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Racing's Identity Crisis: Who and What Are We?

MODERATOR:

Steve Byk: Host, At the Races with Steve Byk, SiriusXM

SPEAKERS:

William Nader: Former Executive Director of Racing, The Hong Kong Jockey Club

Peter Rotondo: Vice President Media & entertainment, Breeders' Cup Limited

Michael Tanner: Executive Vice President & CEO, USTA

Amy Zimmerman: Vice President, Director of Broadcasting, Stronach Group

[Video Playing]

Mr. Steve Byk: Happy Valley and the course, the two day a week racing at Hong Kong.

Bill Nader, to play off of that experience, I'd love for you to kinda kick things off in terms of the juxtaposition and the two experiences that the last couple of decades for you — what you see as the differences and the things that we can glean from your experience in Hong Kong versus the experience in New York.

Mr. William Nader: Well, it's hard to compare the two, Steve, because Hong Kong racing — in terms of sports in Hong Kong, there really isn't anything that compares to horseracing.

Any sport you really see in Hong Kong, you watch on television being played somewhere else. Horseracing culturally in Hong Kong is such a dominant part of the landscape.

I think the fact that Macau is so close — it's only an hour away by ferry — and it's such a big gaming destination and yet the handle on horseracing has nearly doubled over the last ten years, really speaks volumes about how passionate Hong Kong people are about horseracing.

This video here was at Happy Valley, which is the city track on the island side.

That real estate, I mean the apartment buildings that surround that race course are really 6 million US and up, so that's very valuable property.

The racing, being so popular in Hong Kong, can keep that space.

It's a very tiny track.

A big crowd there, capacity, would be about 20,000 and people are right on top of the action.

For the two race tracks in Hong Kong, Wednesdays at Happy Valley are more geared to the entertainment crowd and Sunday at Sha Tin is more to the racing crowd.

The way they're positioned is quite different.

When I first arrived in Hong Kong in 2007, one of the first things I was told to do was to try to make racing less about gambling and more about sport and entertainment.

We created the Happy Wednesday theme because on Wednesday night, Happy Valley sort of owns Hong Kong.

I mean everybody is kinda captivated and tuned into what's going on at Happy Valley, so it's a great position to be in, a great position to leverage.

That's the way it's evolved. I mean it wasn't like that at first; we had to build it up.

One of the key things that we do, though, that entertainment that you see on that little stage is only for about an eight minute period between races.

There's nothing after the races; there's nothing before the races. It's all during the body of the eight races or nine races that we run on a Wednesday night.

That is the time after the race is run, the jockeys coming back along the fence close to the crowd.

After the presentation, the entertainment starts and it finishes just before the horses come on the track for the next race.

Mr. Steve Byk: In practical terms, from your NYRA experience and the ten years in Hong Kong, what portions of the Hong Kong model — ?

Because we see all the time people saying, “Oh, we should learn from Hong Kong. We should do things like they do in Hong Kong,” which is just a little bit of an impractical concept, given the control that the Hong Kong Jockey Club, the horses basically being owned and the control, the veterinarians — all those elements that there is this very pronounced control.

What is there in Hong Kong, though, that can be successfully implemented here?

What’s shocking to hear is that they gave you a direction to — away from the gambling, considering the incredible, incredible handle numbers that are generated at Hong Kong.

Mr. William Nader: Well, I mean in 1997 — which was the year before the handover — in Hong Kong dollars, the racing handle was HK\$92.3 billion.

It dropped to 60 billion in 2006 and this year, the forecast would be about 115 billion Hong Kong.

By doing that and softly introducing — in terms of succession playing, if you’re not 18 years old, you’re not allowed to go racing in Hong Kong, so as an introduction — especially to the younger crowd — and you saw in that video was ex-pats and locals coming together and really having a great time at the races — it’s a soft introduction to racing and outside off-course betting branches, you’ll see people reading the form.

It’s about the people like me. When people walk by the off-course betting branches, they probably don’t identify with racing as a place to go, but once we get them to Happy Valley on a Wednesday night and they see that, it all comes together.

I think that’s an important element of introducing new customers. The advantages in Hong Kong — and it differs a lot from NYRA.

NYRA, it was 260 days of racing a year.

In Hong Kong when I first arrived, it was 78 days of racing a year. Every race day was an event; every single race day would handle more than the Breeders’ Cup, including an eight race Wednesday night.

That’s where it is now.

The handle is really — it’s something that they obviously have to pay attention to, but developing greater connection with horseracing as a sport.

I mean a good example would be the Hong Kong International Races.

My first year, in 2007, the crowd for the big race day — which by the way, is coming up this Sunday — it's sort of Hong Kong's Breeders' Cup; it's on that scale — was less than 50,000 people.

What was happening was Hong Kong people were saying, "We're not interested in these great horses that are coming in from all over the world — Kristoff, Simion, Dettori — those guys, we don't really know them. We want what we know. We want Hong Kong horses; our own trainers, our own jockeys," and they rejected the international races in terms of attendance and even on the betting.

The betting on the four international races was less than the last two races of the day, which were two local races. We had to turn that around and now it's incredible.

Now the crowds — the crowd Sunday will be nearly double what it was at Sha Tin and of course the handle has come up, but it takes time to do that and you have to be sensitive to the culture when you get there.

