gonna talk about that in just a minute.

They're still our competition.

They tell us every day what needs to be done to drive wagering, and for the most part, the industry downplays it, or they just want the excuse to not tackle the things that the customer tells them it needs.

I'm sure each one of these bullet points could spawn a session of its own.

Guess what?

We're all gonna miss lunch, and we're all gonna miss dinner.

We're probably gonna miss breakfast tomorrow if we go into talking about all of this, so I'm going to narrow my comments down and really talk about what I like to call put more money back in the hands of your players.

How do we do that?

Well, as we've heard before, one way is to lower takeout.

We just had a PhD in economics on the panel, and I'm sure that after you listen to him, you know he thinks the takeout's too high.

If you don't believe Marshall, another PhD, Dr. Richard Thalheimer, did several speeches and several papers, and he also said takeout was too high.

Surprise.

I don't really think we need academics to tell us this.

If you look at the tracks traditionally that have lower takeout, handle typically goes up when they do it, and I'm not talking about revenue, cuz that's a different thing.

If you look at the tracks that have raised takeout, typically, handle goes down.

There's plenty of history on this.

It happens with regularity every time somebody tries.

Here's the thing, and here's why I know the industry, who's asked me for my opinion on this, actually knows what the answer is.

What happens now when a track wants to generate interest in their product?

Well, back in the old days of simulcasting, I consider myself an old timer because I've been around since the beginning of simulcasting, in the old days, tracks did things like improving their video signals.

They added better graphics, more colorful graphics.

They were doing a lot of things to try to get their product to stand out in a big bank of TVs in their local off-track betting sites.

The other thing they did was they hired attractive people to do the paddock shows.

I know, at Beulah Park, we hired two.

It was all about making your signal stand out.

Well, fast-forward to today, and what's the latest trend?

Well, it's actually lowering takeout.

The only thing is while a few tracks have tried lowering takeout across the board, most of the time, it's just picking one pool in their menu.

I call this your local retail store's lost leader.

It's Black Friday.

You're gonna buy a TV, so here's your low takeout pool.

Forget about the rest of the pools and the takeout on the rest of them.

We've got this low takeout one over here for you.

The industry knows.

We could debate about takeout rates all day, and try to figure out what the optimal rate is.

I personally think it's somewhere around 15 percent, but I also know that it doesn't work at the same level for every racetrack, so I'm gonna talk about some of the other ways to put money back in the hands of our customers.

I'd like to take this quick opportunity to thank Alex Waldrop and the NTRA staff, plus all of the lobbyists and customers who wrote their congressmen and senators to support the new IRS withholding rules.

As with many others, I also believe that the added money back in the customers' hands, it is going to help increase handle.

I think this was a great quote from Alex that was in a story right after the Breeders' Cup in the *BloodHorse* magazine.

We may not be able to put an exact number on it yet, but I think over time, we're going to see that happen.

I wanna talk now a little bit about how else you can do that.

I went backwards.

How'd I go backwards?

I wanna talk about the IRS rules now.

Under the old rules, we actually ran a little report, and so from the time period that the new rules started until a couple of days ago, if we had run the old rules against all of our wagering, we would have had 24 tickets that were subject to withholding.

Under the new rules there were only two.

As a result, our customers saved about 50 percent in terms of the total money that would have been withheld versus what was actually withheld.

I think that's a great thing.

I think that as we go through, if all of you at your tracks run these numbers, I'm sure you're going to see similar things.

Our number actually would have been higher, except one of those two tickets was a very large payout that had high withholding bought of a certain $160.00 horse on Breeders' Cup day.

At any rate, it definitely is a big help, and everybody who worked on getting it done should be commended.

To continue on from here, I wanna talk first just a little bit about churn in the land of casinos.

Now, I had a conversation with a guy named Tom Tuchschmidt, and for those of you who were here last year, you know Tom gave a speech.

Tom is with MGM.

