

Innovation?

By Barry Meadow

Racing executives have tried, and tried, and tried, to face and fix one big problem with horse racing—no one seems to care about it except for the few remaining diehard gamblers and the see-and-be-seen crowd at big races.

In the three years between 2002 and 2004, racing handled more than \$15 billion per year. The last time the sport reached even \$11 billion was 2011. That's a near 30 percent drop in business, even as new gambling opportunities such as fantasy sports have ballooned in popularity (by the way, is anyone you know playing fantasy horse racing?) .

Attendance keeps plummeting as well, though statistics which used to be published daily are nowhere to be seen any more. These days, nearly 90 percent of the money is bet away from the track.

So, in the face of this trend, let's pay a visit to the Global Symposium on Racing and Gaming, held in Tucson, Arizona each December. At the most recent conference, organizers offered a \$15,000 prize (paid for by sponsors) for the Innovators' Circle Award, for the best idea that, according to the website, "has the potential to revolutionize the horse racing industry." And the winner was...

SwopStakes. This is a sweepstakes in which every combination possible in a sequence of races is sold, with the single ticket that holds the winning combination taking the entire sweepstakes prize. As the sequence progresses, players can at their option sell their live tickets (which would be worth more near the end) or buy into the sweepstakes (paying less near the beginning, more near the end). All transactions would take place online.

This is similar to the old twin double, popularized in the 1950's at harness racing's long-defunct Roosevelt Raceway. In this bet, you had to hit four consecutive races. In those days, pari-mutuel machines couldn't handle more than two legs at a time, so after hitting the first two races in the sequence, you'd exchange your winning tickets

for an equal number of tickets for the last two legs. Gamblers would mill around the windows, looking to either sell their winners, or buy tickets for the last two legs. The price would depend on how difficult the first two legs were, and how many tickets you think you needed to hit the second two legs.

Anyway, back to SwopStakes, with its projected 30% takeout. The chance that this bet will revolutionize horse racing is nil. The chance that anybody will care about this bet is also nil. The saddest thing is that the Innovators' Circle Award contest attracted 89 entries, and this was the winner.

Look, this isn't that complicated. Just offer players a good deal and they will play. Case in point: For the December meet, Xpressbet offered a 25% bonus on all winning late daily double tickets at Los Alamitos, up to \$500 per player per day. I've been retired for more than four years and had made exactly three bets at that track in the past ten years. But the offer was too good to pass up, so for a few days this past December, I was betting thousands of dollars on Los Al daily doubles.

Sure, it was a short-lived promotion that the service couldn't afford to do all year long everywhere, but it shows a willingness to try something that *players actually want*.

Mostly, officials fight *against* what customers want, which is a weird way to run a business. Thus the Stronach Group's lawsuit against Derby Wars, a contest site. The fans who participate in tournaments at Derby Wars (and at similar sites such as Horse Tourneys, Horseplayers Qualify, NHC Qualify, DRF Qualify, BC Qualify and Race Track Warriors) may not be putting money directly into Santa Anita's pockets, but they do offer seats at the national handicapping championship, and they certainly spark interest in the betting side of the sport. They market horse racing to people who risk money—the very group the tracks always claim they want to attract.

Then there's the racetracks' opposition to fantasy sports betting, as if outlawing gambling on football will mean all these bettors will suddenly flock to horse racing.

Let's not forget the horsemen's fight against betting exchanges, the one segment of horse-race gambling which showed real promise. The same argument: "We're not getting paid enough." So even though exchange betting was first approved in the U.S. in 2010, it was never implemented (though some limited exchange wagering is finally scheduled to debut in New Jersey in March). So for all the years I bet the exchanges, the

commissions I paid wound up in England and Ireland and Costa Rica, instead of into U.S. pockets.

Yes, there are still edges in handicapping. Rebates often make the difference between winning and losing. Carryovers offer free additional money in pools. Mandatory payout days are especially worthwhile for jackpot wagers, which are notorious sucker bets at other times.

The biggest long-term problem horse racing faces, though, is the takeout. In any business, you can either choose to raise prices (hoping your customers stick with you anyway and continue to buy the product with the same frequency), or to lower prices (hoping you will pick up new customers, or your current ones will buy with more frequency). Businesses constantly have to tinker with pricing. For the most part, horse racing has not. Purses are based mostly on handle except for racinos, which usually consider horse racing a cash drain they have to put up with to keep their license until legislators change the rules. Handle has been heading south, as players have so many gambling alternatives at lower cost. The higher the takeout, the quicker players run out of money, and the game spirals. Until the people in charge understand that, don't expect things to change much.

But we still have some chance to make a dollar or two, as the excellent Xpressbet Los Alamitos promotion showed us.

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