

[http://jockeyclub.com/roundtable\\_replay\\_2011.html](http://jockeyclub.com/roundtable_replay_2011.html)



## 2011 Round Table Conference on Matters Pertaining to Racing

Video Replay - click on image to start  
(scroll down for agenda)



[Slideshow Part 1](#) (Flash required)

[Slideshow Part 2](#) (Flash required)

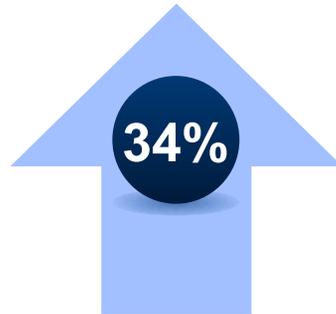
[Industry Study: Driving sustainable growth for Thoroughbred racing and breeding](#) (PDF)

[Transcripts](#)

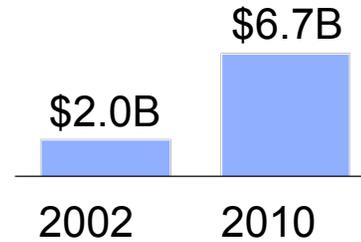
# Competition from other forms of gambling



**Total casino revenue  
2001-10**



**Racino wagers**



## Today



**Slot machines**

**854,000**



**Casinos**

**939**



**States with  
casinos**

**38**

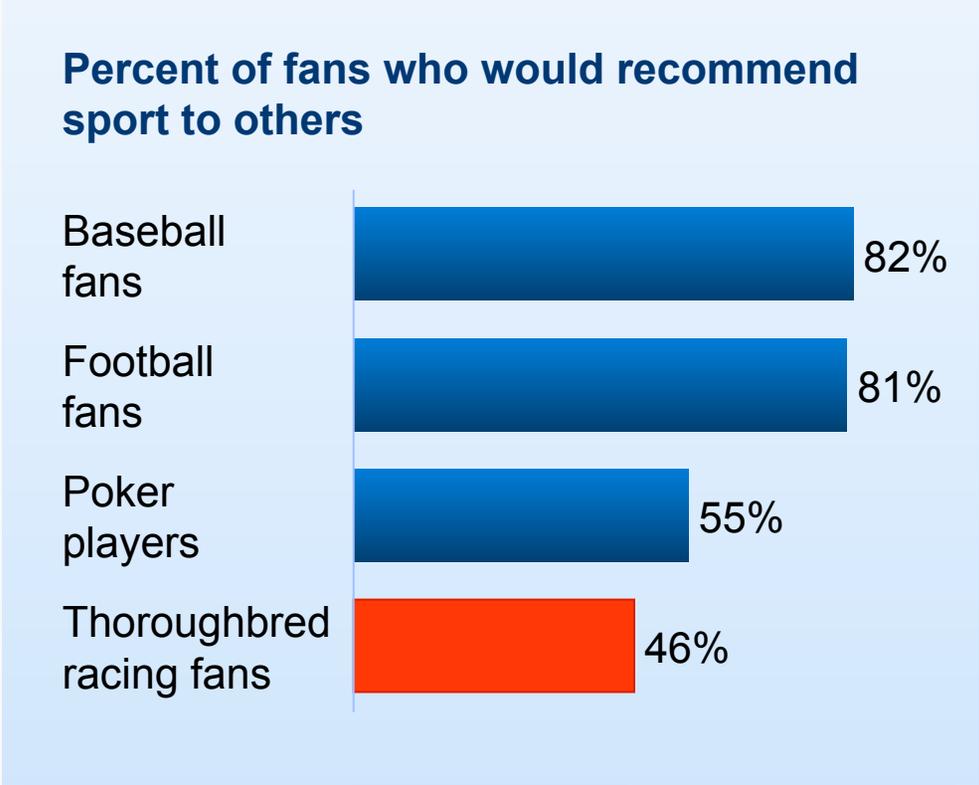
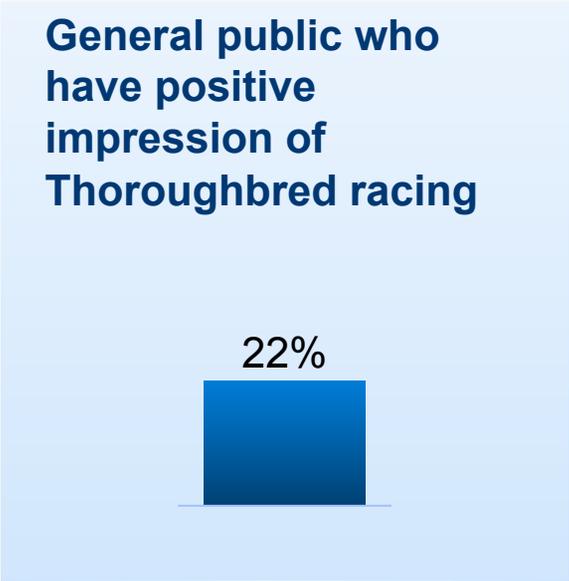


**Casinos outnumber  
racetracks**

**6:1**



# Thoroughbred racing struggles against a negative perception



**Thoroughbred fans are actually more likely to recommend baseball (81%), football (73%), or basketball (77%) to others than Thoroughbred racing.**

