

University of Arizona Symposium on Racing



Consolidation –
What does it mean?
Wednesday, December 5, 2007

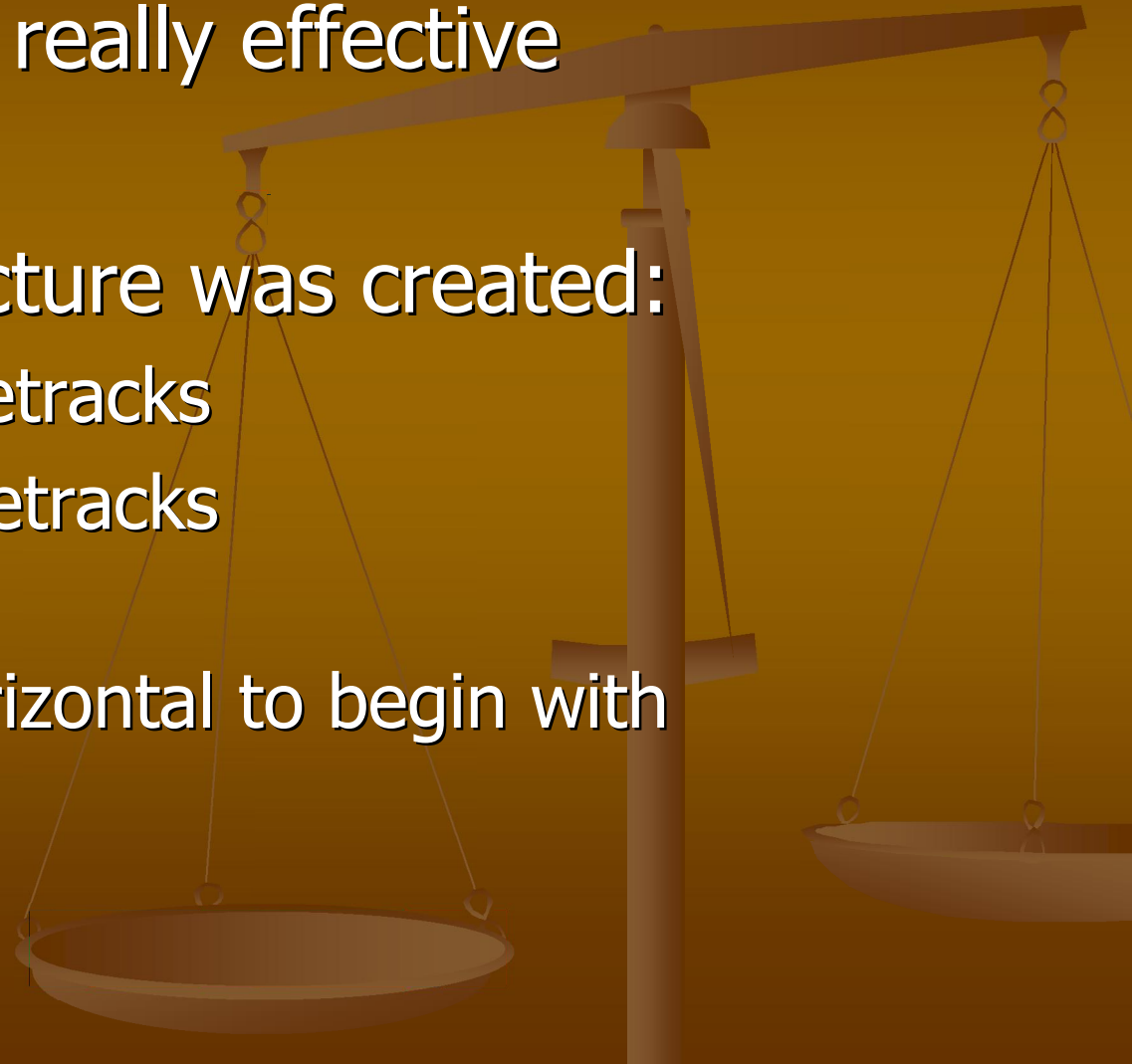
Horizontal Integration

- Sell a product in numerous markets
- Creation of subsidiary companies
- Market the product to:
 - Different market segment
 - Different geographical locations
 - Company has business in several locations producing similar product



