

WRITING RACES FOR EVERYONE, BUT THE CUSTOMER



op/ed
by fred pope

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When assigned a marketing project, you gather all the facts and then write a situation analysis. If you are good at it, the analysis gives an accurate picture of where things stand on four key items--the product, price, distribution and marketing communications.

In a *TDN* Op/Ed piece on July 18, I addressed the distribution and pricing of racing and concluded it was upside down. This time, let's look at the basis issue--the racing product.

To most people in the industry, the decline of Thoroughbred racing is a mystery. They say they don't understand why the public no longer attends and bets on the races.

Yet, many of these same people no longer go to the races on a regular basis themselves, for the same reasons the public no longer attends.

Every product is designed with someone in mind. When it is designed for the customer, meaning it gives the customer what he wants, it has a great chance to succeed. However, when the product is designed for someone other than the customer, it will ultimately fail.

The racing product today is designed for trainers and breeders.

There are only a few thousand trainers and breeders getting the racing product they want, to the detriment of millions of customers.

Thoroughbred racing was given a legal monopoly on sports gambling by state governments who tax the wagers. Over the years the racetracks, horsemen, breeders and state governments have all combined to increase the quantity of racing to the detriment of the quality presented.

Let's be specific. The number of claiming races increases every year. Claiming races are now more than 70 percent of the racing product. On top of that, state breeders demand state-bred, restricted races on the race card every day.

Is that what you want to watch? Is that what you want to wager on? Is that the sport that you want to take your family to see? Well, neither does the American public.

The American public have told every sport exactly what it wants. It wants only the highest level of the sport presented to them. No exceptions. All the other sports give the public what they want.

Thoroughbred racing does not give the public what they want. We give them a mix of the worst the sport has to offer and we force-feed it to them every day of the week.

Claiming races are like YMCA basketball. How many people pay to see YMCA games? Maidens are like elementary school level, of interest only to the family. Restricted races cannot compete in open competition. These races account for eight out of 10 on the racecard at every track.

When racing was the only game in legal wagering, mixing the worst with the best was good enough. Those days have been gone for a long time.

So, if you didn't know it before, the decline of racing shouldn't be a mystery anymore. However, the way the racing product is currently presented is a choice. Let's understand the problem and see if we can make some changes and give the public what they want.

Putting the Racing Product Together

Racing secretaries have a tough job. It starts with recruiting horses to fill the races. They recruit the horses primarily through trainers.

Trainers have a tough job, too. With the track needing horses, the trainers can sometimes use that leverage to get races written to reduce competition and help them win purses.

You could say the trainers are the tracks' most important customers. They not only provide the horses needed, but trainers' organizations have the power of off-track approval under the Interstate Horseracing Act (IHA).

So, the trainer says, "I need a race written for state-bred, maiden-claiming, eight-year-olds and up at five miles on the turf." The reply, "You got it. It will run this Saturday front and center right before the Grade I."

Then the state breeding program mandates the racing secretary must also write a bunch of maiden and restricted races every day.

Think about it. Racing secretaries are writing races for everyone--except the customer.

Yes, trainers and breeders are vital to the industry and some wager. However, if you want the betting public, the handicappers who fuel the wagering pools to pay for the game, doesn't it make sense to give them a racing product they want?

The main part of handicapping, the part involving the horses in a race, starts with the assumption the horses will run to their past performances. Anything that damages that assumption (we're not going to talk about drugs) hurts handicappers.

Maiden races have little, if any past performance information and claiming races start with both the question and the cloud of infirmity. These races are not good for wagering.

Should we get rid of claiming, maiden and state-bred races? No. We just need to move these races that are designed for the industry family, to the weekdays.

Then on Saturdays and Sundays, when the public is most likely to attend, we need to present the best racing product for our current and future customers.