It's not something that can transform overnight; it's something you have to hold their hand and bring them along and get them comfortable with.

There are two distinct properties, two different crowds and the biggest thing that I — my biggest takeaway probably from Hong Kong that I would say to come back here is customer segmentation: knowing who your customer groups are.

One of the customer groups is owners. Remember, owners bet money; they're also investing and bringing the horses to the sport; anything we did with owners in terms of getting to know what their needs are, what they want, what they want from their experience.

Then it came to your core fans, your casual fans, the beer garden crowd on a Wednesday night.

We broke it down into different groups and really focused on those target groups, what their needs were; what we thought from a value proposition.

We had to make business cases in terms of investment. Even though the Jockey Club has great resources — you have to invest wisely, make a business case to show what the return would be.

Some of the investments were not driven strictly by business case, but just by hygiene.

There were certain areas where we thought these are basic things that customers deserve.

When we talk about entertainment, I think one of the subsets to that is customer comfort: what makes them comfortable; comfortable in terms of information

delivery: how we put races on televisions because as we know, racing's no different anywhere.

People have great seats, but they're watching racing on TV.

We know that.

What they want in terms of food and beverage; how they want their information delivered.

The world's changing.

It's a much faster pace.

We still had the 30 minutes between races, so we did the entertainment on the Wednesdays because that crowd needed to be entertained.

Things like that, but customer segmentation, knowing your customers, talking to your customers in terms of — however you do it; whether they're focus groups or just getting out there and listening to them.

That's valuable input before you invest and make these important decisions as to how you're gonna maximize and leverage the assets that we have — and we have great assets — because customers in this sport, there's inclusion. They're included in the process because of the pari-mutuel part.

I mean they're taking part and they're connected to every race through the pari-mutuel betting.

That's one of the real, I think, great assets that racing has. They're included and they wanna be heard and if you can — from a customer segmentation point — and I realize there's different scales at different tracks; sometimes there are limited budgets — but being smart and having a plan and understanding what these different groups need and being targeted I think is a very good thing as a takeaway from Hong Kong to bring back to this country.

Mr. Steve Byk: Gonna turn to Peter and the mention of the HKIR as a Breeders' Cup style event. Peter, I think we have another presentation?

Mr. Peter Rotondo: Mm-hmm.

Mr. Steve Byk: We're gonna watch another presentation.

The Breeders' Cup is really an ideal centerpiece for this discussion because of its evolution: conceived by Gaines and Nerud as a breeding showcase and then evolving into a mega wagering event that now has a very strong and I think a very pronounced reach and awareness of the fashion and the social and all the other marketing aspects of the game.

Let's watch a presentation that Pete brought forth.

[Video Playing]

Mr. Peter Rotondo: At this point, that's what we're tryin' to deliver on; everything Bill said.

I feel like you're in our board meetings.

It's the best wagering two days you could have; the best races internationally.

All these horses comin' in from all over the world.

Now again, it's 2016; the fashion, the food. Bobby Flay of course being on our Board of Directors is a major influence into a lot of things we do.

It's not just eight races anymore. You have to put on a show on TV, inside the venue, for everybody.

The owners, we've stepped up our game big time over the last couple of years to make sure that they're taken care of.

On the gambling side, we started the Breeders' Cup Betting Challenge, which is the richest live money handicapping tournament in the world.

Million-dollar pool this year.

You have to — when you say who and what are we, the Breeders' Cup, we have to be everything for everyone.

It's not just the gambling; it's not just the races.

It's the experience as well.

That's not for everyone right off the bat.

I mean we have to — I think we can learn from the big events and try to get them into the everyday racing, so to speak, but at the Breeders' Cup itself, you have to be that for everyone.

Mr. Steve Byk: I'd be very curious, Peter, because this has been a very interesting period for the Breeders' Cup in terms of kind of a seismic shift from a period where the fees and some of the revenues — a lion's share of the revenues — were being derived from either supplements and from nominations and so forth to a period where you now are counting on the gambling revenue.

There was clearly a discussion at some point that made this decision and without necessarily pronouncing that, “We’re gonna be completely focused and wagering-centric,” but there was obviously an acknowledgment.

I’m curious in terms of a behind the scenes when that came and what that discussion sounded like.

Mr. Peter Rotondo: Right. Likely about eight years ago when we started the BCBC, I think once the handicapping tournament started to get some traction, I believe then that sort of the focus on the gambling started for the Breeders’ Cup.

Also, the expansion to two days was a big deal; the idea that there’s more races; obviously, there’s gonna be more betting.

Was it really part of those discussions back in the day?

I believe probably about eight, nine years ago was where it all started to kick in for Breeders’ Cup.

Mr. Steve Byk: For the future and for your approach — because you have your finger on the pulse of really most of these areas that are demonstrated in the video in terms of understanding the fashion and the social scene and of course the regular return to Santa Anita and the opportunity — the BC ambassadors that are very entertainment-centric and trying to communicate this overall attractiveness of the racing scene and that scene being all of these elements — I sense in you — because you’re a serious player — that you’ve got the embodiment and can appreciate all of the — the entire range of racing’s appeal in that regard.

Mr. Peter Rotondo: That’s true. I mean again, I grew up reading the racing form — Dad taught me when I was six years old — so the passion came from betting on the races and of course, like you lead with, without that, we really don’t have what it is today.

