

Down at the Track - What Policy, Marketing, & Technology Offer The Sport of Kings

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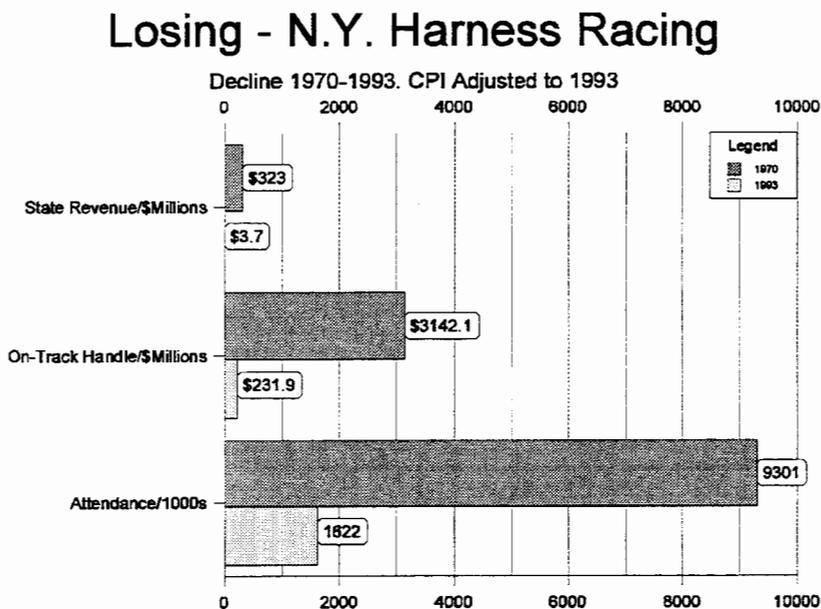
Abstract

Horse and dog racetracks across the U.S. are experiencing declining attendance and betting handle. This article summarizes an investigation into possible causes and remedies for these trends. Three topics emerged: policy, marketing, and technology. First, industry and political leaders must cooperate in identifying and addressing central political-legal issues. Racing's second focus must be marketing management, especially the changing competitive marketplace and specific marketing mix elements. A third concentration for racing industries is the intelligent application of technologies for such strategic purposes as expanding both the track product mix and its distribution.

Introduction

The phrase "down at the track" may be taking on an unwelcome new meaning for the horse and dog racing industries. Long known as the *Sport of Kings*, horse racing includes thoroughbred, quarter horse, and harness racing, while dog racing refers to greyhound track action. Today most greyhound and horse tracks are witnessing waning figures for attendance and wagering. In the two years 1991 to 1993, United States track attendance sank by nearly 16 percent, from 54 million to 45 million. Figure 1 (adapted from Tese, 1994) presents the very steep decline in New York harness track attendance, track handle, and associated tax revenue for end points of the period 1970—1993.

Figure 1



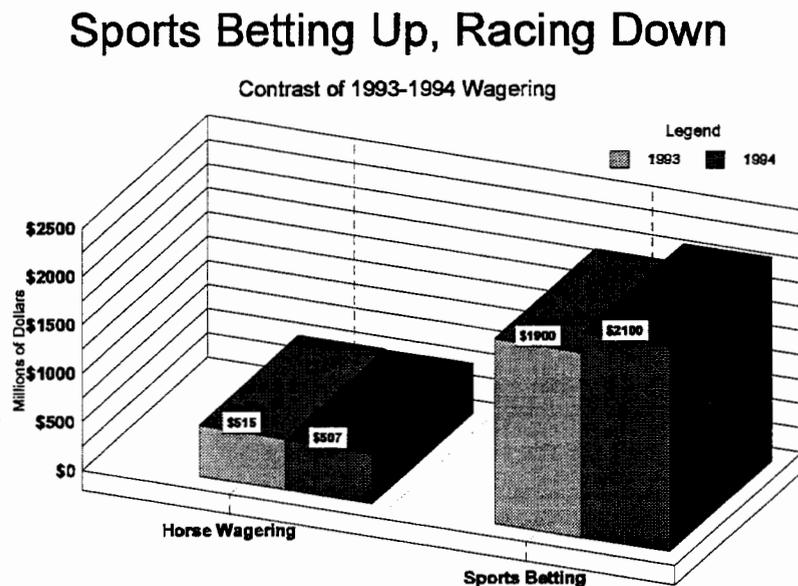
While racing figures slide, betting on sports in general continues to soar. For example, during the ten years 1983 to 1993, the total volume of race and sports book wagering in Nevada has more than quadrupled (Motu, 1995b). Nevada sports book wagering specific to racing slid from \$515 million in 1993, to \$507 million in 1994, as illustrated in Figure 2. In contrast, during the same period, state sports book betting overall flourished, moving up over ten percent from 1.9 billion dollars in 1993 to 2.1 billion dollars in 1994 (Dodril, 1994).