All horses in the *TDN* are bred in North America,
unless otherwise indicated

The Best Racing Product for the Customer

The best racing product for attendance is a full day of high-level races, with full fields, like the Breeders' Cup. Each race brings out its own constituency of racehorse owners, family, friends and associates. The day delivers the critical mass of both racing content and the people needed to make it an attractive, sporting event. It is also the best product for off-track wagering. There is no boredom on these days, when the minutes between races seem like seconds for handicappers.

We can have this best racing product every Saturday and Sunday at multiple tracks. No, not Breeders' Cup quality races, but we can have a high-level product by concentrating a full card of allowance and stakes races with full fields and present them on one day instead of mixing them throughout the week.

That is the modern sports model the public tells every sport they want. There are huge benefits to listening.

Allowance horses are winners who have graduated past the elementary conditions. They provide full past performance information and their owners want to keep them, so the cloud of infirmity is lessened. The questions about them are good handicapping considerations about conditioning, speed and competitiveness, which affect their odds.

Moving in and out of allowance races are stakes horses, our highest level. These are valued horses and many considerations are given to when and where they race. Under our current system, dodging competition helps the trainer, owner and breeder, but can result in a bad product for the customer.

There is no lack of high-level horses to package and present to the customer. Over 6,000 horses in America won or placed in stakes races last year, so there are plenty of high-level horses to fill these races; we just need to package them better for the customer.

6,000 horses x eight starts a year = 48,000 starters. Divide 48,000 starters by 12 horses in each race = 4,000 races. Divide 4,000 races by eight races a day = 500 racing days with full fields of stakes horses. That means that 50 Saturdays and Sundays a year we could have five individual racetracks putting on a full day of only high-quality races that are designed for the customer.

Can our sport gain enough on-track attendance and handle from just 50 weekends? Let's start with on-track attendance. If we can get the public out to the tracks in multiple markets 50 weekends a year, we are talking about a sport with an enormous future.

This time of year, colleges make a lot of money having their football stadiums open only six Saturdays a year. Sure, like racing some people would go see football games at these stadiums every day, but less is more in sports marketing.

While trainers and breeders have great influence on claiming, maiden and state-bred restricted races, the highest level of the sport is also being designed for someone other than the customer.

Breeders dictate the highest level of racing with their graded stakes status. While these graded stakes also have the highest purses, they are not always good wagering races because many times they do not have full fields.

Why? Because each graded stakes is controlled by an individual track and the tracks do not schedule or coordinate similar races with competing tracks.

Claiming races with full fields will sometimes get more wagers than Grade I's with short fields. We need for the graded stakes committee to work with the tracks and perhaps use carrots and sticks to schedule our graded stakes in a way that results in fuller fields. Yes, racehorse owners will face more competition, but better racing products will produce people on-track and off-track wagering can bring a rise to racehorse owners' purses.

Saturday, Sept. 6, Belmont Park presented two Grade 1 races on the same card with six claiming and maiden races. Does that racing product deliver the critical mass of racing interest needed to get people out to Belmont? No. The NBA knows better than to present six YMCA games with their product. Why didn't Belmont package eight good allowance races to complement the two Grade I's and have a better day of racing?

Why Tracks Cannot Follow the Breeders' Cup Model

The reason tracks like Belmont do not present a full day of high-level races is simple: the host track's purse account cannot afford to put up the money needed to attract the top-quality horses to their races.

That is because the host track purse account only gets 1 ½ percent of the money wagered on its races, while the off-track bet takers get 15 percent or more.

If a host track has \$10 million wagered off-track on its races, purses only get 1 ½ percent, or \$150,000, from the off-track bet takers. However, those bet takers get the lion's share of 15-18 percent of the wagers, or up to \$1,800,000. Seems upside down, doesn't it? It is.

The current off-track pricing model favors "where the bet is made" over the host track, "where the show is produced." It is a pricing model only Thoroughbred racing uses and it is the result of people gaming and abusing our federal law.

