



Race Track Industry Program

39th ANNUAL SYMPOSIUM ON RACING & GAMING

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THE GROWTH OF WAGERING "ON THE GO"

MODERATOR:
Nick Nicholson

SPEAKERS:

Joseph Asher, CEO, William Hill US

Ray Fok, Executive Manager-Digital Experience and Information, Hong Kong Jockey Club
(via Skype)

Walker McBride, Director of Digital media and Sponsorships, Del Mar Thoroughbred Club

David Turner, CEO, Parallel 6 Inc.

Mr. Steve Barham: Like to first of all thank our sponsors. XpressBet was the sponsor for the break. Racing and Gaming Services is sponsoring this panel, and for the luncheon that starts immediately after this panel, right next door, and you can go from this panel straight over there, AmTote International. I'd like to introduce our moderator for this panel. Not quite yet.

[Laughter]

He does mind now, okay? Nick Nicholson, probably most of you know him, but I want you to pick up your program, look under his picture and under his name and you will find no title.

[Laughter]

Look up here at him and you will see no stress.

[Laughter]

Nick, as many of you know, has filled a number of roles and positions in this industry, and we're excited to have him back again as a moderator, a speaker, and I'd like to turn the panel over to him.

Mr. Nick Nicholson: Thank you.

[Applause]

Good morning, everybody. Thank you. Good morning. My first one of these was 1981 so I've been goin' to 'em for a while. I didn't realize how hard it was to get ready for a 10:50 a.m. panel.

[Laughter]

This would have been the tenth meeting. I think this is a very relevant topic. I was glad that they picked the topic and the panel. We live in an age where the future comes so fast. Today's big idea is tomorrow's castoff. It happens so quickly. These opportunities of communication that we have, both tangible and things that we hold, things that are in front of all of you, and then the intangibles that go with the products monthly are increasing at a rate that a generation ago was not even imaginable.

Every person in this room, virtually, has something in front of 'em or something in their pocket right now. During this panel you will email, you will text, you will read, some of you will shop. You will communicate around the world at the same time you're listening to this panel. The lesson should not be lost on this industry. We must communicate with our patrons in the manner in which they wish to be communicated with. That means these devices. So the idea of wagering with mobile technology and with new technology needs to be forefront in the planning of the — of all of what all us are doing, no question about it. When ABC *Wide World of Sports* had a saying when they had a slogan when they would introduce the *Wide World of Sports* each week and it would start with spanning the globe. I always liked that phrase and the people, the good folks at the University of Arizona have done exactly that in preparing the speakers to this panel.

We're gonna start off with Ray Fok who is the — one of the management — key management part of Hong Kong Jockey Club. For those of you who have never been racing in Hong Kong, it's worth the trip. If you're in that part of the world it's worth the effort. No one does it better than the Hong Kong Jockey Club. If you follow international racing you'll know that this weekend is their International Races. I had the privilege of being there for the first few of them years ago and it has grown into one of the great festivals of thoroughbred racing worldwide. So the fact that Ray, in case you're wondering and you haven't punched up on your iPhone or digital device or ask Siri what time is it in Hong Kong? She will tell you its 2:00 in the morning.

So we have Ray.

[Laughter]

Look, he's even smiling. I don't know — I don't know whether he's just coming in or whether he had to get up. We'll have to ask him, but he had — Ray is a bit involved in the technology and digital industry before there was one. He was an early with Yahoo. He's worked in Chicago, in California. He is deeply in all things digital with the Hong Kong Jockey Club and Ray, we really appreciate the fact that you would be here with us at 2:00 in the morning. With that, without going on and on, I'll turn the panel over to you and let me start off by saying good luck this weekend. I hope you have a — and I'm sure you will — great weekend of racing. Ray.

Mr. Ray Fok: Thank you. Thank you. I need to look. Let's get started with the presentation cuz I don't want you — cuz I have a lot of things to go through with you guys, so let's go for the PowerPoint. Next slide. Today I wanna go through five items with you guys to give you guys a overview with the Hong Kong digital marketing landscape and give you guys a taste on how mobile device in Hong Kong, as well as the Hong Kong Jockey Club

background, things that we have done, and also the digital journey. This is something, is kind of a long journey, way, way, way before I joined the Jockey Club just a month ago.

The last thing is I wanted to talk about the smartphone application focus. This is the focus that we've been putting our efforts in this platform device. I now actually call that internet enabled devices now, since a couple years ago. Let's get into it.

Next slide. This is the Hong Kong digital market landscape. We have around 7 million Hong Kong citizens in Hong Kong. The mobile phone subscription and the mobile phone penetration is substantially higher than most other places, especially the smartphone penetration. Now we have in the figure is 100 percent pass on mobile phone penetration, but the latest figures I can share with you guys is over to mobile devices per person in Hong Kong.

Next slide, please. Having sold many phones and so many subscribers in Hong Kong is a good thing. More interesting is, if you look at the demographic with the youth and also the application user is very high. We have 80 percent — 86 percent have download application. 77 percent of them use mobile application while commuting, which is essential for the folks in Hong Kong, cuz most of the time we go to work and come back to work, it really does take up a lot of time. The way that we commute is we don't necessarily drive. Most of the people taking public transportation, and that's — actually that's a good time to catch the people who's in commute. Also, there's a huge growth opportunity of smartphone, especially when the first iPhone appeared in Hong Kong back in 2007. Okay, this is the background of Hong Kong.