What can the struggling racing industries do to strengthen their chances of survival? The objective of this paper is to communicate an integrated, comprehensive, and coherent view of industry choices. In the face of predictions of continuing decline for the racing industries, Thomas Joy, owner/operator of Windsor Raceway in Ontario, responds this way: "You don't get rewarded for predicting a flood, you get rewarded for

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building an ark" (McQueen, 1995b). Racing's ark may be constructed with an integrated, intelligent mix of the three key forces examined in this paper. The forces of (1) political-legal action, (2) marketing management, and (3) technology application are unavoidably intermeshed (see Figure 3). Each force represents both tools for industry strength and obstacles erected by stakeholders and/or used by opponents and competitors. The racing industries' ability, coordination, and timing in using the forces as tools is their most urgent and high stakes race. Their

Figure 2



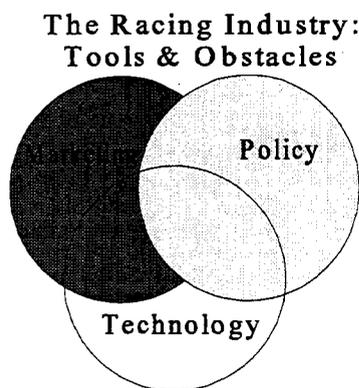
performance will determine whether the horse and greyhound racing industries enjoy recovery, fade to an also-ran stature, or stumble completely out of the gaming race. The first force to be profiled is political-legal action. Second, marketing management considerations for racing are addressed. Finally, the paper highlights types, characteristics, and targets of technological applications in racing.

Racing and Political-Legal Action

As public policy, legalized gaming generally must be justified as a social contributor. In New York state, for example, harness racing is a private, for-profit entity and, as such, has a state constitutional requirement to provide revenue for the support of government (Tese, 1994). Racing has enjoyed a relatively broad acceptance by state legislators as a form of gaming. Until recently, racing often

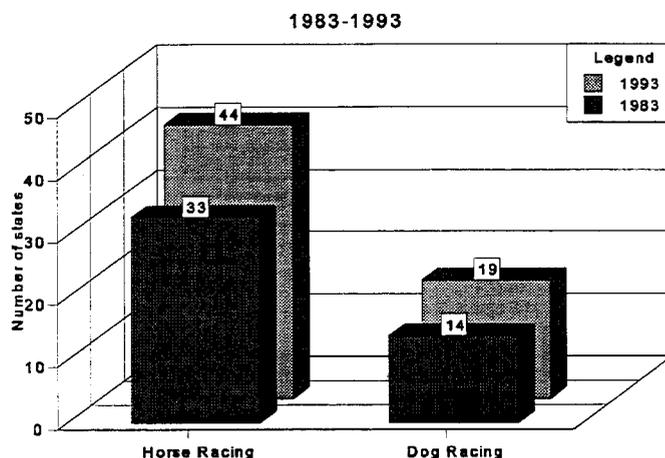
was the **only** legal gaming in town. With the exception of charity bingo, horse racing is allowed by more states than is any other form of gambling—including

Figure 3. Three key forces present racing industries challenges and opportunities.



lotteries. By 1983, 33 states already had legalized horse racing. A decade later, 44 of the 50 states permitted at least some form of horse racing. In addition, nineteen states had legalized greyhound racing by 1993, up nearly 36 percent from a decade earlier (see Figure 4, adapted from Vallen, 1993).

Figure 4. State Policymakers Vote for Racing



Despite this seemingly smooth ride, the political-legal environment surrounding racing industries is made turbulent by many forces—from community and state economics, to encroaching competition, and from infighting for protection and control, to issues of racing history and tradition. Table 1 lists five ideals and, correspondingly, five hurdles for racing policy makers and regulators operating within this policy environment. These can be summarized as follows: (1) a need for long-range vision, (2) an urgent call for stakeholder cooperation, (3) a need for efficient, effective financial management, (4) a requirement of greater knowledge on administration and controls in gaming, and (5) the necessity of an expanded understanding and employment of marketing.