# It is harder to follow the star athletes

Annual starts per horse, all trainers



Annual starts per horse, top 100 trainers<sup>1</sup>

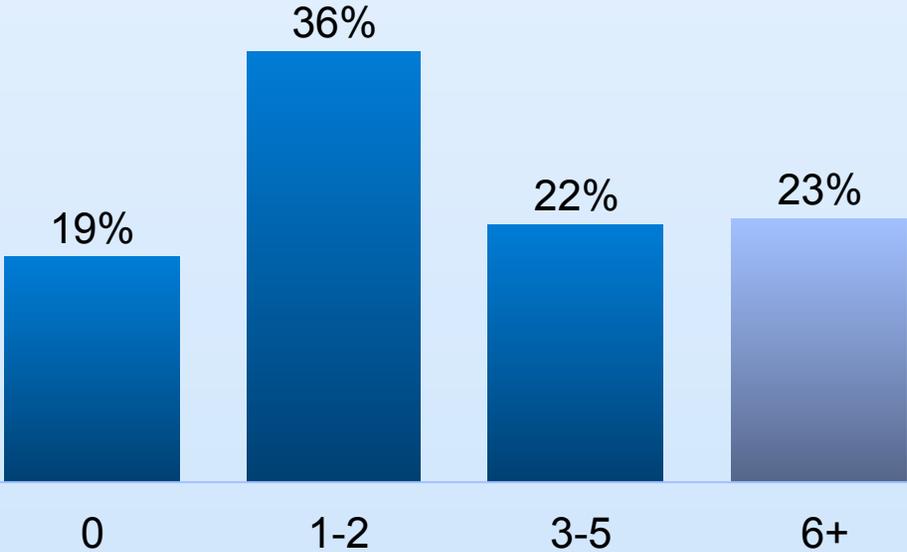


Lifetime starts for top three finishers in the Kentucky Derby



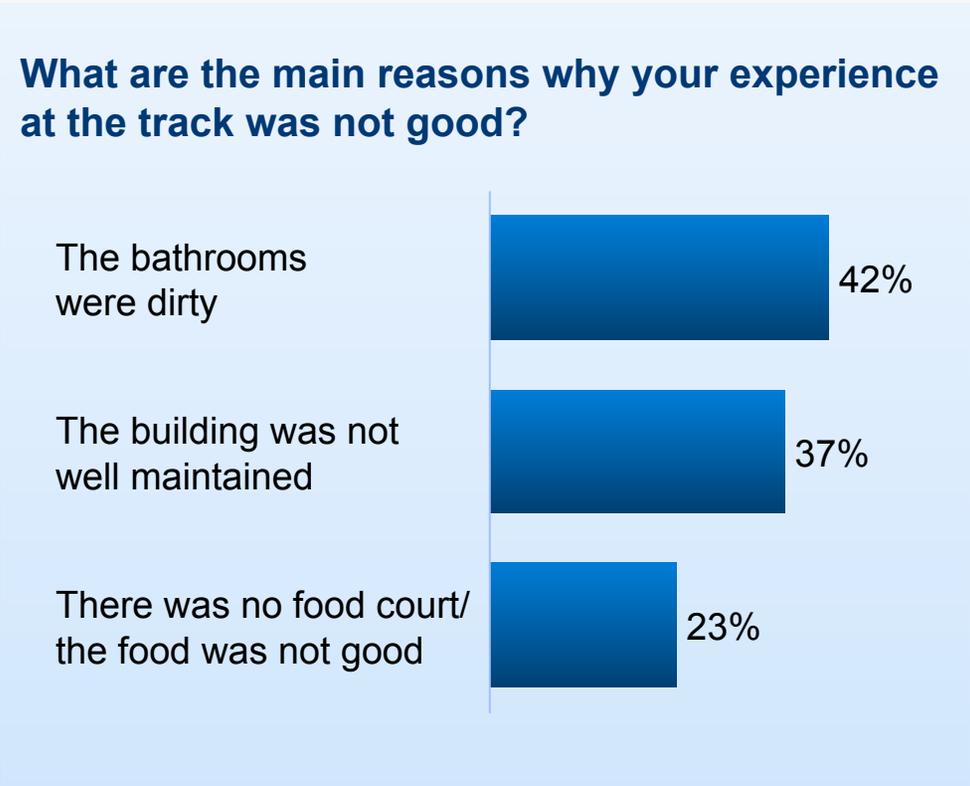
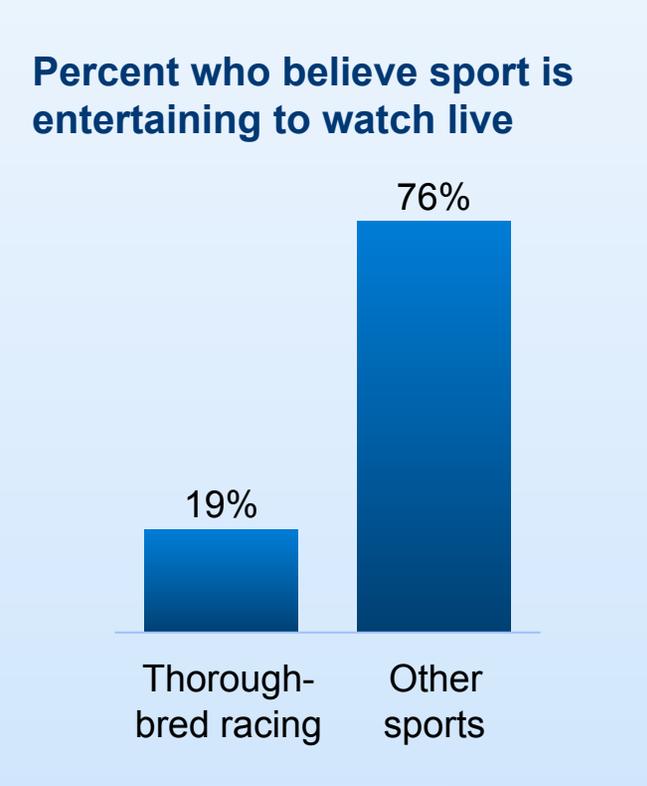
77% of races occur within 5 minutes of another race at tracks with large average purses

*Minutes between post at tracks with >\$200K in average daily purses, 2010*



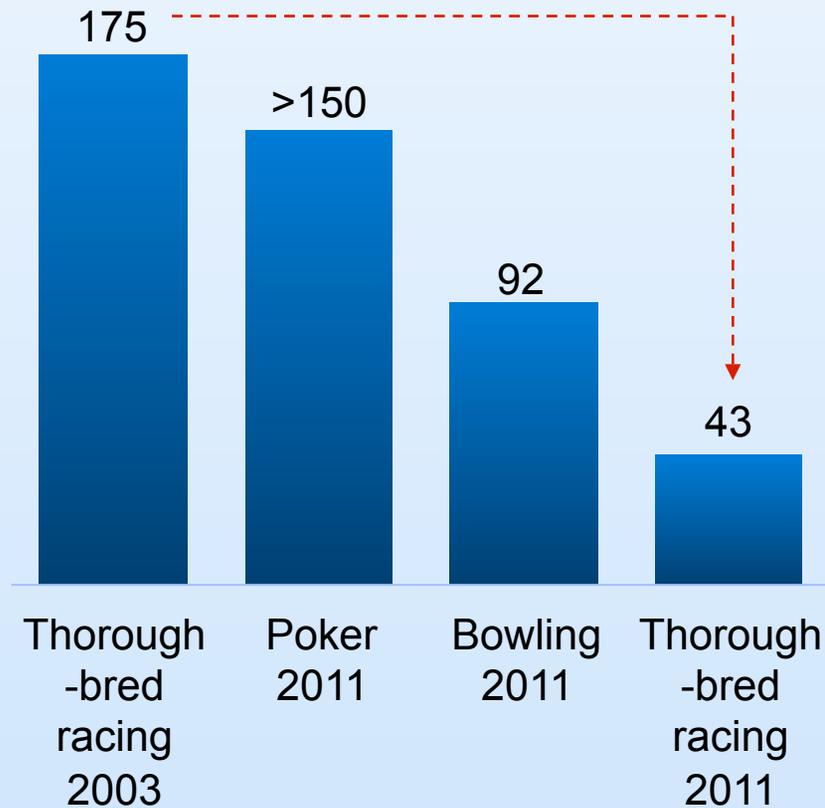
<sup>1</sup> Defined as the top 100 trainers by total purse winnings in each of the years indicated  
 SOURCE: The Jockey Club Fact book, Equibase