I mean so you have to have it all. I think that’s the bottom line.

Some of our Breeders’ Cup ambassadors people might say, “You have these celebrities; they’re not engaged in the sport.”

Elizabeth Banks, who we have as one of our biggest ambassadors, the biggest reach, she knows how to bet for real.

She’s out there puttin’ out — she writes articles — gets interviewed for articles on *Hollywood Reporter* on how she bets the superfecta.

I mean these little things — like Bill was talking about how he built that Wednesday — that’s what we’re doing at the Breeders’ Cup, ultimately.

You gotta get the word out not just through traditional means at this point.

Especially with our social media, you have to step it up a notch and we have.

The idea is using all of our assets. I look at those ambassadors as assets.

You gotta get the word out far and wide, create the audience.

I mean Hong Kong's a perfect example.

I had no idea that the handle dipped that much and then you brought it back up.

I mean I think that's a good case study there.

Mr. Steve Byk: We'll probably get back to it, but I do wanna talk about the Betting Challenge and its rapid expansion and the incredible percentage that the churn is within the BCBC and the expansion to 400 players this year; the acknowledgment of the remote locales and even beyond that, the ability to play in the BCBC from home because clearly the potential here just is unlimited.

I mean for those that don't realize — and I'd never heard a final number from this year's BCBC — but it's been in the 15 to 18 percent range as a percentage of total handle, just the players in the Challenge.

Mr. Peter Rotondo: That's true. I mean the Breeders' Cup itself, I think it was 12 percent of the handle was just from those people that played on site, which was about 250, 300 people.

All in, 385 played this year and TwinSpires was the first time you could play from home and then we had a couple of satellite locations.

Again, we had just started the at-home play and we marketed it just a little bit because again, you're a little afraid the first time out; wanna make sure everything goes right. Now that we know it works, the sky's the limit with that one.

Mr. Steve Byk: It's a 10,000 — for those that don't know the schematic — it's a \$10,000 buy-in; \$7500 live bankroll and \$2500 into the prize pool.

This has become — with the NHC — the absolute crowning tournament play.

Mr. Peter Rotondo: Because of the success of it, we believe that we'll start to do more tournaments around the Breeders' Cup itself for a lesser buy-in so we could get the casual fan involved.

Mr. Steve Byk: A couple of levels.

Mr. Peter Rotondo: A couple levels, right, exactly, plus the technology exists; you have to take advantage of it.

Mr. Steve Byk: Wanna turn to Amy Zimmerman next and Amy, of course — how many awards? How many various trophies about the house?

Ms. Amy Zimmerman: Enough.

Speaker: No, not enough.

Mr. Steve Byk: There'll be more.

Amy, of course, the days with HRTV — and wanna actually start there because your work uniquely ran parallel tracks and *Inside Information*, the source of so many of the awards, investigative journalism and documentary style filmmaking that complemented the racing product in the afternoons.

I'd love, Amy, for you to talk about just your whole career perspective in terms of the breadth of the sport and how you like to approach — given the varied assignments that you've had over the years — the presentation of the sport in terms of what it is and what you think the general public and the horse playing public want to see in terms of a video or in terms of filmmaking and in terms of live television.

Ms. Amy Zimmerman: Well, thank you.

I come at the sport very different than Peter.

When I was six years old — I didn't learn how to read the racing form when I was six years old; I wanted horseback riding lessons.

I come at it from a very different standpoint.

I'm not a gambler, but I never forget that those who do pay my salary and pay my mortgage.

I come at it from a standpoint that I love horses and I love racing because at that point, horses are at their finest because they're giving you everything that they have.

Horses are incredibly honest.

They cannot lie.

If they are the best horse in the race, generally they will win.

I like to tell stories.

I'm a Journalism major; I was a journalist by heart in a time when journalism wasn't a \$600 iPhone, and I like to tell stories.

Mr. Steve Byk: The game and the way in which it's presented — and obviously at HRTV, you had a charge and you had a luxury of filling out a schedule.

In terms of the off-peak racing hours, there was the opportunity to tell those stories.

Put that into a balance in terms of what you're currently doing and the simulcast product and the presentation of the sport the way you're basically working it now.

Ms. Amy Zimmerman: Well, it's funny.

When I was cleaning out my office the other day, I came across the 1995 symposium transcripts.

It was the first year that I was actually invited to sit on that symposium panel and I think a lot of students weren't even born yet.

Peter said earlier that he was sitting in the audience.

One of the things that we talked about in that panel was the conversion of what the viewing screen should look like.

We talked about the inverted L and the creation of the inverted L. Moses didn't come out of Mount Sinai with the tablets with the inverted L on it; I drew it with a piece of paper in the back of a conference room one day.

It works. Can it be better?

Of course it can.

Everything can be better, but I think that you need to be able to present the wagering information and present the video information at the same time.

I also believe a little bit from the old Roone Arledge days with *Monday Night Football* that people that are going to watch racing are going to watch racing, but if you can do anything to help people that are not normally going to watch racing possibly find the sport, then that's a successful venture.

That's what we tried to do with HRTV.

That is quite frankly the mission statement with *NBC Sports*, be it the Kentucky Derby, the Triple Crown, the Breeders' Cup.

We're gonna give you the wagering information, but we're gonna try and tell you a story as well.