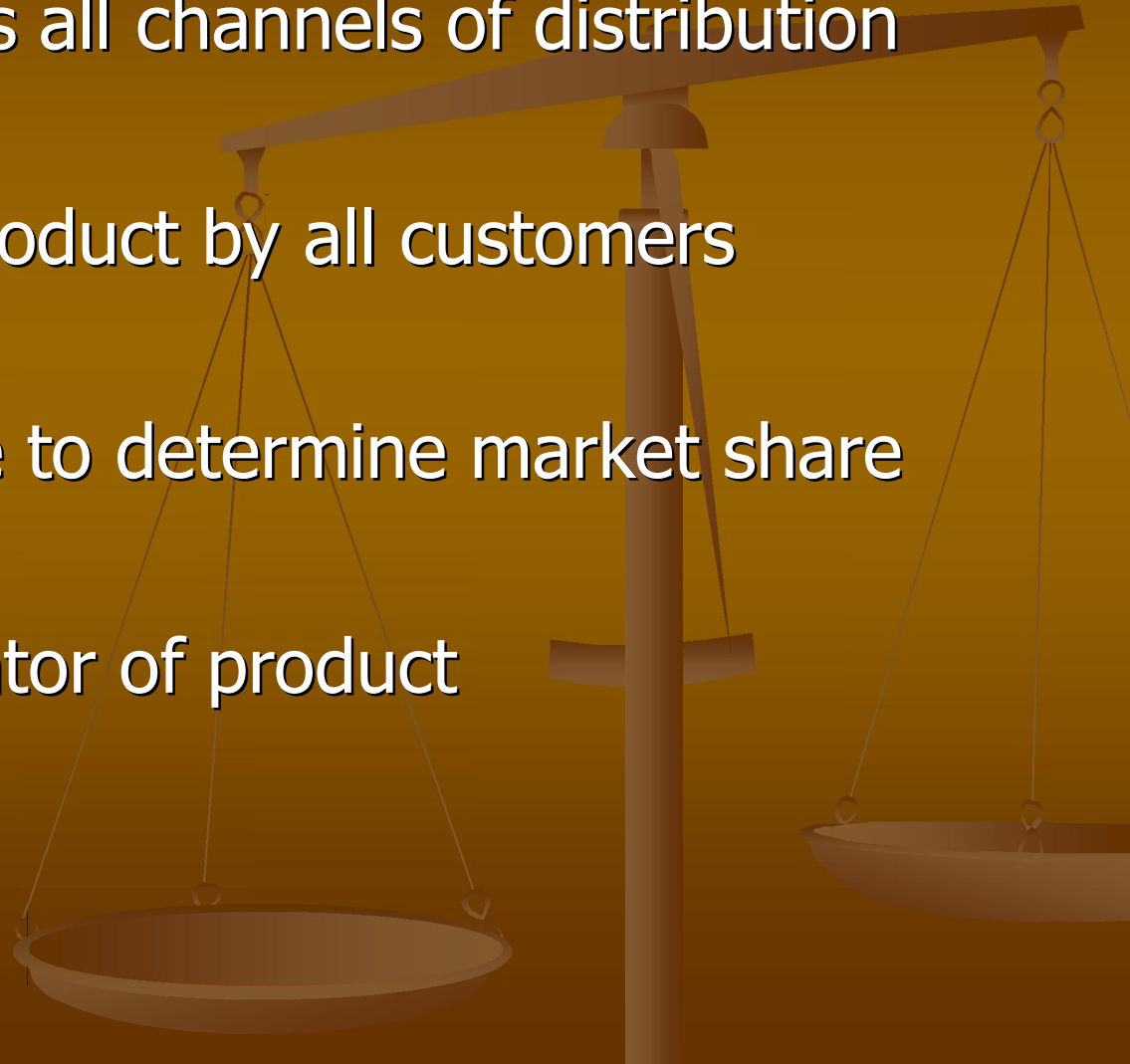
Horizontal Integration

- This was never really effective
- Horizontal structure was created:
 - Not by the racetracks
 - But for the racetracks
 - Never truly horizontal to begin with