I asked him a question because I wanted to know about churn in the land of casinos, cuz I sorta had a theory in my head that if I'm a gambler and I walk into a casino with $500.00, the casino's end game is they want my $500.00 before I leave because they don't earn an actual percentage of every dollar I bet, so for them, the endgame is just, "I want all your money at the end."

It was an interesting conversation, because what he said was a little interesting.

Basically, to summarize what he said was he said, "Casinos invest in their customers with comps, and they're based on the theoretical worth of the customer over time," so it's not based about the money you have in your hand today.

It's based about your value over time.

They do track things like buy-ins and lines of credit, so they have some concept of churn, but he said, "Basically, they estimate all their revenues based on the average time played, the average wager, and the game type."

What does this mean?

Well, it means that even though casinos don't receive a direct commission on every wager, they still want customers to continue to wager over time.

They will invest in that to increase the customer's experience in order to make that happen.

Why shouldn't we do the same?

It's actually more important for us to have people continue to wager over time because of churn, and because we get takeout on every single bet they make.

It seems counterintuitive for us to not consider the customer's value over time.

Again, I think Marshall made the comment about increasing takeout being a short-term measure, and I think it is, so I think we need to start thinking about the long game."

Oh, this is going backwards.

Okay.

Alright, so I just wanna show — Marshall said I would bring this up.

I ran a couple of quick reports, and I want everybody to see what churn actually looks like today. Here's the thing.

Traditionally in the industry, it was long held belief that churn was actually somewhere around a factor of seven, so if you came to the track with $100.00, we were hoping that the average customer would bet $700.00 before they left for the day.

Well, in the real world of today, it's actually much close to the numbers that Marshall gave.

For our customers, without it counting for rebates, our churn is actually 4.35 times instead of 7, but because we do rebate, we give customers more money and put more money back in their hands, our actual churn actually ends up being at 7.54, and this is from January 1st of 2016 until last month, so there's a pretty big block of data there.

Now, I would say to you that your mileage may vary.

I can't speak for any other entity other than our own.

I suspect that if you ran your numbers, people guessing you would probably not see drastic changes from this, but it is possible.

If you've done that report yourself and your numbers were different, don't come yelling at me later.

My legal disclaimer is now done.

It's a huge difference, and for us, it clearly pays to put more money back in our customers' hands.

I've been a bit longwinded here, and we're getting close to the end of our time, so I'm just gonna close with one more thought that dovetails with what the two guys before me have said.

Remember when I mentioned that many tracks are throwing in a low-takeout pool to generate interest?

Well, guess what? That pool's normally a Pick N bet, and we've just had two people kind of give you inclination as to why that might not be the best thing.

I'd argue that it's probably the worst thing that you could do.

Why is that?

Well, here's some more data from Premiere Turf Club, and one of the things that I'd like you to take a look at is for our customer base who bet more than 75 percent of their bets in the Pick N pools, their churn is two.

I mean, that's half of your non-rebated — by the time you factor in rebates versus 7.45, that's a huge number, and if you look at the difference between without rewards and with rewards, because most of those Pick N bets, or the bets that the industry has taken to use as their promotional wagers, takeout's low, therefore rebates are low, so you're looking at a situation where it's not much better even factoring the rebates in.

As you go down and people play less and less, you can see how much the churn numbers actually increase, and as somebody else mentioned, here's kinda the reason.

There was a post on Pace Advantage, and somebody was complainin' about takeout, and somebody made a comment, "Well, just play the Pick Five, cuz it's low takeout," and the respondent said, "Well, that's easy to say, but those aren't easy to hit, and they kind of kill churn, too.

I know if I hit a Pick Five for $10,000.00, it's not coming back into the pools anytime soon," and this goes for any of the large payout bets.

Because it takes a lot longer, either people take the money out completely and you never see it again, or if they've hit big, it takes a lot longer to put that money back into play.

You're putting a lot of money on the sideline, and in fact, you're killing churn.