Mr. Steve Byk: In terms of management direction — and of course, you've had different — there's been different capacities — but in terms of the way you've been

instructed and the way management officials have viewed the sport, talk about that experience and how you perceive how they perceive the game itself.

Ms. Amy Zimmerman: I've been extremely fortunate in the fact that — while this is gonna sound funny — I've had a lot of different managers, especially with the Stronach Group.

Many of them are sitting out there right now, but the reality is — is that every one of them, to a person, while they had a preconceived notion, they let us and our team find our way.

They would tweak it, make suggestions along the way, but we've been extremely fortunate that they've let us do our job. They've understood what we're trying to do.

Yes, there's times that people will give suggestions — and suggestions are always good; I mean all the good ideas don't necessarily come from inside your own cranium.

If you can take somebody else's idea, maybe massage it so that square peg fits in that round hole, everybody's gonna be better.

Again, I'm not a gambler and I take people's suggestions that are very strongly to heart because you can't forget what's payin' the bill.

Mr. Steve Byk: Gonna come back with a follow-up to that, but I wanna bring Mike in.

Mike Tanner, as I mentioned, now with the US Trotting Association, but has got one of those classic race track resumes that includes a varied set of experiences.

There's really almost no one who doesn't work on the race track that hasn't had the kind of background that you've enjoyed, which starts out in publicity and then moves into marketing and into management and then back into other areas.

Mike, talk about the stops along the way and what your experience has been in terms of the people you worked for and with and their understanding of what product they were offering to the public.

Mr. Michael Tanner: Sure.

Actually, you have to excuse me.

My voice is a little weak today.

I got into the game much like Peter did.

I was delayed as compared to Peter.

I didn't read a racing form till I was eight, but I had a father who was a two dollar bettor and an uncle and they would let me tag along.

My first exposure, my first love of racing really came from the challenge of handicapping and from trying to be right.

I graduated onto that.

I wound up getting a job walking hots and then grooming at Philadelphia Park and Garden State Park.

Did that summers while I was in college before even thinking about management.

My views — although all of our views are shaped largely by our experiences — for me, the early experience really is the one that I think has most informed my outlook.

I agree with everything that I've heard today and I've loved seeing the Breeders' Cup plans and Happy Valley.

Amy and I used to work together when we were both at Magna.

For me, I think the elephant in the room really is that right now, it's very difficult for us as a sport to compete as a wagering option because from a fiscal perspective, it is not appealing enough to those that play into it.

In the 1940s, racing takeout in New York was ten percent.

Now your blended is up close to 20 and New York has some of the most competitive rates in the country, so I'm not tryin' to pick on them.

I worked at Gulfstream Park; we had one of the lowest takeout schedules in the country.

I worked at Harrah's Chester, which is now Harrah's Philadelphia. We had one of the highest.

I didn't have a whole lot to do with either one, to be quite honest with you, but I can tell you which one that I would prefer. The takeout rates, it's not coming from a point of greed, I don't think.

I think there's a misconception there.

I think you're seeing a lot of the small tracks especially that are struggling for revenues and you've got horsemen who similarly are, like the rest of us, trying to maximize their income to take care of their families and to provide for a quality of life.

At the same time, I think when you look at what's popped up now in terms of what people can bet on as compared to what they are betting on our sport and you can see how those scales have shifted.

We used to be the only game in town.

For those of us that love it — and I know there are a lot of people in this room who do — perhaps regardless of your feelings about the money that's getting taken out and the money that's being put back into the pools, it's something we love.

I would rather bet horses than anything else.

I don't bet on anything else.

I don't bet on horses that much anymore, either as I went to an expensive education at one point in my career and the fact that I got married and that switches your perspective, too, but I still like doing it.

The game is so much tougher than it used to be.

I talk to a lot of gamblers; I talk to a lot of players, and I know a lot of people who've dropped out and we keep trying to concentrate — and I'm all over the place here, Steve.

Mr. Steve Byk: No, no. You're in the right — you're the same —

Mr. Michael Tanner: All of us, myself included, when I was at Gulfstream, especially, we talked about how do we attract the younger generation?

We need to get younger fans and that's true, but maybe the way to get younger fans is by getting people who are little bit older with disposable incomes who perhaps expose the sport otherwise.

From my perspective at the United States Trotting Association, one of the things that we can leverage is the fact that purses are near an all-time high.

It costs decidedly less to keep a Standardbred horse in training than a Thoroughbred horse, and you can be hands-on as compared to the Thoroughbred side.

I wanted to be a jockey.

That obviously didn't work out, but I can climb in behind my own horse.

If we can bring people in that way, then maybe we turn them into players, and they bring people out.

We're kinda concentrating on that because I don't have — we don't have control over what race tracks do or don't.

We can suggest; we can send data; we can talk, but we don't have that unilateral power, but we can do something about trying to attract donors into the sport.

That's really where we're going right now in terms of my organization for the next three to five years, is that's gonna be the thrust.

Mr. Steve Byk: Ownership drive.

Mr. Michael Tanner: Largely, yeah.

Largely.

The best thing and the worst thing about the USTA — and it's one and the same — we do a lot of things.

We do a whole lot of things because there aren't many other organizations out there to do them, but that does not necessarily mean that we are expert at those things.

We try to be everything to everyone.

In some ways, I think we probably need to narrow our focus and that means saying no periodically.