Next slide, please, and the next one. Hong Kong Jockey Club, this is going into the background. For those who don't know Hong Kong Jockey Club, we have the sole authorized operators of three wagerings entertainment in Hong Kong. Horse racing is the largest one and followed by football and mark six lottery. Horse racing betting has been in Hong Kong for over 100 years, so it's been a — it's an old industry. Football betting is something that I will touch on in the later part of my presentation, cuz this is the part that actually had been quite successful with the mobile or portable devices.

Next slide, please. In this slide, having three different wagering entertainments in Hong Kong, you guys probably will wonder what exactly is the turnover we're talking about here? In 2011 through '12, we had turnover a little bit above \$17 billion US dollar. The betting account holder is also increased substantially to 1.9 million users. If you remember the figures that I mentioned, Hong Kong has around 7 million users, and close to 2 million of betting account holders in Hong Kong. This is a very substantial number.

Next slide, please. This is the pie chart that I wanted to indicate. Since we have a lot of people in Hong Kong, 7 million, and close to 2 million account holders, and contributing to close to 18 billion betting turnover, and of course the first thing we have to think about is where the money is coming from through different channels. So we looked at the channels splitting here. This is a very recent figure. Cash back is contributed to around 30 percent of them. We have over 100 off course betting branches in different areas in Hong Kong.

And telebets, we have 4,900 agencies doing the telebets which is the people who call in and place a bet. The significant piece in here the interactive services. We have 62 tote channels including internet which is the browser, as well as mobile applications for Androids and iPhones. We have a little bit over 43 percent of the betting is coming from interactive channels.

Next slide, please. Next slide. Okay, so we know the channels where they came in. Now this is the performance of the digital. Up 26 percent turnover versus last year and, okay, 43 percent of the turnover share. One important thing is the smartphone betting application has achieved eight percent share in the first year after we launch, so this is a very significant share of the smartphone movement here.

Next slide, please. We're going through the — some of the works that we have done and things that we have accomplished. We launched two native applications within six months. To most people, this is actually also one of my question when I talked to the Jockey Club several months ago when I was interviewing there, was well how come you guys can — I mean, how can Jockey Club can deliver applications in such a short time? We actually had a very rapid development process that we roll out applications quite quickly because the market was growing really, really fast back in 2011. So we had two apps that launched.

Next slide, please. Also quickly, after we launched them, we have 1 million downloads of those applications. This is a very substantial amount of people who downloaded those apps in such a short time and were able to contribute such a high turnover share among this platform. Next slide, please. This is one of the awards that I wanted to show you guys. Next. This is another couple data points. There are two slides of this to talk about accomplishment on the achievement that we have in the first 12 months. Hong Kong has 18 percent popu — the population that is 18 years old or older is around 6 million, and with betting account customers around 2 million. The betting penetration rate is now over 20 percent.

Next. This slide we talking about the Hong Kong 2011, the GDP. The GDP is around \$234 billion US dollar. As I mentioned in the first slide, the Jockey Club, the betting turnover is around 18 billion, is substantial. Eight percent turnover coming from mobile betting applications which is the interactive services that I was talking about, okay? Next slide. Of course, the digital journey doesn't happen in a few years. It actually happened since 1988 when we first start building these interactive services. So Rome wasn't built in one day, okay? The journey starts almost two decades ago.

Next. The first decades, back in 1988, this is the first interactive handheld betting device that we have, and of course, there wasn't anything internet or wireless back in those days, so we used a telephone socket. Back in 1997 we already have 17 percent turnover share from those. We have over 90,000 users by 2001.

Next slide, please. This is the full-grown map that we have. Going through 1998, we have 2000, 2004. If you look at this, you probably will see that there's a quick change around 2011 when the iOS and Android happened. Keep that in mind. That's already three, four years after the first iPhone was launched. So we are not the early comer in terms of the applications for the smartphone, but we done this very quickly. We launched that, we realized that the lack of applications out there for our customer, we quickly build those applications.

One thing I wanted to talk about is the, in 2012, we have the iRace. We use a very same in the service is offering to create iRace. It's a digital race and booklet for novelties to learn how to pick up horses. In the middle screen you probably see kind of like a base kind approach to make it more interactive, more entertaining. The gaming value is much higher. Also, the speed mapped on a third screen, on the iPad. It actually showed the horses, how they will perform after the 2-300 miles — 2-300 meters after they get off the gate.

Next slide, please. Above all, which to young customers is really our priority here? So young customers thought on one product a lot relevant to lifestyle: too difficult to learn, too much information. Those are the common things that we find from our younger audience, to find the — how to get onto horse racing. Next slide, please. Again, when I talk about the to making it easier and simpler and making more intuitive to the — especially to the young audience, we put one ingredient to that, is to gamify it, to make it like a true entertainment, like a video game.