I think that if it were me and I wanted to come up with a low-takeout pool to generate interest in my track, I kind of agree with Bill and Marshall.

It's like, "Let's look at the whips pool.

Let's look at the exacta pool.

Let's look at anything that's a single race pool, because customers can take those added winnings, and they can bet them on something quick, instead of having their money stay tied up in the system for long periods of time."

In fact, when you look at the case of carryover pools, your money's tie up at least for the duration of that day until that pool prices, but if you have carryover tickets, now all of a sudden, you're tying up money for days, or we've got jackpot Pick Six bets and Pick N bets that carry over until there's a single ticket.

Now you've tying up money for months, or for even an entire meet, and when you look at some of those mandatory payouts on the last day, and you've got $3 million or whatever in the pool that day, a lot of that money has been tied up for months, and it kills churn, it does.

To wrap up, I think that listening to our customers and investing in them is how the industry can move the handle needle upward.

It's not easy.

As Bill said, there's revenue considerations, and you can't do it in a vacuum, but there are going to be a lot of people that here are going to say, "Yes, but."

It goes back to my original comment.

It's like, "Okay, we know what we need to do.

We need to somehow get more money back into our customers' hands so that they can continue to play and continue to churn that money," but yet there's always going to be resistance, and there's going to be a lot of yeah buts, and I really think that if the industry takes the time, and you at your racetrack take the time to look at your handle, look at your betting mix, look at your takeout rates, I think at some point in time, you're going to find the equilibrium that's best for your track to maximize your revenue.

I really believe that over time, if handle increases, the revenue's gonna take care of itself.

That's it.

We have to play the long game.

I know it's hard, but thank you.

Mr. Michael Tanner: Thanks, Todd.

Our last speaker today is Ed Cummins. Ed is the President of Watch and Wager, LLC, the online wagering company that also is the operator of Cal Expo. Ed comes to us with over 25 years' experience in the gaming world with Coral, and Ladbrokes, and the Tote. I turn it now over to Ed.

[Video]

Mr. Ed Comins: Yeah, get paid to play.

Yeah, thank you very much, Mike.

Pleasure to have someone moderating who supports standard bred racing, as we do.

Thank you for the symposium to invite me on this very important subject.

Last time I came back, it was about eight years ago from the UK, and I'm pleased to report some very important improvements in our business, now handling over about nearly $400 million into pools all over the world internationally, employing about 80 people in Lexington, in Sacramento, and the Bay Area in Marin where I live.

We think we are now, on a handle basis, the fourth biggest ADW in the world.

We have — sorry, in the US.

I wouldn't go quite that far. We got three divisions, our website, mobile, our business trading, and I think totally agree with what the guys are saying there about computer wagering.

That is a huge opportunity for was we're gonna do.

Obviously, we are also a proud supporter of Cal Expo Racing, the harness track in Sacramento, which we've kept running for about five years, and will continue to support it, and keeping a whole way of life going in Sacramento.

Shameless plug, do remember to enter the competition.

All my staff here, Arthur, Kevin, Terry, Ben, Chris, we're sending this out.

You win a VLAP trip to Keeneland for three days, and whatever they say about Keeneland and the takeout’s, that's fine, but I tell you, it's a great place.

Make sure you fill it in, cuz I've given you all the clues, so great.

Anyway, total plug.

We need to get down to business.

Listen, I agree with what they were all saying.

Handle is a very sympathetic type of listing for this thing, but handle is not stagnating.

Handle is massively declining.

If you look at it, 15.1 2003, now 10.7, I think, 2016.

I'm not an accountant, but inflation coming into that, that's almost a halving of handle, a halving of handle.

It really is bad.

To my mind, we've invested a lot of money into the US racing industry through what I said earlier, through our businesses, through our operations all around it.

To my mind, unless things change, US racing is in terminal decline.

There's a lot of reasons for that, loads of reasons.

The maths guys have talked about it, put up all their slides, and I agree with a lot about it, and the takeout rates, but the biggest reason in my mind is the distribution of US racing.