My Board of Directors will need to figure that out; I'll need to figure that out.

We're about to undergo a regime change.

Our president, Phil Langley — he's been in office for 13 years — has announced that he's retiring at the end of the year, so we have a couple of new candidates, both very qualified and possibly an outside candidate who brings a lot of energy into the race.

They're bringing probably decidedly different visions in certain aspects of it, so this election will be very important for us for where we go.

From my own perspective, I think before you can sell people on wagering on your product, you gotta make it as appealing as possible and right now, I don't think it is as appealing as it needs to be.

Mr. Steve Byk: As a follow-up to that — this is amorphic in terms of the gambling equation — but from the marketing and from the presentation standpoint, how much of the focus — go down the line — how much of your focus percentagewise in terms of, let's say, advertising is geared toward the gambling and either educating

players to the basics or urging them, introducing wagering to them, any portion, new bets and existing wagers, enhancements, et cetera?

Mr. Michael Tanner: Very little in terms of total budget.

We've been rather successful with what we've termed our "strategic wagering program."

That's where we target multi leg bets at various race tracks and we seed the pools.

We guarantee a certain pool and if they fall short, we pay for half of that.

We've given money to pump up pools in various locales.

To my mind, perhaps we do so many of those pools — I think Chris Schick is in the audience today. He's one of my directors and he oversees that.

He's done a great job at it. Chris's vision is we hit as many as we can.

I know some others feel that perhaps we should be more specific and target here and there, but that's largely been the extent.

Most of our advertising has been otherwise — and there's not a big spend on that — but it's been otherwise on a lot of traditional stuff: the excitement of the sport, how to get involved, how to own a race horse, things along those lines.

We did spend a quarter of \$1 million for the past three years on a social media initiative that was meant to have a broader CRN base, but we could not get buy-in from the tracks and the horsemen's organizations that would have made it applicable across the industry.

Now, perhaps our program wasn't attractive enough or perhaps there was just a lack of belief specifically or general fiscal concerns, but we tried to do something not as broad as the co-op Go Baby Go program from 15 or 16 years ago, but something that would link everyone in and that we could learn from.

We had to scale that back this year because we just couldn't get the buy-in.

Mr. Steve Byk: Interesting.

Amy, in general terms, experience at HR, in terms of what you can do now and of course the signal is the signal; is the start of the simulcast broadcast day on track to the end, so there isn't necessarily the flexibility, but overall, what would you say that the time spent even in terms of prattles and the presenters, the time that they're talking, how much of it is education?

How much of it is analysis, instruction?

Is there any room in that presentation for greater attempts to promote wagers?

Ms. Amy Zimmerman: Well, I think — I mean we do a fairly decent job of trying to split the difference.

I mean you have to remember that a good portion of your simulcast feed is being seen, not heard, so we try and do a lot graphically.

With people now watching online, there's a little bit more audio that's accompanying that.

The feedback that we've heard is that the viewers don't wanna be inundated with information.

We've always taken the philosophy — I've always taken the philosophy that I wanna be able to teach people as opposed to, "Here's the numbers that you wanna bet," because my philosophy always has been, "If you're so smart, why are you working for us for 100 and whatever a day?"

We try to do that, but if I can, just real quick.

I wanna ask a real quick question because part of this — the conference title is "Racing's Identity Crisis." Just real quick, show of hands: who got into racing or who is here because of the horse?

Okay.

Who got here because of the gambling?

It's not the same audience and as we market the sport and as we talk about marketing the sport, we have to take that into account.

We talk a lot about the younger people and what are we trying to sell them, but we keep talking about the fact that racing is dying.

I'll make the argument that the more we talk about it, the more we're gonna kill it.

I don't necessarily believe that racing is dying.

As I said to Peter earlier, when I was here in 1995, the whole talk was about a *Forbes* magazine article called "The Requiem of the Thoroughbred" and it was about the death of racing.

It was 1995.

We're a generation removed from that and as I look out on this audience, I will make the argument that racing is certainly not dying and the more we keep attempting to do so, the more we will eventually kill it.

Mr. Steve Byk: I had that exact phraseology with Tom Aronson earlier.

I mean it's just preposterous when you look around and see the investment that smart business people continue to make, bringing new ideas and new investment into the sport.

It just flies in the face of that and frankly, the people who continue to bandy that, those are people that don't come to the track; don't have an ADW account; don't make a bet.

Unfortunately, they've got a keyboard, though, and so they can yap all they want on that topic.

Ms. Amy Zimmerman: There's a difference between yapping and being invested.

You know what I mean?

You've made the point about our customers and having to listen to our customers.

Yes.

I mean our customers have a tendency to want to hit their keyboard every single time, but they also are the most passionate customers pretty much for any sport you'll ever see because in the words of one that I spoke with yesterday, when they place their \$2.00 or their \$200.00, they're an owner.

They're invested.

Mr. Steve Byk: Absolutely.

Ms. Amy Zimmerman: We tend to forget that sometimes.

They're not coming from a place of wanting to tear you down; they're coming from a place of wanting to make sure that you rise up.

Mr. Steve Byk: Bill, from your viewpoint — because you were in proximity to the landmark decisions that sent New York Racing into a difficult, rocky shoal and that involving the OTBs and what happened there; you also up close saw the government involvement in your time away and then sort of watching from afar, as it were — did you sense any wandering in the desert in terms of awareness of the industry to the gambling portion?