# Fan experience

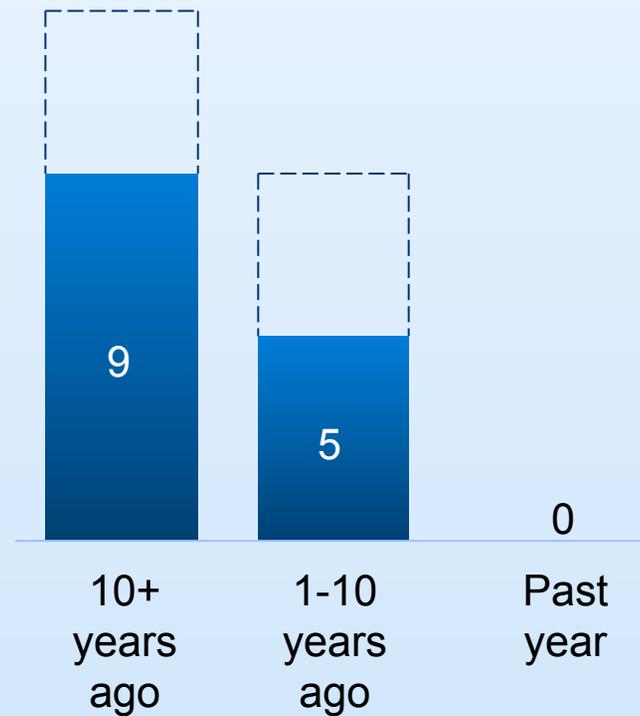


# Mainstream distribution of our product is declining

Coverage is at an all time low  
National TV hours



TV is an important source of  
race fans  
Percent



# Projected 2020 economics without industry action



**Handle**



**Foal crop**



**Tracks**



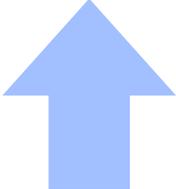
**State revenue**



**Owners' losses**

# The core of racing is strong

## Kentucky Derby attendance



8%

2000-11

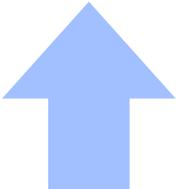
## Breeders' Cup ratings



6%

2006-10

## Grade I & II handle per race



23%

2000-10

## Why do fans like racing?

Sense of camaraderie at the track

45%

Respect from others while on a winning streak

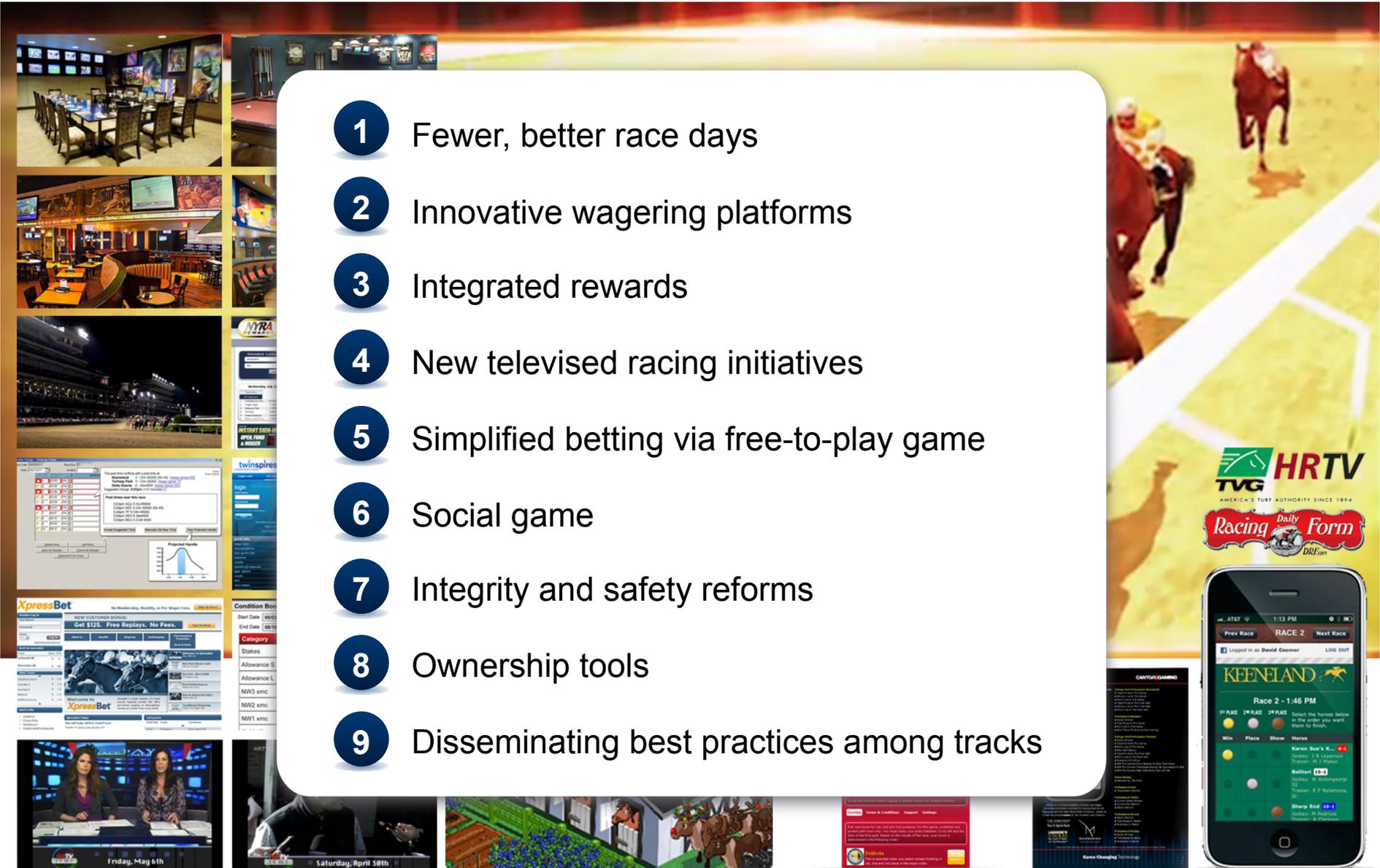
37%

Win "big money"