I'm saying this with huge caveats, because we have some great partners all around the world.

As you know, we have the most tracks, the most partner tracks, all around the world, but within the US, there is something slightly wrong with the way the product is distributed.

How many times at this conference or other things have you seen one company fighting against another one just so people can place a bet?

Just cuz people can place a bet, and that's all we're asking to do, and it's very simple stuff.

It seems to be doing a lot, lot better internationally than the US.

Why are people fighting?

What's the point?

All our punters wanna do is place a bet.

Don't get me wrong, there's some great product out there.

Things come to mind, lucky enough to be at Del Mar and the Breeders' Cup.

What a fantastic event that was.

Hats off to Del Mar, to Josh, and all the guys there, and the Breeders' Cup.

What an amazing event, things going on in New York, Saratoga, Keeneland, who are friends, despite their takeout issue.

Some great things going on, but apart from that, where is it resonating around the world compared to the international market?

Which is what I'm gonna come on and speak about.

There seems to be, and this is very, very topical, and I know there's another, far more important panel coming on about sports betting, but there seems to be a mentality of protecting the cake rather than growing it.

It's so blatantly obvious, it's unbelievable.

Look at the handicapping.

Things that I've seen over here in the US, the handicapping tournaments, daily fantasy sport, new product, poker, sports, extremely positive news on Monday in New Jersey.

These are really things that we need to get a grip on, and actually get involved in, rather than tryin' to eliminate them, cuz there's no way.

They are coming.

They are coming, and it's not right.

Look at the European model.

Cannibalization is not the right thing in this business.

We shouldn't be looking internally.

We need to be looking externally. The impact on our punters is totally obvious.

If we lose content or lose a track, the punters don't ring me up and go, "Hey, Ed, why can't I bet Track X?"

Well, they don't call me up, they say, "The whole thing sucks.

I'll go and bet something else.

I'll go and bet sports.

I'll go and bet the NFL.

I'll go and bet soccer," whatever.

It doesn't go.

Some operators think that if you restrict certain ADWs, that they'll bet with another ADW, that is fundamentally flawed, and it's just not right.

People will just vote with their feet.

They don't wanna get on.

Rather negative message, but there are solutions.

Unfortunately, in terms of the US, in my belief, most of them are international, and whilst we're fully listened here, operating, building a great business, and as I say, in a very good position for further things, we believe most of the innovation is unfortunately coming outside the US.

This morning, I looked through the panel delegates and everything, and everything that I see innovative in this industry is coming outside the US, and I just mentioned a couple of my friends who we are talking or working with, the Aussies, top bettor, the open tote, Bernard, Colossus Bets, the great Cash Out product, all things that we're tryin' to innovate and tryin' to provide, and not least our main software partner, I-neda, who we are hoping can change the whole face of the Tote in the UK.

Things are not lost, but there needs to be a complete different mindset.

Stop the infighting.

Embrace technology.

My one biggest idea on the racetrack, which I like to talk about, and maybe we can talk about over questions, is the whole concept of the cashless society.

No one carries cash around.

Straw poll, how much cash have you guys got in your pocket right now?

Not much?

I've got nothing.

I've got a credit card, I've got two credit cards in my pocket.

The whole concept of the cashless society.

Why can't punters just go into a racetrack with their card and just download an app, swipe it, and then they've got funds for the rest of the afternoon?

Why not?

Such a simple concept.

It's happening elsewhere in the world, but for some reason, we can't do it in racing.

Anyway, that's me.

Thank you.

Mr. Michael Tanner: I know that we've run past our time, but we got started just a little bit late.

As Ed alluded to, there is some time for questions.

I have to think there are several out there, so if you would like to be recognized, like to ask a question, please raise your hand and then walk to the microphone once you've been identified.

Anybody?

Alright. Very well.

Well, I wanna thank panel.

I wanna thank the audience for their attention.

I think it's been very educational, and we'll see you soon.