This race simulator, I'm going to talk about this for a moment and then I will give you guys a video how exactly it works. Basically, the horse racing simulation system is for customer to manipulate the performance of — tweak the performance of the horses and the race performance. Then they will see this computer animated race to show how it will perform if you tweak some of those parameters. It will give you the bird's eye views up on the top.

The next slide is I like to show you guys a video. This is a couple minutes video so you can get a taste on how actually that will work. Please go ahead and play the video.

[Video Plays]

I hope you guys enjoyed the video.

Mr. Nick Nicholson: Ray, can you hear us?

Mr. Ray Fok: Yes.

Mr. Nick Nicholson: You're sort of fading in and out on your microphone.

Mr. Ray Fok: Okay.

Mr. Nick Nicholson: The okay was good.

[Laughter]

Mr. Ray Fok: Is it better?

Mr. Nick Nicholson: Yes.

Mr. Ray Fok: Okay, sorry about that. It's too late here, so

[Laughter]

the internet access is also tired.

[Laughter]

Let's get into the next phase, what we are going to think about is to we're gonna continue to optimize for our iPad experience for our customer. First thing we thought about is to really connect it with social media. In the mockup here you will see is once you compose a message along with a bet line, you can quickly, just a click a button away, you can post your information to your Facebook or Webok, which is the microboc that is very popular here in Hong Kong, to share this information with your friends.

Next slide. Again, this is another launches that we have is to have a live broadcast, so of course people who wanted to see the information, they're definitely wanted to see the live racing on their iPad applications. So this is definitely something that we move forward with. Next slide, please. Back to the journey that we've been talk about, so I wanted to highlight one thing in 2012. We have the iRace, we have the simulator, as well as the iPad experience. Those are the three items that we are going to focus on for the rest of the 2012 and moving forward to 2013. The iPad application is definitely something that we will continue to develop, as well as the simulator and the iRace. Those are the two more fun and young, for the young audience. We are gonna continue develop those, as well.

Next slide, please. This is the — we wanted to really emphasize smartphone application is definitely part of the Cup's strategy in terms of the overall digital. If you look at the diagram, you can clearly see the mobile devices, it's really getting bigger and bigger. We do see the growth ways even bigger, especially for the football sandwich, to people who play football.

Next. This is the — quickly wanted to highlight the three areas for the smartphone application focus.

This is the last part of the presentation and actually, this is the — one of the focus we wanna talk about is we talk about the things that we've done for smartphone and also some of the focus that we wanted to do. We wanted to really have three focuses, is to make it efficient on transaction. Making transaction as easy as possible for user who wanted to place a bet and also enrich the information. We call it infotainment which is providing entertainment value as well as provide valid information to the customer. Also target our rich, so we want to reach the right audience. Let's go through this quickly.

Next slide, please. Next one. Oops, the one before. Sorry. Can you go back? Native application. So this is talking about how to optimize the navigation experience. You probably see we have multiple apps. We have multiple wagering surfaces and we definitely wanted to improve the user experience by providing them very consistent navigations throughout different devices. This is something that we definitely wanted to do for having like three in one: football, mark six, and horse racing. Universal transaction efficiency, bet pays in an account management, all the way to personalization. This is something that we certainly see the need for personalization. We realize not all the people doing and betting in the same manner, so we wanted to provide very robust personalization to the users.

Next slide, please. This is just a quick functionalities overview of what we have today. We have the back slips at the top. The little yellow area is the back slip that it will slide out that will show you the full bet in all that you have, and also the three products as mentioned, the racing, football, and mark six. And also the sorting features. The features in real-time information, as well as the account management down at the bottom.

Next slide, please. This is the gamified wagering experience. This is the quick pick gamified, and so this is the little UI that we've done out back is you just swipe your finger left and right. The six number will randomly show up at the bottom. If you like it you put it in your pay slip, then you can continue to finish your order.

Next slide, please. As mentioned, to make the horse betting experience more intuitive and easy to understand for the youth, we actually completely do an overhaul on the information layout. We choose the — kind of like a baseball card approach to put the horse pictures and also the information about the horses, including commentaries, the live odds, and also the last seven runs results. All in the card format that is very intuitive for the user to look at it

at a glance and kinda figure whether they wanted to go for this horse or not. This is from the information design part where we did an overhaul on some of the information display.

Next slide, please. The last one is target. This is — we need to talk about how we wanted to target our customers. We provide certain personalization on it, so one is to viewing the jackpot push notification and location-based features on an external application. The jackpot notification is someone people can set up what they wanted to get from us and then we will push those information to them. Location-based is for someone who look for a branch who wanted to open an account or to place a bet. They can use the GPS on their mobile devices to find our local branches.

Next slide, please. This is also the last slide of my presentation, is to really talk about how we collaborate and maximize our reach. This is kind of like the core branding in the marketing terms. We collaborate this with other trading applications. We provide the live stock market info, post the mark six draw info, and the live football and racing odds. This info is going to be all integrated with other parties' applications. This is the other way to leverage what the assisting apps out there, to outreach, maximize our outreach. Next. This is pretty much all for my presentation. Do you guys have any questions?