34%

# Growth strategy for Thoroughbred racing

- 1 Fewer, better race days
- 2 Innovative wagering platforms
- 3 Integrated rewards
- 4 New televised racing initiatives
- 5 Simplified betting via free-to-play game
- 6 Social game
- 7 Integrity and safety reforms
- 8 Ownership tools
- 9 Disseminating best practices among tracks



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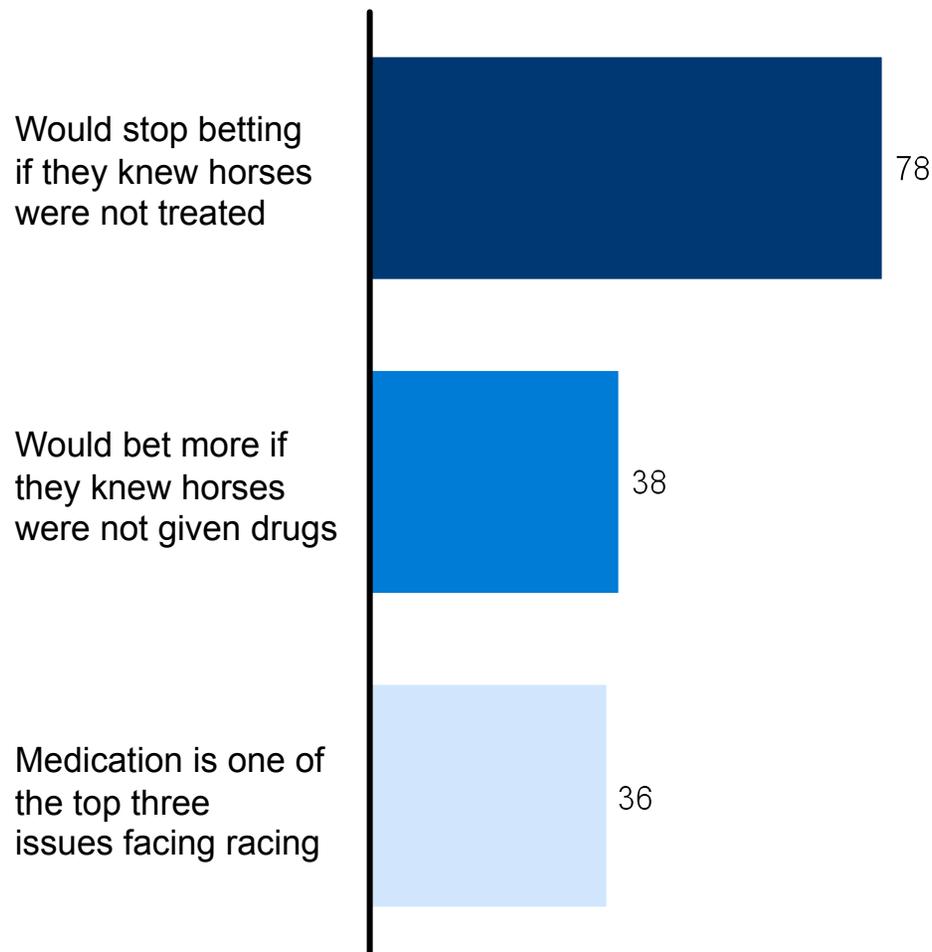
## Thoroughbred racing has made strides in health and safety

- *Equine Injury Database (2008)*
  - *Collects incident data from 85 racetracks, representing over 90% of racing days in North America*
- *Racing Medication and Testing Consortium (2001)*
  - *Develops, promotes and coordinates policies, research and education programs designed to promote equine and rider safety*
- *Thoroughbred Safety Committee (2008)*
  - *Formed to review every facet of equine health and to recommend actions the industry can take to improve the health and safety of Thoroughbreds*
- *NTRA safety and integrity alliance (2008)*
  - *Establishes standards and practices to promote safety and integrity in Thoroughbred racing*

# Concerns over animal welfare and medication are consistent themes in consumer and stakeholder research

## McKinsey Survey (2011)

% of horse racing fans<sup>1</sup> who agree (to any degree) with each statement



## Stakeholder interviews (2011)

- Medication of horses was highlighted as an issue adversely affecting Thoroughbred racing in 78% of stakeholder interviews

## HANA Survey (2009)

- 59% reported they were “extremely concerned” with illegal use of medication and drugs
- Stiffer penalties for drug positives was voted as a top two issue

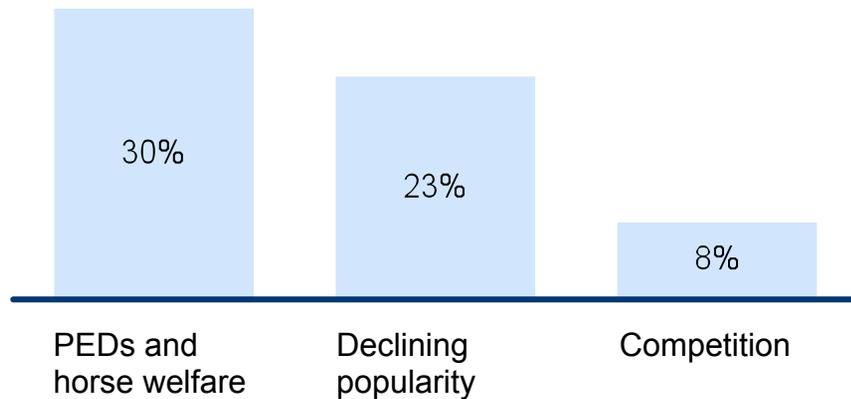
## NTRA Survey (2008)

- Top three concerns among Thoroughbred fans:
  - Health and safety of the horses
  - Performance enhancing drugs
  - Therapeutic overages