Mr. William Nader: Well, first I wanna echo what Amy just said about the industry not dying.

This summer, Michael Cox, who writes for the *South China Morning Post* — came over to the States for the first time.

He's Australian and went to Saratoga for a week day.

Granted, it was Saratoga — good spot to go — but he walked away and just said, "Wow. It's just incredible and what I read on the Internet is so different than the actual experience. It's a thriving, great experience," and went back to Hong Kong just blown away.

I think that's a key point, but look it, NYRA: it's polar opposites between NYRA and Hong Kong.

Hong Kong, all of the control lies within the Hong Kong Jockey Club: operator, regulator.

If anything goes wrong, you look right inside your own building and you fix it. You can't blame any external factors.

At NYRA, you have to be careful — at least in my time there; I won't speak for the current administration — but in my time, you just have to be careful not to get too down because you think about what NYRA represents as the cornerstone of the industry: the great history, the great racing.

It's incumbent for the people in those positions to really protect, not only New York racing, but really for the domestic product in the States, it's just critically important to the overall health of the industry.

You wake up every day knowing that and that kinda gets you through the difficult times, but you have to be smart in terms of how you navigate through the process.

There was a lot of turnover there during my time there.

I was there 13 years.

There was a lot of turnover, but boy, NYRA's terrific.

I mean when you look at the great racing.

One of the things that this sport has — back to the identity crisis — I remember in — I forget what I was — where I read this or watched this — but Jack Nicklaus watching the '73 Belmont with Secretariat said, "I was sitting in my room alone. I watched it on TV and I cried."

I mean this sport has so many — from a positioning standpoint, you have Aqueduct in the winter, which is so different than Saratoga in August.

You have an event like the Belmont Stakes with the Triple Crown on the line as opposed to a Belmont Stakes when the Kentucky Derby winner is not in the race and it looks like the race is fallin' apart.

It's much different, but it has the ability and the capacity to really touch people that may not have been in either category; may not have been interested in horses or wagering.

This is The Golden Bear.

I mean this is a golfing icon.

Then you saw American Pharaoh with the Triple Crown and people with their phones taking pictures, the *Sports Illustrated* cover.

It has that big event potential, but there's just so much racing.

It's 40,000 races and that's, again, very different than Hong Kong where every — in Hong Kong, there's 780 races, so every race counts; every race means something; every race has really hundreds of thousands of people watching — probably millions.

It's a population of seven million people, but probably millions of people are watching every race.

It's quite different.

I think it's just really understanding what your position is at any point of time; what your resources are; tryin' to be smart in terms of your decision-making; getting through some of the external problems that might pop up — when you referenced NYRA — and just doing the best — I mean really, what we're talking here about is a mission statement, really, for the industry.

What is the mission statement and what are we really trying to achieve?

Really, it's sport; it's wagering; it's entertainment; it's experience and how you derive the best output from the resources you have to attract not just — to Amy's point — the greatest amount of wagering dollars, but really the biggest customer base in terms of what's tomorrow gonna look like?

What are we gonna look like five years or ten years down the road?

How are we gonna really take what racing was and take it where we want it to be?

What changes can we really implement and make a difference?

Mr. Steve Byk: Peter, to play into all three of the last conversation with Mike and Amy and with Bill, you have obviously — with the two days of the Breeders' Cup, you know exactly what your endgame is.

You, however, as much as anybody that I can think of — given that I managed to find myself at venues all around the country over a calendar year — I see you at every one of them and so you can probably speak to this as well as anybody in the game.

How can the sport be questioned as to its ongoing viability when you go to Keeneland twice a year; you go to Oaklawn at any point during those 75 days; Saratoga during any of those seven weeks; Del Mar during its seven weeks and any big day at some of the outlying venues; everywhere I go — I'll be at Los Al on Saturday night and Saturday afternoon for the Futurity and the Starlet then for the Champion of Champions, the Futurity for 2 million on Sunday — everywhere you go for big days.

I was at Risen Star week at Fair Grounds last year. Everywhere I go, things are vibrant and everyone is fully involved.

I kind of don't understand where the negativity and the attacks stem from because if you actually are going out to these venues — like you talk about the BC for Thoroughbredracing.com, about the vitality of the American product.

In fact, every time international correspondents come over, they come back with that same glowing perception, but you have to understand and appreciate that aspect.

Mr. Peter Rotondo: Yeah.

I think we're blessed in a sense that we go to all these amazing races and venues on their biggest days and there's plenty of them.

I mean that's your point. I think — it's hard to say, but the smaller venues, the ones that aren't really putting on the best races — maybe they have some casino help, whatever — those venues for horseracing are not good.

They let down the experience, so if you're watching on TV — which we put on the Breeders' Cup Challenge Series from Saratoga, Monmouth, Del Mar, Santa Anita — and we show off the best races at the best venues, that's part of the plan.

In the old days with ESPN, we would put on races, just tonnage to get the races on the air and there'd be no one in the crowd.

That would be — why would we wanna show that off?

My point is these smaller venues that are just putting races on kinda for the sake of putting them on let down the experience that people are seeing and hearing about.

They're like, "That's nothing like that."

I know there's gotta be a big investment, but unless these venues get upgraded and money be spent to make them a must go to place, we're gonna be in trouble.