Mr. Nick Nicholson: Thank you, Ray. Are there any questions for Ray? That was an amazing presentation, I'm sure you'll all agree, and as you look at those slides and think about the numbers it's staggering what they're doing and it's a great example to the rest of us. I remember the first plug-in telephone devices from the late '80s and early '90s, and we thought that that would be as good as it ever needs to get.

[Laughter]

Thought that was gonna be the all and end all, and it looks like a buggy right now. Ray, Bill Nader has many friends in this audience, and if you could give Bill Nader our best wishes for this weekend for the International Races and Winfred, of course.

Mr. Ray Fok: Certainly I will do that.

Mr. Nick Nicholson: Thank you, thank you.

Mr. Curtis Linnell: I just had one quick question. Sorry.

[Laughter]

Mr. Nick Nicholson: Okay, Curtis. Go ahead.

Mr. Ray Fok: Yes, go ahead, please.

Mr. Curtis Linnell: I noticed you had an in-play application on the smartphone for football. What is the mobile penetration number? How high does it go for the in-play betting as opposed for the passive betting? Thank you.

Mr. Ray Fok: Wow. That's a very good question. I just got a number last week on this one. For in-play was the turnover contributed by in-play through mobile devices is over 32 percent if I remember correctly. For passive, is around in the 20s if I remember correctly. So in-play is definitely super high and we actually do see the percentage will grow even higher if we provide more content for customer. Right now our football application doesn't

go by much football content for the customer, so — but we do foresee it will be a substantial growth on the in-play for football.

Mr. Nick Nicholson: Thank you. Thank you, Ray, and we will try not to abuse you. We'll let you get to sleep. Thank you for joining us at 2:00 in the morning.

[Applause]

Thank you.

[Applause]

Our next speaker is Walker McBride who will have a co-presenter with him. Walker is a key part of the very progressive management team at Del Mar. He's had a number of titles through the years. He's worked in broadcasting and communication departments at Del Mar, and he currently is the director of sponsorships and digital media. We're excited about having Walker here today, and there is no doubt that Del Mar has been one of the more progressive and advanced race track management teams in the country in this area. Walker, bring us up to date with what you've done and doing at Del Mar. Thanks for being here. I should say he's a graduate of University of Arizona, too, probably I guess.

Mr. Walker McBride: That's right, that's right, Bear Down. Thank you, Mr. Nicholson. Thank you, RTIP, for inviting me back. I was on a panel last year as well. It revolved around reaching and teaching the younger horse players of the United States and North America. So you might see a slide or two from last year, but I really tried to tweak it up and adjust it primarily for mobile. I hope you walk away with some understandings of what Del Mar is doing and how we're positioning ourselves for the future.

This was a slide from last year. It spoke to — I had a number of slides about the year 2015. It was an impressive number that jumped out at me, but I went back and looked at Juniper Research, and they've subsequently updated their number for 2017, so you see there's a jump: \$35 billion in two years for North American wagering. A lot of that is being heavily invested by Las Vegas. They're going beyond their brick and mortar borders of casinos and a term called geofencing is very important to them. It's something we're looking at very closely at Del Mar for alternate ways to expand our signal beyond just the infrastructures of Wi-Fi, as well.

About ten days ago, or so, we had Black Friday and then we have Cyber Monday. Just an interesting stat that I found that I wanted to share with you guys, as well. You see the growth is happening, obviously online sales, but more specifically with mobile transactions, as well. I mean, that accounts for well over \$440 million on one day, so I — obviously, 100 percent growth. That's a great trend and hopefully that continues and hopefully that can be tied in, and it's a good sign for us for — specifically for race tracks, but also for other mobile providers when it comes to transactions.

Allow me a metaphor, if you will. We are Del Mar. We are right by the race — right by the ocean. We — as Ray so eloquently put it with all of his numbers and facts and figures, I'll try to do my justice when it comes to a metaphor, there's mobile growth that it's coming, it's impending. It's this force of nature, and we're right now trying to grapple with it and figure out how to harness it. From an individual standpoint it can be a little bit daunting. From a company standpoint, I think it really needs to be built into business plans or else the cost can — or the cost of business of ignoring it is going to be — it's not gonna be good if you ignore mobile.

My last metaphor when it comes to an actual wave is the fact that there is this giant mobile surge coming towards us, and if you harness it correctly there's mobile success to be gained. What's needed, though, is the support staff. These giant wave seekers, it's not just them paddling out, cuz there's no way they could get out there and overcome this surge and this force of nature. They need jet skis to tow 'em out, they need support staff there in case they wipe out, so it's a fun ride and hopefully it's a ride that we can all jump on if we do it correctly and we game plan correctly and we educate ourselves correctly about mobile, as well. No more metaphors.

At its core, mobile wagering is just — it's a transaction. It's a mobile transaction. It's pretty unemotional, but successful mobile transactions come from a trusted source every single time. You have to realize that this is someone's money and you better realize that this is someone's trust, as well. Some of the mobile leaders, the sectors as well in the industry, banks obviously, they're dealing with money, they're dealing with transactions, and they have to be right every single time, whether it's your app on your phone, if you have Bank of America, USAA. If you transfer funds, if you pay for things, you — it better well sure go through, and if not, then you're gonna change banks or there's gonna be some serious ramifications.