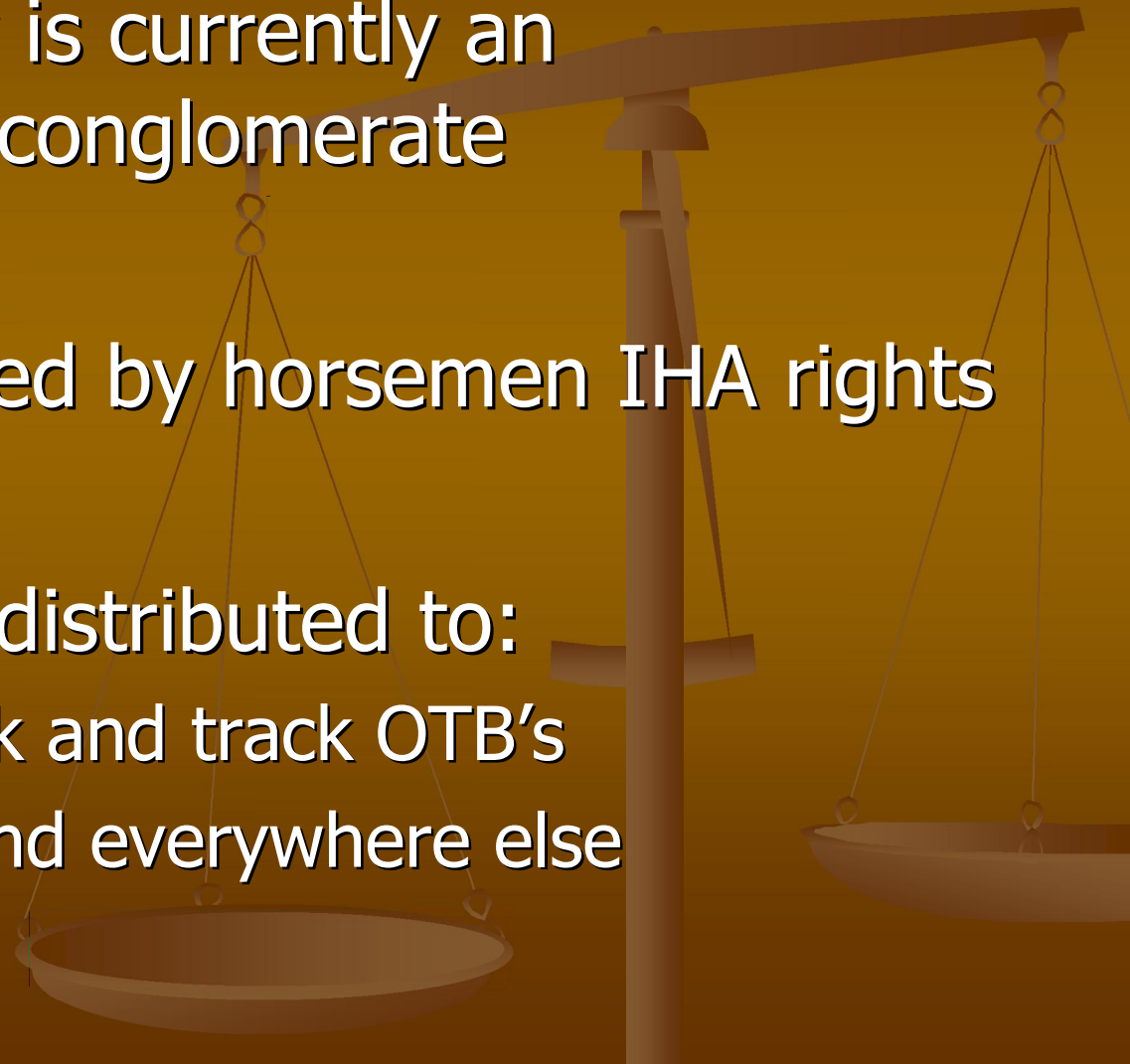
New Strategy for Content Distribution

- Move easily across all channels of distribution
- Allow access to product by all customers
- Allow marketplace to determine market share
- Controlled by creator of product