Not a Bailout, Just a Correction from Congress

Just as federal legislation resulted in individuals gaming the banking laws intended to help people buy homes, Congress passed a law in 1978 intended to help horse racing expand the distribution of legal wagering across state lines. It was a gift that should have seen the revenue and interest of an established sport explode higher and higher. Instead, just as in the banking situation, some people have been gaming the Interstate Horseracing Act (IHA) and now our sport is in crisis. Perhaps more of a crisis than most are aware.

Before our major racetrack corporations fail, we need Congress to correct the IHA. The IHA defines "horsemen" as "owners and trainers" and trainers primarily control the horsemen's groups.

Correcting the IHA from horsemen to "racehorse owners" will bring much-needed business acumen to the approval of complex, off-track wagering decisions, but we also need to deliver a business model that will protect and grow Thoroughbred racing. Congress can make three changes to the IHA and put racing on the road to recovery.

- 1) Change IHA approval from "horsemen" to "racehorse owners."
- 2) Delete the receiving track approval from the IHA.

The IHA currently requires approval at both the host track and the receiving track. Approval at the receiving track was put in to keep tracks in the major markets from dominating the sport. This is how the pricing model got upside down.

When the IHA was passed in 1978, other racetracks were the only off-track bet takers. Today, off-track betting is mobile, tech-savvy and far away from receiving tracks. Approval at the receiving track is an anachronism and needs to be deleted. However, approval by the racehorse owners at the host track is necessary and should remain unchanged.

This change would allow something magic to happen in our sport. Every licensed host track will then be able to package, present and promote its own racing product direct to the consumer, without middlemen and gatekeepers. Kickbacks called source market fees will be eliminated and there will be no bleeding of \$500 million from purses to non-racing entities.

Every host track would control its own destiny. If they work with the racehorse owners and present the kind of racing product the customers want, they can win in the marketplace.

Isn't that what we want? We want our racing product to be designed for the customer and for the revenue to go unencumbered to racehorse owners and their track partners where the show is produced. This is an amazing opportunity to change the future of Thoroughbred racing.

3) The third change recommended for the IHA is to mandate the host track will receive no less than 50 percent of the takeout on its races. That will permit a phased-in transition period for receiving tracks. The percentage going to the host track will grow each year as tracks and racehorse owners plan for the long-term future for the sport.

These three changes will provide Thoroughbred racing a real world business model and by federal IHA mandate, help eliminate the current jurisdictional rivalries that cripple North American racing. This can happen with the stroke of a pen.

The Real Risk is Not Changing the IHA

Some will tell you the industry cannot risk opening up the IHA to change. I hope you understand now, the real risk is not correcting the IHA.

The IHA was a gift, but some people made mistakes and the IHA turned into a curse. Correcting the IHA will turn things around quickly. A new business model for racing will attract investment in facilities and start providing racehorse owners with incentives to protect and grow their sport. Breeders will obviously benefit greatly.

Our industry must look in the mirror and understand each time you use leverage to have your \$5,000 claimer front and center on Saturday, you are the reason fans walk away and off-track bettors look for another race. Since that has been happening at every track, customers on-track and off-track have walked away nationwide.

If you want the public to pay for your game, you have to give them what they want, not what you want. Breeders must back off of forcing state-bred races onto the racecard on weekends. The breeders' customer is not the racing customer.

The customer must come to know Saturday and Sunday racing is special. On those days, only the highest level of our sport will be presented. No exceptions. It will become a new brand of racing. Correcting the IHA will allow the host track to be able to afford and present a racing product that the public wants.

These changes in the product, distribution and pricing of racing will have enormous benefits and they are easy to accomplish. Racing has survived with three of the four items in marketing turned upside-down.

A Thoroughbred-racing product that is designed for the customer, with a pricing model that favors the host track, will allow this sport to rise to levels unimaginable today. Once Congress corrects the IHA, we will be ready to address the forth and final item--Marketing Communications. With the right product, distribution and pricing in place, that's when we will expand the fan base and this sport wins.

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