The number one online retailer for mobile is Amazon. Starbucks battles with Wal-Mart, but currently they're the number one brick and mortar retailer for mobile wagering, or — mobile wagering —

[Laughter]

for mobile transactions, as well. The last one you see is the logo for airlines. While mobile wagering and mobile transactions isn't at the core of what they're doing, what they're really trying to do and investing heavily in is the mobile ticketing and mobile redemptions, as well. You might see some people occasionally bring their smartphones and utilize those as ticketings as they check in, as they make their way through the terminal, as well. That's something that we're looking at closely at Del Mar from a race track standpoint in figuring out just the ease of overall customer experience from wagering to operational things such as ticket purchasing and redemptions, as well.

A mobile model cobbled up not purely on my own, but by looking at a bunch of different people's understandings and sayings about it, but something, you're only as good as your last transaction, I think you're only as good as your next transaction. What this speaks to is that your early adopters when it comes to signing up for mobile wagering, signing up for the Del Mar mobile app, are your best third party endorsers. There's the ones out there sitting in your grandstand with people looking over their shoulders asking them questions, and we better make sure that we do it right because they're gonna be our best advocate, our best proponent.

Or they're gonna be our worst critic. They're gonna tell everyone how horrible this app is and they're gonna junk it and they're gonna go back to their tried and true traditional methods of going to pari-mutuel or going to the self-service terminal, as well. So that's something that we constantly think about when we're in the midst of adding to our current mobile platform. It's always keeping the customer in mind and keeping that customer experience in mind along the way, as well.

As Ray said, in mobile, the move to mobile has been going on for quite some time, so several years. If you would have asked me two, three, four, five years ago I would have

said that the need to look into mobile, the need to invest in mobile or to incorporate it into your business plan was a luxury, not a necessity. I think in that spectrum now it might be right in the middle, maybe even leading — leaning, excuse me, a little bit more towards the necessity part of things. You need to analyze your business, analyze your fans, analyze their experience and understand, is it worth sinking money into mobile? Is it worth investing money into mobile? How will it change my customers' experience, and what ultimately are some of my goals for it, as well?

There just are four of 'em here that I jotted down, and we had a laundry list for ourselves, as well. It's what do you wanna get out of it? Do you just wanna build an app and say you have an app? Cuz there's 800,000 apps out there and that's great to say it, but it's what do — what are the return on investments? Is the saying, but it's the saying for a reason, so is it from a marketing standpoint, is it from an operational standpoint, is it from a wagering standpoint? And obviously, the topic here that we're talking about is, at its core, it's about wagering and so you can build from that, as well.

Not in any order, but here was kind of the four biggest ones that Del Mar ended up with, if you will, for the reasons to go mobile. The first one obviously has much more of an operational slant. The second one has much more of a financial and pari-mutuel slant, and the last two, it's a marketing slant, as well. Well, the core is the second one, and obviously we never wanna see someone get shut out at a window, especially if this opportunity's available for them. It doesn't make any sense if it's a clunky design, if people don't think it's cool, if people don't wanna utilize it, as well. So it — there's not one top one there.

Obviously the one that our CFO likes the best is the second. If you ask our marketing team, we like the bottom two, as well. In all, it's just kind of a combination of all four of these, and four of these were the reason we decided to go into the mobile arena and also continue to expand in the mobile arena.

We — our industry is steeped in tradition. Del Mar, Keeneland just celebrated our 75th anniversary for our seasons. We built a whole campaign around it and it was very successful, but at times when you say tradition it butts heads with innovation and technology. Sometimes the philosophy — it's always been done that way — is thrown back at you which you've gotta find creative ways if you're in the IT department or the agencies that come with new ideas to show reasons why mobile is a viable business strategy, as well.

To do that, it's not a matter of just hiring someone from IT or hiring an agency and compartmentalizing those people in the corner. They need to be woven into the company's DNA. It needs to cascade across all of the departments within the — for Del Mar's sake, even to the front line employees, they need to be well educated when it comes to mobile because they're the front line and they're the people that are gonna get asked questions so you need to arm them and educate them. Just — they're gonna serve as your conduit to that first-time person that's on the fence about whether or not they wanna upload the mobile app and why should they? What's the advantage of it? So as you see here, in my world, mobile's the core. It definitely touches on these three elements most importantly, but it also, like I said earlier, cascades over to other areas in our business, as well.

Like I had mentioned earlier, you build an app, that's great, but that's just the start. There's a sea of apps out there. There's — it could be overwhelming if you try to search for certain apps, as well. When someone downloads your app you have to make sure that you have everything set in place. You have to look at your infrastructure. You have to look at your facility. If I download the app and the first day that I'm trying to utilize it, I get no connectivity to it, it's useless. So you have to make sure you have established either

geofencing or with access points, you have to make sure your IT team is in tune with you, as well, and you have to, from the get go, have a great relationship with your agencies that develop the app. Tote company is very important because at the moment of truth, after they've researched all this information on your app, on our app, you hit the bet now button, you've gotta make sure that that transition or that transaction is just as smooth as it is if you're walking up and talking to a pari-mutuel teller or walking up to a self-service terminal, as well.