# There is a perception among policy influencers that more should be done about race day medication

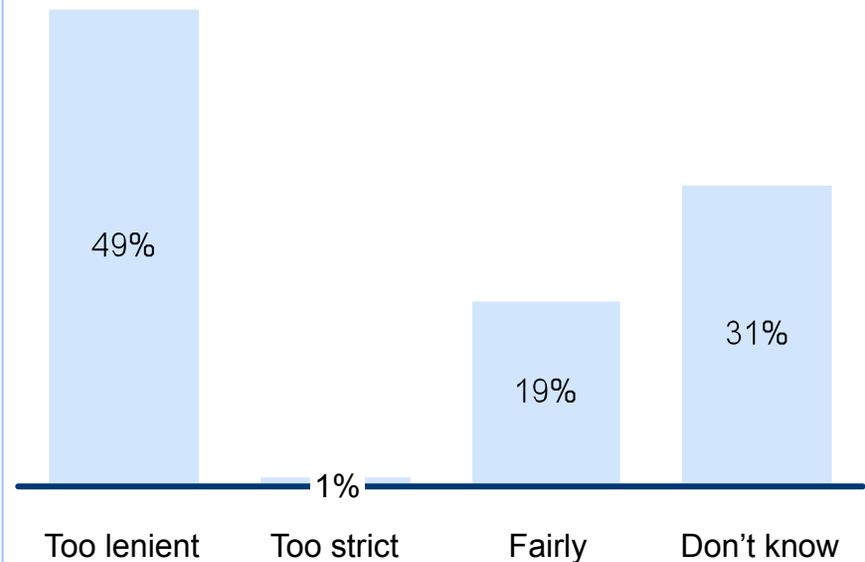
According to policy influencers, performance enhancing drugs and horse welfare are the biggest issues facing racing ...

Responses to question: *What are the most important issues facing Thoroughbred racing?*



Common perception is that industry is not serious about the drug issue and does not see the industry making serious efforts to change

Responses to question: *How has the Thoroughbred industry dealt with performance enhancing drugs?*



# Reformed Racing Medication Rules

New categorization of medications

More clearly defined regulatory limits

Dramatically remodeled penalties

# Wagering integrity

Real-time odds

30%

of bettors don't trust posted odds

12%

bettors planning to bet less next year because of odds changing after the race has started

Liquidity

Several major horseplayers suggested that liquidity was key:

“There are only a few tracks that I gamble on today – others don't have the liquidity to make things interesting”

**1 Tote security**

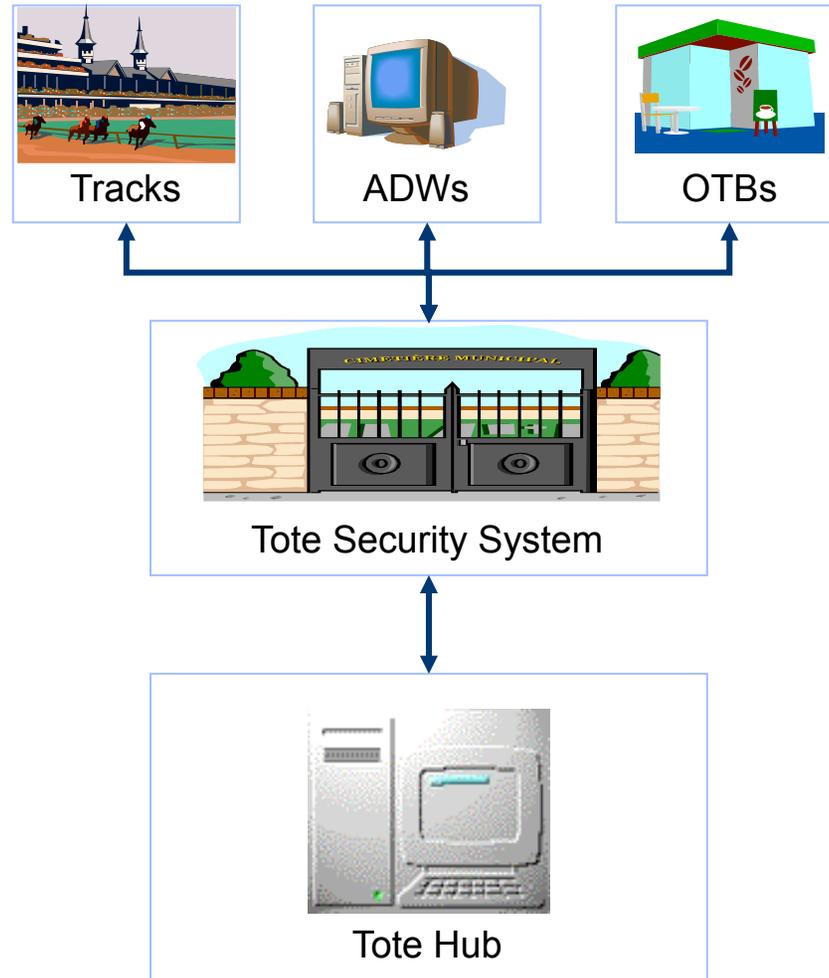
**2 Single pool wagering**

**3 Exchange wagering**

# The Thoroughbred Racing Protective Bureau is undertaking a major Tote Security System in partnership with The Jockey Club

## Tote Security System

- A platform that sits between the tote hub and the wagering locations
- Enhances wager integrity by providing a system to monitor the tote's acceptance of wagers
- Allows for a number of enhanced functions within racing
  - Secure “stop-betting” signals
  - Authentication of pool participation
  - Audit of “Pick-#” pools
  - Real-time decimal odds



## Reforming the wagering system could help improve the gambling experience

### Single-pool wagering

- Developed by Longitude Racing, a subsidiary of Eurex
- An enhancement to traditional pari-mutuel wagering that allows all bets (WPS, trifecta, etc.) on an individual race to be placed into one pool
- Created to enable trading in events and occurrences that do not have an underlying cash market (e.g., real estate, economic statistics)

### Exchange wagering

- Pioneered by Betfair
- A wagering platform which allows consumers to propose their own odds for a race or sporting event which other consumers can choose to accept and back the opposing side
- The exchange operator receives a fee for facilitating the transaction