Table 1. Racing Regulation: Ideals and Hurdles

Ideals	Hurdles
1 A detached, future-oriented vision by policy-makers and promulgators	1 Short-sighted, reactive, irresponsible and/or self-serving gatekeepers
2 Ability and willingness of stakeholders, heretofore racing competitors, and policy makers to work cooperatively	2 Dueling stakeholders - over control of simulcasting, broadcasting, betting locales and
3 Efficient fiscal management with sufficient gaming handle and purse size to assure reasonable product quality and participant survival	3 Bloated bureaucracies, success-defeating regulations, a gap between expenses and income, declining appeal configurations, taxation, etc.
4 Understanding of gaming management, controls, technologies, and policies to ensure integrity of play and administrative reach	4 Fear that gaming is out-of-control - e.g., concerns of lack of race integrity (fixing, tampering) use of gaming machines by minors, unregulated play
5 Marketing knowledge, including appropriate game mixes and distribution to promote optimal play	5 Indifference to patrons. Confusion in identities (patrons, business objectives). Fears of cannibalizing on-track betting

The political-legal environment of racing also involves a wide range of stakeholders, including those involved with track operations, others involved with racing stock (trainers, handlers, jockeys, owners, breeders), legislators, regulators, as well as potential recipients of tax proceeds. All are concerned by the declining attendance, revenue, and profit figures. But factions are jockeying for power and take opposing stands on such racing policy issues as distribution, integration of non-racing games, purse sizes, tax collections, jockey insurance, player issues, and so on (Pope, 1994; Siraco, 1994). And many stakeholders oppose any change, rooted as they are in a racing culture of prickly pertinacity chained to nearly-ritualized track traditions.

The New York City Off-Track Betting Corporation (NYC OTB) provides an example of the scope of political-legal problems. During the 1993 New York City

mayoral race, then-candidate (subsequently elected) Rudolph Giuliani accused the NYC OTB of being “the only bookie operation in the world that was losing money” (Doocey, 1994). Acting NYC OTB President Robert Palumbo agrees: they operated at a \$5.1 million deficit on a handle of \$811.4 million and a net revenue of \$199.3 million, bringing the corporation to the verge of bankruptcy. Palumbo’s problems include a mandate that the city and state run race operations (instead of individual tracks) with a structure that is top-heavy and blatantly excessive in labor costs. Other hurdles include archaic regulations restricting race distribution (such avenues as TV broadcasting, selling private video signals), spiraling competition for gaming dollars, and a long-standing feud with the New York Racing Association that interferes with event coordination (Doocey, 1994).

As a second example of complex political-legal matters, consider the issues surrounding whether to permit placement of gaming machines such as lottery or poker systems—or even an entire casino—at a racetrack. Just a few of the policy concerns are vagaries in existing legislation, licensing precedents, potential cannibalism of track revenue, access by juveniles (underage gaming), and administrative control issues. One casualty to such challenges is Chicago’s showcase Arlington Park racetrack, which remained dark in 1995 for lack of unity in attempts to bring a casino to the track. Park Chair Richard Duchossois claims that without a casino, the encroaching riverboats will slash the track’s revenue by 25 percent (Siraco, 1994).

Regina Exhibition Park in Saskatchewan provides an instance of intermediate acceptance, but with initial heavy-handed policy interference. Here a casino was opened adjacent to the parimutuel facility, but seemingly-groundless jurisdictional regulations originally prohibited alcoholic beverages from moving between the track and casino rooms. Before the beverage law was rescinded, the racing facility handle tumbled 23 percent (Doocey, 1995b).

Danny Adkins, overseer for a West Virginia greyhound track, believes that policy-makers should include non-race games at tracks. He explains that before the introduction of video poker at his track, the prevailing opinion was that poker would cannibalize wagers that otherwise would be bet on the greyhounds. “It’s been just the opposite . . . people are coming in to play video poker, but they are also getting into the parimutuel pools,” marvels Adkins. Referring to three area tracks (two greyhound, one thoroughbred), Adkins exclaims:

“We were definitely going downhill on live racing, at least until last September when we were given legislative approval to install video poker machines. Since the beginning of that experiment, our handle on live racing and our simulcasting network is up four percent. . . . Even more astounding is that our attendance is up 23 percent. Now that was a shocker.” (More tracks, 1995)

Clearly, transitions from ideas to policy proclamation to promulgation require interpretation and compromise on such ideas and ideals as “benefit” and “the people,” for which definitions depend on who is responding. Among the challenges for stakeholders are to educate themselves, to be open-minded, and to come to cooperative agreements. Also required is a meaningful grasp of the potential market for race betting and how to appeal to and retain it.

Marketing Management

The marketing management mandate for the racing industry is to identify and address competition; to concentrate on knowing, winning, and serving current and prospective patrons; and to place a fresh, intelligent emphasis on contemporary marketing management.

Competition for Racing—Gaming

From track gaming handle to concessions sales, racing industries spokespersons blame their trackside revenue slide on competitors who they fear are siphoning in the same players who formerly bet the races. Competitors include state lotteries, riverboats and other casinos, or even sports teams. Indeed, studies show

that race wagering can be negatively effected by such competition. Thalheimer and Ahi (1995) found that competition from a lottery and from professional sports (baseball, basketball, etc.) results in overall declines in both attendance and wagering to proximate racetracks. Mobilia (1992) also concluded that lotteries negatively effect track at-

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tendance and total handle. Her results showed that the local availability of a lottery appeared to have no significant effect on real handle *per attendee*, but that players who typically placed relatively small race wagers seemed inclined to switch from track to lottery wagering.