Really, I touched on it before, so you have all this set in place, but you really need to educate everyone in your company because they're all walking ambassadors for this. There's gonna be people that come up, and technology really is only as great as the people that act as the conduits and your employees that act as the conduits for it, because they're the ones that are gonna be educating that first-timer or educating that person that loves it, but has questions about it as well. Del Mar does, to the credit of our marketing team, do fan forums, ask for feedback, do exit surveys, as well. Obviously, they're not all great and most of 'em tend to speak about the price of how expensive beer is, but there are some nuggets in there that do help us mold this and change it in a way where it's more—the interface is more consumer friendly.

One of the other topics was mobile trends. At its core, it's wagering, but some other things down the road that are very exciting from Del Mar's standpoint are effective messaging and e-ticketing. To put that into context, I'll give you an example. We're known for concerts. On Friday night, let's say John Smith is driving on the 5 freeway which runs parallel to Del Mar. We know that he's been at Del Mar before for a concert because he has our app and he's checked in with the app before. We can send him a laser-like marketing message and let him know that Weezer is playing and he loves Weezer, and so decision made. I'm coming to Del Mar. He pulls into the parking lot and right there he hits the push notification which takes him to the online ticketing option and he can purchase his seats, bypass the will call window and head right up to our turnstiles and show his phone and he's off for a great ride and a great night.

So that's the future. That's the ideal situation when it comes to us and where we ideally hope that we go. I've talked with some of our partners, our sports venue neighbors: the Chargers, the Padres, some of the other mobile venues, and none of them are close to this, as well, so we always kind of get dirt kicked in our face when it comes to our industry in compared to the big four, but I know from locally we're light years ahead of them when it comes to mobile technology and the mobile advancements and innovation, as well.

Lastly, obviously take inventory. When it comes to successful venues to look at, don't look at the billion dollar Jerry Jones Stadiums or don't look at the new major league baseball stadiums. I would look at some of the more — I would look at retailers. I would look at restaurants. Target does a very effective job of having their own app and having their own online coupons when you walk by an item in their store, as well. There's different ways to compare what your race track is doing in comparison to other models, as well, besides just the billion dollar stadiums out there. Please don't go all in cuz we — it's a matter of learning with trial and error. Just test it, make sure you test it again. Understand feedback that you get from it, and then adjust accordingly from it, as well.

Lastly, we — over these last two and a half, three years, I've taken probably 100 phone calls and emails about agencies that have given us this magic pill for all things mobile, and they're gonna come in and triple our attendance and triple our mobile — or triple our wagering and triple our handle, and honestly, they know nothing about our industry to the extent that we knew almost nothing about their industry, as well. Quite frankly, a lot of 'em

were condescending, so that's no way to start a relationship. But one of the companies that we did find that actually talked to us and wanted to learn about our industry and was a smart agency from our standpoint as well was Parallel 6, and the man sitting to the left of me, David Turner, who's the CEO, so I will turn it over to him to talk a little bit more about the back end and the X's and O's for mobile wagering.

[Applause]

Mr. David Turner: Thanks, everyone. I've been working now with Del Mar for six or eight months. My mother's 70 years old. We play Words With Friends together. She has an iPhone. She'll probably watch this video on YouTube and scold me at some point. I wanted to talk a little bit about mobile trends and then a little bit about our experience, I think, with Del Mar as we learn more about this market. It wasn't too long ago where if somebody would have asked if you would be dialing and making a phone call on a piece of glass that you would have called 'em crazy. We all do it now. I see iPhones all around the room.

One of the things that I took away from Ray's presentation is that they were making changes to the different devices about every three or four years until 2009, and then they started making the changes almost every single year it seemed, iPhone, Android, he had Blackberry in there. He had the iRace in there, etcetera. This industry's moving very, very quickly the way that people are consuming information, the way that patrons are transacting is changing on an annual, sometimes biannual basis. Things are moving so fast that the need to understand how those patrons want to consume information and how those patrons want to drive through a transaction is critical, it's paramount.

I thought I could outline a few details with my experience with Del Mar. We built and deployed the mobile app in 18 days. It was a great

[Laughter]

experience. We did probably the fastest creative design ever. We had three goals to make it — the first goal was to make it feel like you were driving a Bentley. The second goal was to produce a sensation of smoking aged Cuban cigars. And the third goal was when a patron was in the app to make them feel the sensation of tasting a nice glass of Lagavulin Scotch. That was how we moved forward with the app.

We had about 30,000 downloads of the app. The race days were 37 days at Del Mar. In those 37 days, we had a lot of conversations about wagering and about putting wagering at the center, and we had 55,480 clicks on wagering during those 37 days. 55,480. What we learned was that we had a lot of other things that we built into the experience, the patron experience that really led them to that wagering button. For instance, we had 45,102 clicks on picks. We had 95,266 clicks on videos. Race details had 223,633 clicks, with 55,480 clicks, again, just on wagering. Over those 37 days the usage was 11,337 clicks daily within the mobile app. These are pretty staggering numbers.