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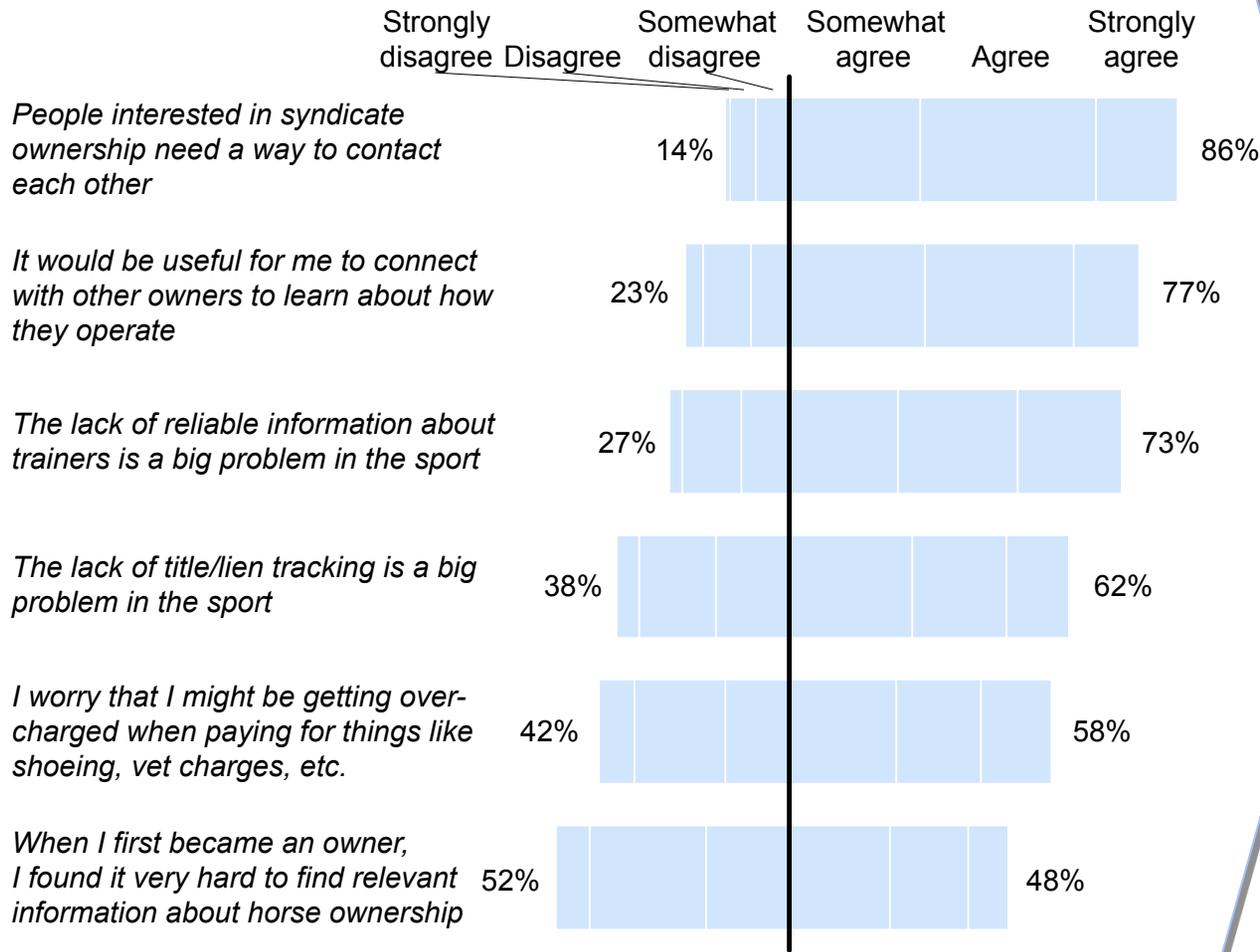
## New Fan Development Initiatives

- 7 New televised racing initiatives
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# Most owners believe there are several information gaps

How much owners agree or disagree with the following statements, % of respondents



- Owners want information on:**
- Syndicate coordination
  - Owner orientation materials
  - Owning “best practices” (from other owners)

# OwnerView

- **Trainers**
- **Public Racing Syndicates**
- **Getting Started Owning Thoroughbreds**
- **Racehorse Retirement**
- **Owner Licensing**

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# Ineffective scheduling is costing the sport

Oaklawn, Keeneland and Aqueduct each featured a Grade I Stakes race within a period of 22 minutes

	Oaklawn	Keeneland	Aqueduct
Post Time	4:57 PM	5:05 PM	5:19 PM
New Post Time	4:57 PM	5:15 PM	5:31 PM

Handle increase	\$47K	\$130K	\$110K
% change in handle	↑ 4%	↑ 9%	↑ 5%

Average handle increase **6%**

# Many races and race days don't pay for themselves

Inadequately funded races and days:

Races

28.4%

Race days

49.1%

**Shortened cards can increase handle**

**Deconflicting scheduling can benefit handle**

**Deepening purses can benefit handle**

**Beulah Park**  
*Eliminating one race*

Original card \$644,000

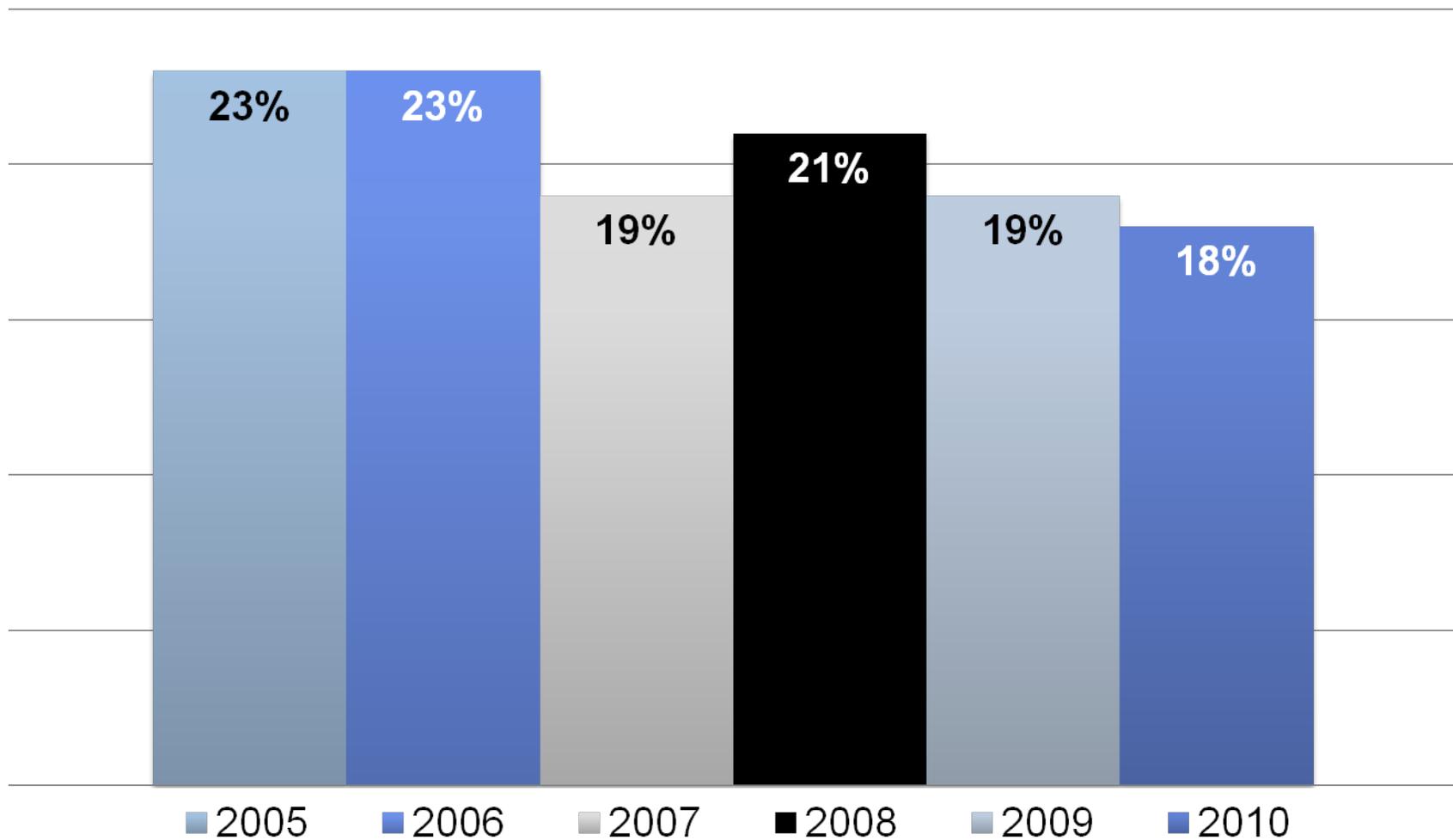
Shortened card \$686,000

**Delaware Park Races**  
*October*

Original Race	New Race	Other races on day
200	150	
\$80.5K	\$89.9K	Handle



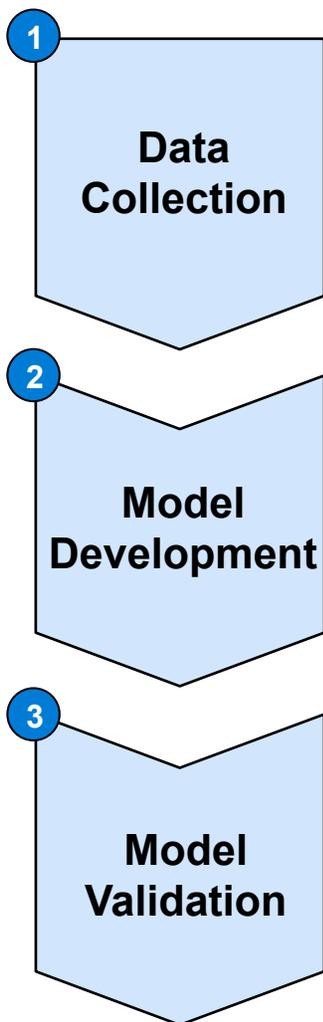
## Percentage of races with six or fewer betting interests



# “State of the art” statistical model to predict handle

## Modeling phase

## Key activities



- **Collected data on 600,000 races over past 11 years**
  - **Over 30 variables (date, time, race type, starters, etc.)**
  - **Competitive variables (# races same day, 15 min apart, graded races, etc.)**
- **Used advanced techniques to predict handle in future races:**
  - **Models by track were built and tested**
  - **Stress tests performed to insure sound business logic**
- **Model predictions validated using independent data**
  - **Outcomes used to further refine modeling approach**
  - **Variables with little impact removed to optimize model**

# Create condition book in new matrix view with analytics

## RTO CONDITION BOOK MATRIX

logged in as: **dkimbrell**

Log off

### Condition Book Maintenance

Start Date **05/03/2011**    
 End Date **05/15/2011**

3 Year Olds    
 Increase / Decrease Purses

Start Date **07/15/2011**    
 End Date **07/27/2011**

Assign Condition Numbers

Category	05/03	05/04	05/05	05/06	05/07	05/08	05/09	05/10	05/11
Stakes	75k 6f					100k 1m		125k 1m70	
Allowance S			35k 6f	37.5k 7f	40k 6f		40k		35k
Allowance L	25k 1m		20k 1m70	30k 1m		20k 1m			
NW3 xmc	10k 6f OFF				20k 1m				
NW2 xmc	10k 7f								
NW1 xmc	13k 1m7								
CLM 15k			10k 7f	13.5k 1m	17.5k 7f				
CLM 14k/12k	10k 1m		14k 1m	13.5k 1m	14k 7f				
CLM 10k	10k 6f		12k 1m	8k 1m	10k 6f				
CLM 5k/4k	5k 1m		7.5k 7f	5k 1m70	5k 1m				
CLM 3.5k/4k	3.5k 5f OFF		4k 6f	4k 7f	3.5k 6f				
# Races	10		9	10	9				
Total Purses	191k		118k	115k	112k				
B / G / O	3/2/5		3/3/3	3/3/4	3/2/4				
SB / Open	3/7		2/7	2/8	2/7				
Long / Short	4/6		3/6	5/5	3/6				

Category	07/15	07/16	07/17	07/18	07/19	07/20	07/21	07/22	07/23
Stakes	75k 1m								
Allowance S	25k								

**Display Condition**

Condition Book Race # **C6**

Horse	Last Raced	Trainer	Phone
Silver Account	LS-05/14/11	Keen, Dallas	(845) 256-9812 ▲
Best Logic	DMR-08/28/11	Garcia, Victor	(713) 549-0911
Memphis Mobster	DMR-09/04/11	Glatt, Mark	(717) 450-1187
Battle Point	GG-08/20/11	Sherman, Steve	(413) 229-1945 ▼