I mean look at every stadium in America; all the stadiums now.

Unless you have a nice stadium, they're leavin'.

I mean San Diego, they're out.

I mean the idea is you have to keep up with that entertainment experience for that, I believe, because you're at Saratoga and then you try to tell someone at Saratoga, "Well, why don't we go to the big A?"

I love it, but it's just not the same.

Not saying it always has to be the same, but everything needs an upgrade to compete for that entertainment dollar.

Then sometimes you don't even get it. Last night — and this is just a random point — the Jets were playing *Monday Night Football*.

The tickets were five dollars online.

Two thousand tickets were up on StubHub for five bucks on *Monday Night Football*.

Since when?

The product I think is key as well.

Mr. Steve Byk: To fold into some of what Mike touched on, it feels to me that the industry has responded and race track management has responded to the price sensitivity issue in terms of takeout because there is not a venue in the sport that has not introduced a reduced takeout — at the very least, a loss leader, whether it's a 12 percent Pick 5; whether it's 14 percent, 15 percent — very much pricing that is gonna be attractive.

To those that say the game is too expensive and the takeout structure is onerous, we're offering, it seems, those choices.

It feels like we've responded very well.

Even look at what the Meadowlands did and what Canterbury did this past year in terms of the flat low takeout rate and there was this snap judgment: "Oh, well, Canterbury's handle was only up seven percent."

The problem with that, of course, being the simulcast dollar, that churn, no one's guaranteeing that the money had to go right back to Canterbury; that the people could only bet on Canterbury.

That money could spread out.

This is a longer, broader discussion, but it feels like to me that the industry is doing a very credible job responding to those kinds of critiques.

There was this big cry to reduce takeout and there's been a response or am I seeing something that isn't there?

Mr. Michael Tanner: I think there have been a couple of tracks that I've read about that have reduced takeout and their overall handle has gone down, precisely for the reason that you just mentioned, Steve, which is right now, the betting public as a whole is polygamous.

That money that was coming back, need to shove money into these bettors' pockets was being spent on other race tracks.

It's very tough to mention.

I don't think you can — Steve Crist in 1993 in an article — I read this a couple of weeks ago — said in every single instance where takeout has come down, handle has gone up.

We're now living proof that that doesn't necessarily happen.

Pimlico about six or seven years ago, same thing.

That was like a 14 day —

Mr. Michael Tanner: That's the other thing.

Mr. Steve Byk: — trial.

Mr. Michael Tanner: Exactly.

See, there's the thing. I mean you've got the small trials, but you haven't had the longer —

Mr. Steve Byk: It has to be a long-term.

Mr. Michael Tanner: Absolutely, and in our sport, the Meadowlands has very low takeouts.

I'm glad you brought them up because they try awfully hard and I think they do a lot of really smart things.

We are a very, very fragmented industry.

I'm envious of the situation that Bill had where everything was top-down in Hong Kong because we're not.

I mean we are essentially a loosely associated group of independent contractors, when you think about race tracks and horsemen's associations.

When everyone says, "Oh, you gotta get on the same page.

You need to get on the same page," that's much easier said than done.

One other point about wagering:

I don't wanna make it sound as if takeout is the only thing that perhaps makes us less than appealing.

I think that in today's day and age — and read the current *Sports Illustrated* for an article this week on how people interact and watch football.

We could learn something from that.

I think our betting menu is — except for the addition of exotics and different kinds of exotics — it's largely the same type of game that people were betting into in the '50s and the '60s.

I mean we've got exchange wagering now in New Jersey and perhaps there'll be an expansion of that, but I think we need to be open-minded for how people can bet on our game and that the standard pari-mutuel offerings that we've had at this point probably aren't enough.

We need to be open-minded to how we can attract new fans and how they can interact with the game pari-mutuel or — well, from a wagering perspective, I should say.

On that topic — and I'm sure you're intimately familiar with this example — one of the most to me fascinating exercises in terms of the introduction of a new wager was that French program tied in with Yonkers, the presentation — the Yonkers offering in the mornings, the French harness racing.

The handle was stunning and I don't know why that hasn't gotten more publicity.

There's also NYRA's experimenting with the New York, New York double, combining.

Santa Anita also did that with Los Al with a quarter horse, the last race at Santa Anita; the first race at Los Al.

We can go back to the NTRA national Pick 4; the multitrack, multi-race wagers, the public loves.

That 60 Minute Six that Sal Sinatra and company put together on the east coast, the five tracks, the Magna 5 was a gigantic success.

Yes, these things all take a lot of effort, a lot of coordination.

Mr. Michael Tanner: To your point, the Yonkers experiment is a great example.

A lot of work went into that from the point of Yonkers management, the Yonkers horsemen. What they did basically was — and it's as simple as sending their signal over to France — but in order to get them to take those races, they had to move post time up so that it would be time conducive.

That's not a big thing, but the French don't believe in pacing. We have two types of gates in harness racing: trotting and pacing.

It is all trotting and the horsemen needed to cooperate with that.

They extended the distance of the races.

It's been a big success and like I said, the Yonkers horsemen and the Yonkers management really worked to make that happen.

Like with anything else, we all imitate if it's working and I think you'll see more of that going forward.

I'm so glad you brought that up; thank you.

Mr. Steve Byk: I don't know why this has not been showcased and spotlighted.