What I learned from this, and what Walker just spoke is that the experience of mobile wagering, although ultimately it's clicking a button or it's walking up to the counter and it's moving through that transaction, the experience starts with awareness, moves through informing the patron, moves through giving the patron a way to make a decision. The transaction, itself, and produces a sensation that allows that patron to actually repeat. That's kinda where I wanted to finish today is that cycle of producing the awareness,

informing the patron, allowing them to quickly make a decision, allowing them to move through the transaction, and be a repeat patron over and over and over again.

I think — whenever I think about wagering or what I observed, that cycle shows up for me. It's interesting how quickly this is moving. We call this a phone and then we saw tablets and now there's the Samsung Note which is a little bit bigger. Some people call it a phablet. I do

[Laughter]

my best to predict the future on this, but I know the screen sizes are all changing and the ability to produce a strategy that moves through that overall wagering process to allow that to be frictionless, ultimately increasing the patron experience, increasing the overall transactions through the mobile handset, driving attendance, etcetera. I know that that mobile strategy has to be tight. It has to move very, very quickly, and it always has to be available on whatever the next screen size may be.

Mr. Walker McBride: One other thing that David was illustrated when he came to us and talked to us, you always wanna know who your customers are and you wanna know their behaviors and how to speak to them more and that helps greatly on other platforms, whether it comes to sponsors or how to market to them specifically. The app is allowing us to do that a little bit more, understanding how often they come, understanding after they come to the races what restaurant they go to, different things that he's explained to me that's blowing my mind and making me question if I should have an iPhone anymore and perhaps just turn it off, but

[Laughter]

it's exciting and it definitely allows us to really understand our patron and really cater towards them in a very laser-like approach.

Mr. David Turner: Thanks for having me.

Mr. Nick Nicholson: Thank you, thank you, guys. Very good presentation. Moving right along, we wanna stay on time. Our clean-up presenter this morning many of you know is Joe Asher. Joe's been a passionate race track guy all his life. At one point in time he was the youngest track announcer in the United States. He continued his education and graduated magna cum laude law school, is an attorney, and decided he'd go into something legit, became a bookmaker.

[Laughter]

Yeah.

[Laughter]

I've been waiting for days to say that.

[Laughter]

Moved to Vegas. The other one was being a track announcer is a good training to be an attorney. You have to not have a clue what's going on, watch it as it's happening and be confident on your feet that you knew it all along as a track announcer. It think that's — I've

never made the connection between those two professions. That's a great connection. But Joe is now the CEO of William Hill US, of all that William Hill's doing in the United States and it's a very important role, and Joe, we really appreciate you bein' here today. All yours.

Mr. Joseph Asher: Thanks very much, Nick. I appreciate the introduction. I'm kind of in a bad spot here because I have to follow some fantastic presentations that I personally found really, really interesting, and all with the knowledge that I'm the last thing standing between you and lunch.

[Laughter]

And also seeing Dale Romans get an award, very richly deserved, especially after winning the Breeder's Cup with Little Mike. I threw together a few slides and that's not quite honest. Actually, Dan Shapiro, who many of you guys know, did the slides. I told him yesterday that I was tired of people asking me how he's doin' so next year he's gotta make sure he's the one who comes, or we both come.

I thought it'd be interesting just to sort of step back a little bit and rather than focusing, initially at least, on our mobile experience and what we've seen, is just talk about the market generally, and it's fascinating, at least to geeks like me. I mean, there's over 4 billion mobile phones in use in the world and a billion smartphones. It's just astounding to me that in a place like Hong Kong there are more mobile phones than people, and that one third of the population actually has these accounts. Amazing to me. Global mobile traffic is now ten percent of the internet traffic. It's gone up 1,000 percent in just three years. I thought it was spot on when Walker sort of compared last year's data to this year's, and if we sit here again next year the numbers will be that much higher.

14 percent of mobile owners actually own a tablet, as well. I have an iPhone and an iPad and a Blackberry, so people have all different things and not just one. The multi-tasking point that Nick alluded to at the very beginning while, you know, people are checking their messages during these presentations. Most of the time when people are watching TV, they're actually using their devices. I mean it's an overwhelming number, 86 percent, so it's just — it's really astounding what we're doing with these mobile devices. Games, weather, maps are the big thing that people are using their mobile phones for.

The industry trend, sort of what are people betting on today versus a few years down the line and before people get to work, about where's racing? I think it's just subsumed within the sports betting number that Juniper put out. But you can see the expectation that the lottery, in particular, is gonna be the biggest grower in terms of overall share of the pie, but there's gonna be a massive growth in things such as sports betting and racing which will double in the next few years. Betting exchanges will still be a relatively small percentage, but nonetheless, growing nearly four times.

What is it that motivates people to bet on a mobile device? The first one I don't think is a big surprise, right? It's just the convenience of it. You can bet wherever you are. You can bet in this room. If this conference was taking place in Nevada you could bet a sporting event where you are. Easy to check your account balance, winnings, results very quickly.

Then what I thought was kinda interesting, the third thing that they've got listed here really goes parallel with "someone else is using my PC" down further is you can't use your computer at work for betting for one reason or another. Maybe it's blocked by the IT department or there's some other issue that would prevent you from doing it so you just use your mobile device. I think about that, too. There's things when I'm in my office that I

just wanna do. It may be personal stuff and I prefer to do it on my mobile device rather than doing it on my company issued telephone for one reason or another. So that sort of is the privacy point, but certainly convenience is at the top of the list, but it's kinda interesting to see what the other things are that people look towards.

