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by dean towers

THE UPS & DOWNS OF BETTING HANDLE

Being a bit of a betting and gambling geek, a hobby of mine is looking at the factors that drive pari-mutuel wagering. It's a fascinating exercise because there are so many items that go into the make-up of a gross betting pool. Sure we know the basics, like the lower the takeout the higher the bet, and the less gambling competition we have the better it is for racing handles, but there are so many more.

So far in the 21st century we've seen wagering fall, but it has not been all bad. Racing has done some good too. I thought I'd look at some ups and downs this century; what I think has helped, and what I think hasn't.

The "Ups"

A Concentration on Increased Field Size - I'm a horse owner. When I have a horse in to go and it's a five-horse field, the only thing I like better is a four-horse field. For bettors, it's the exact opposite. In the early 2000's, this metric was barely on the radar for tracks and racing secretaries. Small fields at some of our large tracks were not an exception, they were the rule. Now, in 2012, you'll often hear tracks like Gulfstream Park and Keeneland trumpet their field size numbers and do everything possible to increase them. A big field means more choices for bettors and makes for a more interesting product to wager on. This has been a plus for handles, and with race dates decreasing the past few years, it should only get better as time goes on.

Dynamic Pricing - It seems like it was a long time ago when bettors were flocking to offshore sites and Vegas to get rebated for their play. Racing wanted no part of dynamic pricing for a long, long time, but in the mid-2000's this started to change. Today, even large organizations like Churchill Downs Inc., and Magna have embraced the model. The jury is still out on whether this is good or bad for the long-term health of the business, but with some estimates that decreased takeout through rebating drives 60% of handle, it certainly is formidable.

Lower Takeout Bets - While you can grow organically by increasing the churn of your current customer base, any good business needs to look outside of it to try and increase turnover. If you visit a sports betting or poker site and tell the crowd you're a horseplayer, they immediately think you're a sucker. "How can you beat 20% juice? You can't," is a familiar refrain.

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Lower takeout bets have, at the very least, tried to attack that mindset. They also act as a branding mechanism for racetracks to promote something positive, and increasing payouts to customers always increases the gross bet.

"Big" Days - Time and time again the last half-dozen years, we've seen a racing juxtaposition: headlines screaming at us about large overall handle losses, yet simultaneous headlines about tracks having record handles for their signature race days. Whether it's the Kentucky Derby, the Florida Derby, The Wood, The Preakness or the Jockey Club Gold Cup it doesn't seem to matter. A big part of this, perhaps, is social media. Go on Twitter and see first-hand the excitement regarding stakes racing and signature days. It's palpable and people want to be a part of it. For whatever reason, racing needs to continue focusing on their big days, because it's working.

Wager Variety, Incremental Bet Sizes - If the cheese market only contained havarti, it would be a pretty small market. If a company invented a few different kinds of cheddar, mozzarella and parmesan, sales of cheese would skyrocket. Bets like 50-cent pick 4's and 10-cent supers are racing's cheddar. More variety in increments means more dollars. When we lower the denominations, we increase churn, and when we do that, handle goes up. When fractional wagering catches on, which I believe it will, it should help handle even more.

The "Downs"

Higher Takeout - There's a reason your neighborhood bookie charges 10 cent lines in 2012, which is the exact same price charged a century ago--because that's where he/she makes the most money. When we increase takeouts we will make less money in the long-run, and even worse, it maddens horseplayers to no end because they feel underappreciated. Even the explanations like "we're increasing takeout so we can have a better product for you, so you should be happy to pay" are hair-pulling. Not only are they illogical (if increasing takeout made tracks more money, forget raising it to 25%, try 80% and make even more), they turn off customers. Would racing fans and participants be happy to pay \$5 a gallon instead of \$4 a gallon for gas if the purses for the Dubai World Cup went up?

Jackpot Bets - This may have been expected in the "ups" section, but I don't think it should be. Jackpot bets like the Rainbow Six, are great for a single track because they have something to promote. However, too many of them are churn killers. In the 1970's when win place and show ruled the roost, you could bring \$50 to the track, bet a few win and show bets, and that bankroll would last. Now, good luck with that. Jackpot bets, like a carryover pick 6, takes money out of circulation. Even winners don't invest that big payday all back into the pools. There's a place for jackpot bets in racing, but I think the proliferation of them does more harm than good.

Internet Wagering - We can bet a baseball game anywhere we want, without too much trouble. We can sign up and load an E*Trade account, buy or sell stocks, options or futures in the middle of the night in all 50 states with ease. Betting horses on the web is anything but easy. If you live in state "A" you may or may not be able to bet state "C"'s tracks. You may be able to sign up to watch video only if you live in state "F". In state "G", well you may not even be able to do that. We have 1978 laws governing the 2012 Internet age. It's been a huge problem because potential new customers do not want to hear about horsemen and track "home areas" or a variety of excuses on why they can or cannot do something that others can do. Today's consumer wants action, and they want it yesterday.

Wagering/Pari-Mutuel Technology - If you or I go to our local Wal-Mart, see an iPad on sale for \$399, walk up to the cashier and he/she tells us the price changed to \$499 and we have to pay it, we would not be too happy. That's what horseplayers go through each day. If you bet a horse at the off that you think has a 33% chance of winning at 5-2 and he drops to 7-5 at the second call, you made a terrible bet. It's 2012. Late odds drops, an archaic wagering system and rumors and evidence of past posting does the game no good at all. It's a complete turn-off for informed and technologically savvy bettors that expect more.

There are several other factors I am sure I could've looked at, but those are a few that I found interesting and tangible. I believe if our industry does more of the positive, and less of the negative, we'll drive handle on the plus side this decade.

Dean Towers is a horse owner, fan, and bettor. He's a Director of a Toronto-based Internet Marketing Agency and been a featured speaker at Wagering Conferences across North America. He wrote his University thesis on Off-Track Betting, and has also authored a white paper on exchange wagering.

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