Close

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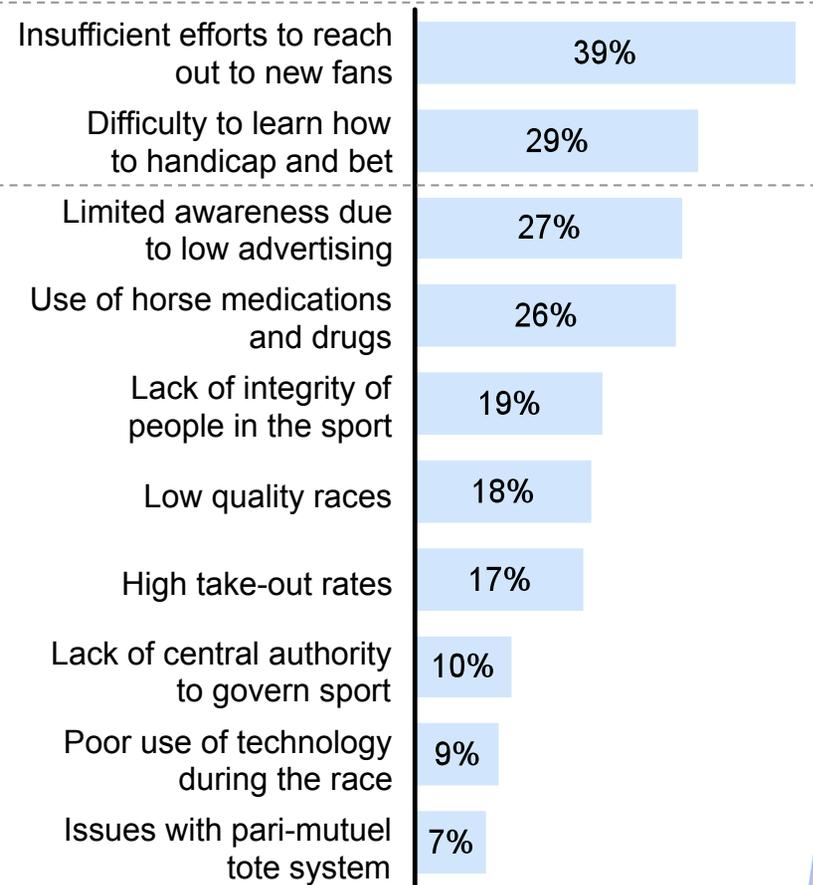
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# Existing fans feel racing is inaccessible to new fans

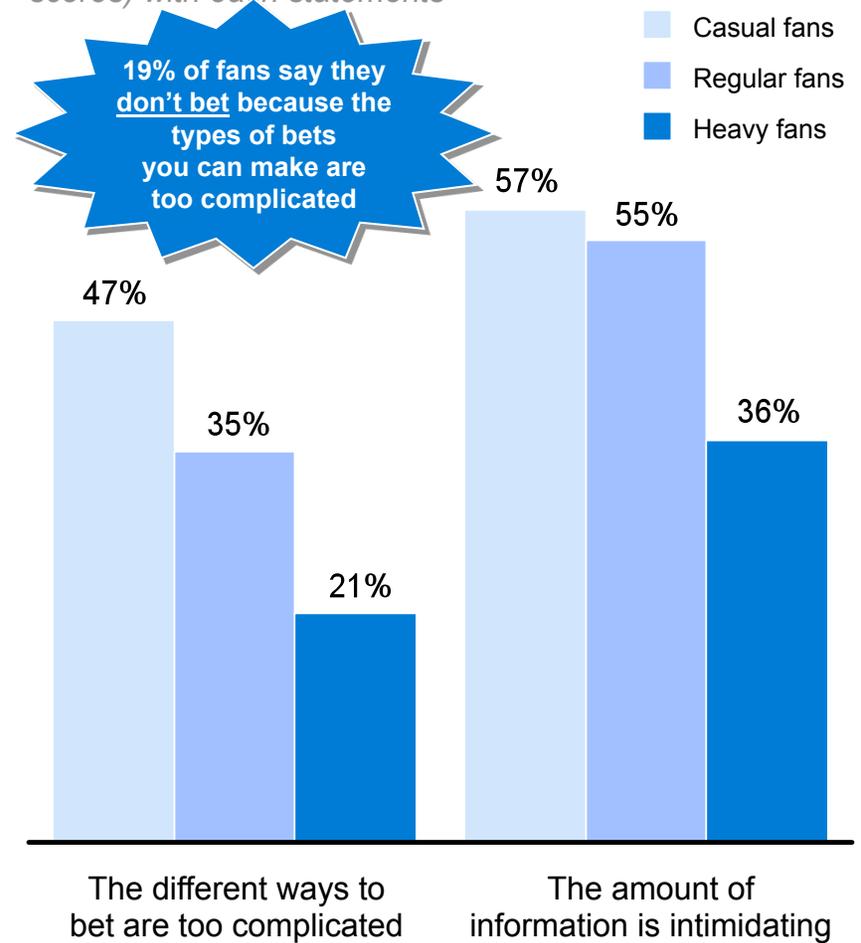
## Complexity of the sport is seen as a major issue even among existing fans

*% of respondents indicating an issue is the #1 or #2 most important issue facing horse racing today*



## And may inhibit fans from recommending horse racing to their social groups

*% of horse player respondents who agree (top 3 boxed scores) with each statements*



# Increasing fan interest in racing

In your opinion, which of the following would most increase casual fan interest in horse racing?	
A Triple Crown winner	51%
Consistent presence in mainstream media	25%
More advertising by the industry	5%
Promotions involving fan giveaways tied to winning horses	3%
Larger purses	2%
More focus on the horses' backgrounds	1%
More focus on the jockeys' backgrounds	1%
Not sure / No opinion	12%

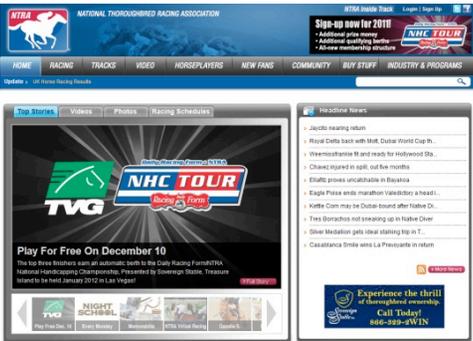
# FAN DEVELOPMENT

Website

Communications

Games

Television



# Forbes



# THE HUFFINGTON POST

# Timeline

**February:** Lunch Free to Play Game

**March – April:** Road to the Kentucky Derby Series

**April:** Launch Social Game

**First Quarter:** Launch OwnerView

**First Quarter:** Launch InCompass Scheduling Tool

**Spring:** Launch First Phase of New Fan Centric Website

**Summer:** Pilot project for Tote Security System

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# Driving Sustainable Growth for Thoroughbred Racing and Breeding

**Jason Wilson**

Vice President of Business Development