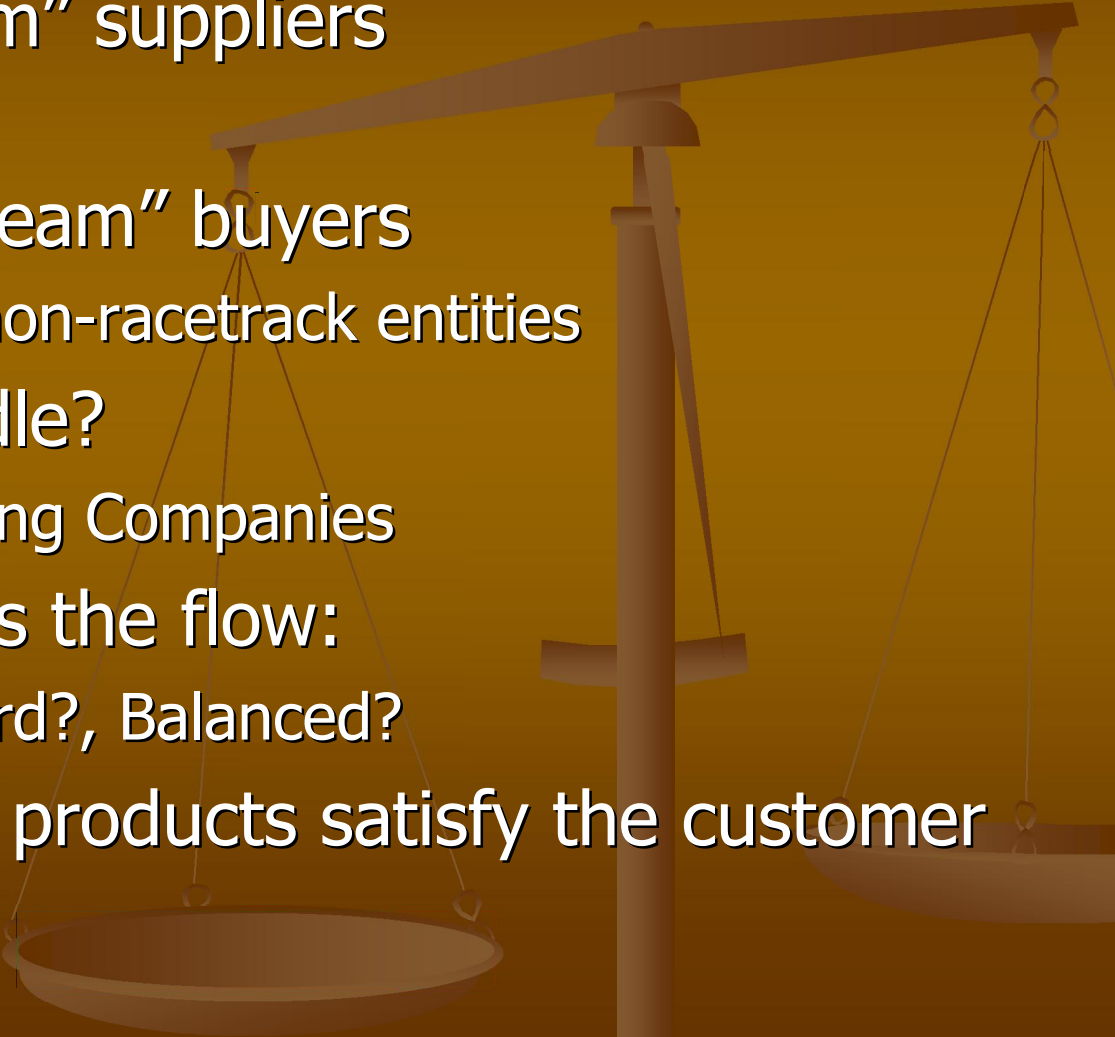


Conglomeration

- Racing Industry is currently an unconsolidated conglomerate
- Content governed by horsemen IHA rights
- Developed and distributed to:
 - Live at the track and track OTB's
 - Receive and send everywhere else