I just sort of — I don't even know how I picked up on it, but I remember reading and then following it and it was an obvious success.

Mr. Michael Tanner: There's another problem, because we promoted the heck out of it on our website through our social media and everything, but we're such a closed loop that getting mainstream coverage for something like that's a little difficult.

That's another good point.

If you're harness-centric, you knew about it.

You probably knew more about it than you needed to or wanted to, but otherwise — and you're a classic example, Steve.

If you're not hearing about it, then probably a lot of other people aren't as well, so that's a good point for us to work on.

Mr. Steve Byk: The V75 as well, the Swedish lottery bet that is a phenomenon and hasn't necessarily caught on, but I mean again, there are attempts toward innovation.

I mean in terms of some of these progressive style wager concepts or continuity wagers, multitrack, multi-race wagers, Peter, you've gotta be privy to a lot of these kinds of discussions.

Bill, you were there at NYRA with the introduction of a lot of new concepts. Address from afar what you think we can do to advance in this direction.

Mr. William Nader: Well, we started something a long time ago was the Big 3 Pick 3, which was kind of the pioneer, I guess, the first shot at really connecting major races in one bet type on one day.

I think it was the Wood Memorial Arkansas Derby and the Santa Anita Derby.

Things like that, I think: showcasing the marquee events, bringing the racing that is high-level racing, quality racing into a unique bet type that connects the three into one bet.

It's a great thing to do.

Look, I mean anything that racing can do that's a little bit outside of the normal arena that helps make the experience better, of course it's a great thing.

I mean I think the key thing is for decision-makers to really look at the audience; know the different — as I said earlier — the different customer segments and try to look at it more end-to-end.

Think of them from the moment they arrive to the very end of the day. They're giving up, in some cases, huge chunks of time.

When we think of big race days, I mean some of these big race days start pretty early; they end late.

I mean I think Kentucky Derby day is — it's over eight hours. Everybody wants to go, but it's a long day.

That's on a different planet, right?

That's gonna get 150,000 plus people, but even if you take it down to whatever race track's big day might be, they tend to stretch it, have more races, make it a longer day.

Just kinda take yourself and put yourself in the customer's position end-to-end; how they're really gonna go through the day; how you can make it better.

It could be on the wagering side, but probably, it's more on the experience side with other things that you can do.

That's why I talk about comfort, whatever comfort could be.

At Saratoga this year, I went back for the first time and there was a Shake Shack there.

Sounds like a silly thing, but I thought, "Hey, that's pretty good," especially when I looked at the prices and they weren't really too far out of line.

I think it's something that — people were queued up like they would be probably at any Shake Shack, but that's not a bad thing to do.

I mean you're taking something that's popular and when you think of the food and beverage experience at a race track, well, shake shack is a brand they can identify with.

It's a small thing, but it's those little small things that really do add up.

Depending on the race track — whether it be thoroughbred or harness — the budgets, the resources; there's some things you can and cannot do, but to think as intelligently as you can to make it count.

Whatever you can do to make the experience better, I think that's really something in more the — as part of the overall mission statement that is something that is really necessary in this industry.

Mr. Steve Byk: In conclusion, to pull together I think everybody's overall sentiment, we have the most interesting gambling product there is; there's no question about it.

Wrapped around that gambling equation is an atmosphere that is like no other; an atmosphere that's electric; that's frankly dangerous.

That doesn't necessarily play well in today's society uniformly, but the reality is that virtually on a universal basis, racing has an appeal that is constant.

There's a formula and a process of introducing the sport to people of all ages, but in terms of utilizing what we have, getting people to experience it and then that learning curve that draws them in.

If they get attracted to it in their teens and 20s as a spectacle and a social setting; if they then are part of a scene in their 30s as their disposable income starts to grow and they can dabble in ownership and start to play the game and then as mature adults into their 40s, 50s and beyond, they become serious players.

That formula hasn't changed since the absolute origins of the sport.

They're not going to change and I think that — frankly, I think that race track management and industry management at large is in tune with all of this breadth.

They're trying to do everything they can to introduce the game to a new audience with the hope and expectation — which I think is reasonable — that we'll convert them into horse players.

Those of us that our existing horse players, it's incumbent on us to try to bring others in and introduce the game and help them learn what is the toughest — it's easy to pull a slot machine lever or sit there and have blackjack cards thrown at you.

This is where people who wanna apply their brain to their gambling.

That's our best asset, the problem-solving mind and there's always gonna be people with that kind of mentality and that kind of personality: the thrill seekers.

This is a product that is never gonna stop being appealing.

We just I think all do what we can to try to spread that message and the appeal does the work for us.

I wanna thank Mike and Amy and Bill and Peter and all of you for joining us.

I think racing knows exactly what it is; everybody individually knows what it means to them and spreading that message is our responsibility, so thank you.

Speakers: Thank you.

The logo is a circular seal for the University of Arizona Race Track Industry Program. It features a central illustration of a racetrack with a horse and jockey. The text 'UNIVERSITY OF ARIZONA' is at the top, 'RACE TRACK INDUSTRY PROGRAM' is at the bottom, and '1912' is on the left side. Below the seal, the text 'COURTESY OF UNIVERSITY OF ARIZONA RACE TRACK INDUSTRY PROGRAM' is displayed in a bold, sans-serif font.

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