As far as the William Hill business — and these numbers are from the European business cuz they're the published numbers, and then I'll talk a little bit about the Nevada business, as well. As a total of overall handle throughout the business 12 percent and a tremendously growing portion of it is done on mobile. That — William Hill's the biggest sports betting company in the world. There's over 2,400 betting shops, but you can see how quickly mobile has grown. There was 331 percent growth in the third quarter of this year. As a percentage of all account wagering, so the online business where you can bet on a PC or you can bet on mobiles now, 27 percent of it, and \$17 million is being wagered a week on sports with William Hill on mobile devices. There was a question earlier about in-play mobile betting handle. 39 percent of it is in-play. Obviously it's particularly suited to in-play and the ability to bet during the game and we're seeing that here in the US, as well.

The mobile sports betting in Nevada: a couple of points about it. It's only permitted within the state lines in Nevada, and there's a very big focus on the fact that the bettor can't be in Arizona. It doesn't matter if you're a Nevada resident; you can't be in Arizona and placing a bet with us or it's a violation of the Wire Act, so the devices are geo-located. We use a provider who does a fantastic job with it. I was sort of a skeptic at first and went up to West Wendover, Utah, which you can then walk across the border to Wendover, Nevada, and the device doesn't allow you to place a bet. Earlier I was showing it to someone and, yeah, we went through all the steps and you get to the point of actually having the bet submitted and it just doesn't accept it.

I think it's kind of interesting cuz the ADW business, by and large, there isn't this verification of where the bet is actually coming from. You may have to establish a residency when you sign up or maybe it's in the terms and conditions that the customer agrees that they're in a legal jurisdiction. One day there'll be an aggressive prosecutor, or maybe not even that aggressive, but a prosecutor who decides that he wants to do something about the fact. And what is it that people are doing to verify where the customer actually is? Not doing anything is, for my perspective, not very persuasive. It certainly wouldn't meet the standards that are required in Nevada where we've gotta show that we're checking to see where the device is.

That's really the fascinating thing about this, and Walker just alluded to it a minute ago. I read this guy, McAfee, who invented the antivirus software is sort of on the lam in Belize. He went onto some website or did something and some hacker figured out that he was at a precise coordinate in Guatemala just yesterday, and so that does make you sort of think — and that's why with Bin Laden and — you know, you take the battery out before you go to him. I mean, it's amazing what type of a data trail that we leave behind with mobile devices.

In our Nevada-based sports betting, and I mentioned this yesterday, it's the focus for strategy and for growth, a big, big portion of that is focused around mobile. We're advertising, we're getting' real aggressive in trying to sign up more customers, and importantly, it's all about dedicated resources. This can't be just one more job that somebody else has to do. It's gotta be a core focus of what people do. We're hiring specific people and looking for people to fill a mobile-specific role. A kiosk mobile-specific role is critically important, that it's not something that everybody is responsible for or one guy is

responsible for it along with ten other things. It's gotta be somebody's sole focus in order for the opportunity to be maximized, from my perspective.

Mr. Nick Nicholson: Thank you, Joe, very much. We have two, three minutes if anyone would like to make a comment or a question. Yes, the elderly gentleman in the sweater there in the front.

Audience Member: What is the latest on Apple's policy about native iOS operation on any of these gaming, betting, gambling apps?

Mr. Nick Nicholson: David, do you know, or Joe?

Mr. David Turner: Yeah, it's talk to Apple, get them to understand how you're moving forward with the wagering apps, and try to get their approval. That's the

[Laughter]

existing policy right now. There are several companies who are probably experiencing the same thing. There are several companies in Europe that have gained approval. There are several actively speaking with them currently to gain approval to try to bring that wagering more into the native app itself rather than a pass-through to an already existing mobile website or an already-existing wagering system.

Audience Member: So they all work through Safari now or through the internet as opposed to actual the mobile phone technology, right, with Apple? Is that what they require?

Mr. Joseph Asher: No.

Mr. David Turner: No.

Mr. Joseph Asher: No, that's not correct.

Mr. David Turner: Yeah, yeah.

Mr. Joseph Asher: The William Hill app is available on the App Store. There are a couple of others, as well, and as David said, it's about explaining to them what your app does and that it is legal in the jurisdiction in which it's being used. So they're not just Safari-type apps. For my perspective, clearly having an app that you download out of the App Store that's specifically designed for the device is very, very advantageous.

Audience Member: Presumably it improves performance tremendously, too, when it's in that mode, yeah.

Mr. Joseph Asher: Absolutely.

Mr. David Turner: Sure.

Mr. Joseph Asher: Better performance, better usability. I also think it instills consumer confidence, as well. I think people believe that something that's available in the App Store is something that is appropriate for them to be using from a technology perspective.

Audience Member: Thanks.

Mr. Nick Nicholson: Very good. Why don't we give a round of applause for all the speakers?

[Applause]

Really good panel. Lunch is next door.

[Applause]

And we're on time. Thank you very much.



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