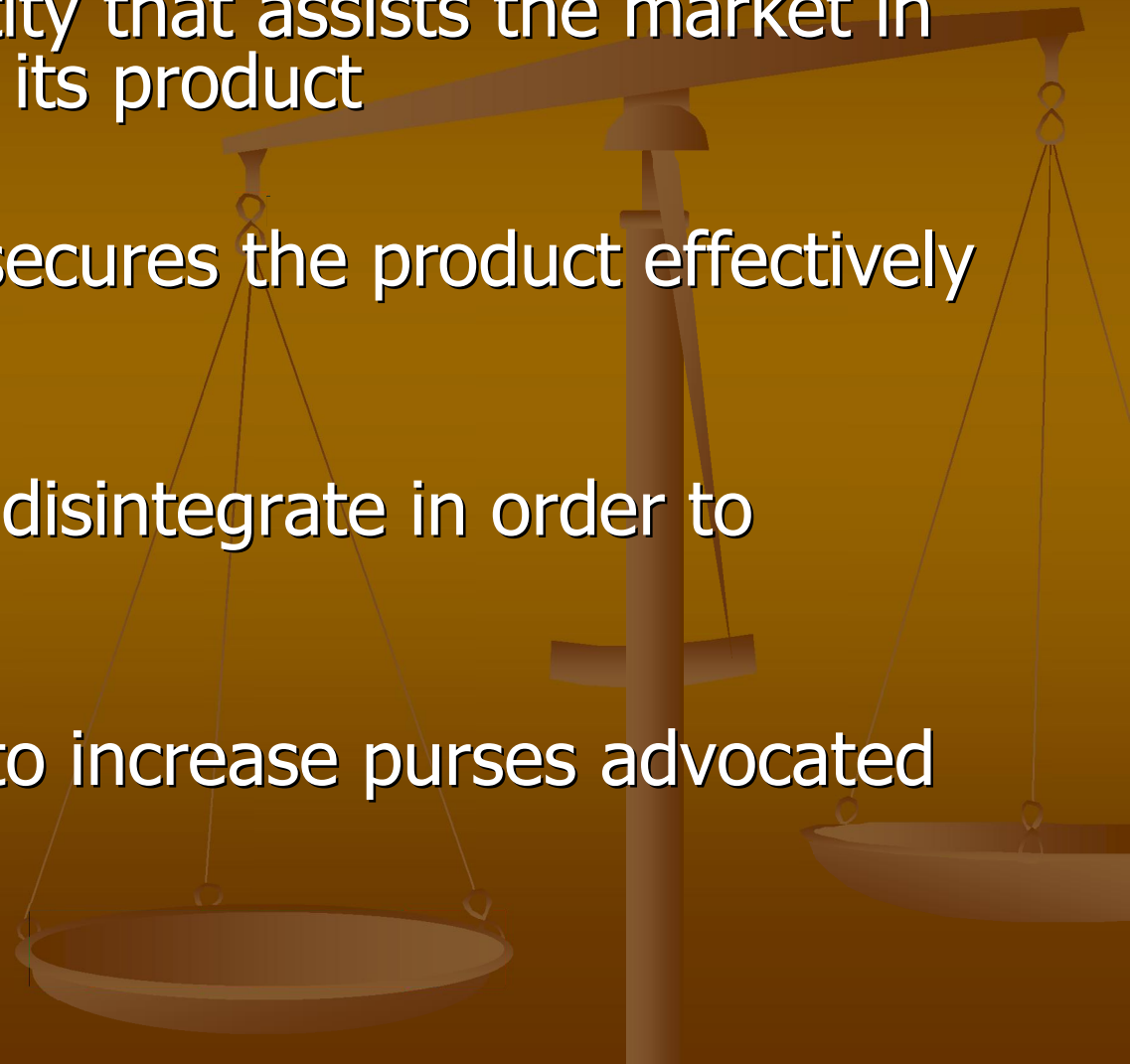


Vertical Integration

- Requires “upstream” suppliers
 - Horsemen
 - Requires “downstream” buyers
 - All racetrack and non-racetrack entities
 - Who is in the middle?
 - Racetrack or Gaming Companies
 - In what direction is the flow:
 - Backward?, Forward?, Balanced?
 - Combination of all products satisfy the customer
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Vertical Expansion

- Creation of an entity that assists the market in the distribution of its product
- Expansion entity secures the product effectively and efficiently
- Need to vertically disintegrate in order to vertically expand
- Action necessary to increase purses advocated by horsemen



Intra Industry Strategic Alliances



- Requires collaborative, not selective, strategic planning within the industry
- Current Status of Strategic Management by Horsemen
 - Reverse “purses down” segment of “Handle Up, Purses Down” (excluding gaming)
 - Complete educational/informational process
 - Implement plans to achieve objective

Simple Approach

Analysis – Assessment - Objective

- Where are Horsemen Now
- Where do Horsemen Want to Go
- How do Horsemen Get There
- Structure will follow Strategy



Random Rambling Thoughts



- Horsemen have never taken advantage of their “place in the market”
- Horsemen have adopted the Hewlett-Packard management style – MBWA
 - Management By Walking Around
 - Now are grounded in a customer based driven approach to product delivery

Strategic Change



- Periods of Change are typically followed by Periods of Stability
- Adapt to the Change and it becomes the Norm until the NEXT CHANGE OCCURS
- Racing seems to have narrowed the time between “change – stability – change”
- Strategic Decay is inevitable
- We have become victims of Strategic Drift
 - Gradual change that sneaks up on you

Transformational Change



- Time for a new trend to occur
- The “Inflection Point” may initiate sudden or radical change
- The “Tipping Point” will hopefully redirect takeout on handle to the benefit of purses
- Horsemen have been good managers
 - Caring about process, plans and form
- Horsemen are becoming visionaries
 - Inspiring others through their leadership

Conclusion

- Racing has always produced an environment of emerging opportunities
- While our industry is complex, it is not beyond the capability of horsemen to actively thrive in it as a core participant
- Approval and pricing of signal is a horsemen IHA right
- Direct negotiation with the horsemen will strengthen the product and industry