Racing—Gaining a Customer Orientation

The marketing picture of the racing industries resembles a classic portrait of “marketing myopia” (Levitt, 1975). Myopia is a combination of tunnel vision, egocentrism, and neglect of the desires of an industry’s current and potential patrons. Myopia leads to industry obsolescence and eventually, demise. Concerned about racing’s future, Bruce Rimbo, executive vice president of race track development for Hollywood Park in California, relayed this message at the *1994 Symposium on Racing* in Tucson, Arizona (Doocey, 1995b):

“In the past, racing has treated its customers much like Rhett treated Scarlet. We told them we frankly didn’t give a damn. But our customers are no longer buying what we are offering. We have to offer them what they want.”

Contemporary Marketing Foci

Table 2 lists an expanded version of the traditional “four P’s” of marketing to six P’s distilled from racing and hospitality related resources. These six P’s are patrons, products/ product mix, packaging, place, price, and promotions.

Competition from lotteries is not the only battlefield depleting racetrack attendance figures. New gaming legislation and regulation, broadening distribution, and new applications of technologies continue to make virtually week-to-week differences in the gaming marketplace. Marketing plans that are based only on profiles of past and present racing patrons will misinform a competitive response due to the fast-changing nature of the gaming environment. Thus marketing research will be more tentative yet critical than ever before.

Table 2. Marketing Management Foci for Racing

Patrons	Know them, please them, serve them
Products & Mix	The product is fun, possibility, and payouts
Packaging	The parking, the lights, the bathrooms
Place	Track? Casino? Supermarket? Home?
Price	From admission to simulcast rights
Promotions	Public relations. Neon visible from 20,000 ft.

Patrons

Traditional players are aging; the average track bettor is a 55 year old senior. California Assemblyman Curtis Tucker (D-Inglewood) summarizes his concern with investing in an industry replete with aging track bettors in these words: “The industry has held up well, but it just won’t last much longer. George Burns has held up well, too, but would you invest \$100,000,000 on whether he would live another 100 years?” (Manning, 1993).

Earlier in this century, one would not expect to see Humphrey Bogart or Clark Gable at a slot machine. Instead, these theater heroes might play poker or bet on the horses—games that seemed to require and favor the knowledge and skill of the player. Today’s younger player favors lottery and slot type machine games, “no-brainers” with instant gratification that require relatively little understanding and are luck-based (McFadden, 1995; Yoshihashi, 1995).

The evident fickleness of today’s new-to-gaming patrons places another set of obstacles on race wagering’s future track. According to Cook and Yale (1994), much of the boom in gaming revenue growth may result as a response to the novelty of wagering as a newly-available recreation choice in many geographic areas. A first obstacle is that this growth may bypass racing because track operators have not worked to attract neophyte players. Second, if some new patrons do try track

wagering, they may follow the pattern of new-sensation seeking vacationers, who tire quickly of their encounter with racing and move on and on for brief flings with whatever games next catch their interest (Bello & Etzel, 1985). Third, these diversion seekers often can be profiled as low stakes gamers, a segment that may offer scant loyalty to the racing industry (Cook & Yale, 1994; Mobilia, 1992; Thalheimer & Ali, 1995). One can speculate that with little patron cultivation or redesign of the patron-racing interface, the forthcoming crop of gaming newcomers who are and remain interested in betting live horse and dog races may be inadequate to support the racing industries.

Products and the Product Mix

Many answers are possible to the question: What are the racing industries' products? As one example, those attending the twentieth annual conference of the International Association of State Lotteries defined an attractive gaming product as one that does three things: (1) entices with good value and an opportunity to

WIN something, (2) provides stimuli and facility to wager, and (3) delivers with good quality and value for patrons' money and recreational time (Bates, 1994). This definition holds important keys for the racing industry. One is the reference to product quality and value. Research has shown a direct link between quality of races and both track attendance and wa-

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gering. Over time, one can expect relatively higher race quality to correspond with higher attendance and betting, and vice versa (Doocey, 1995b; Thalheimer & Ali, 1995). Race quality is linked to track integrity and to the size of purses. In turn, higher purses draw relatively better bred, faster animals, more experienced, known jockeys, and larger fields.

Beyond value, from the viewpoint of some racing purists, the *product* is the sport—greyhounds and horses, the adventure, the smells and sounds, thrills and spills of the track—and by the way, betting on the races. The product is diversion, entertainment, and recreation. On the other end of this continuum are those who define the product and industry objective not as simply getting people into the seats at the track but as netting a solid profit on a healthy gaming handle, no matter what product form sells. These are important distinctions. For example, in arguments about sending live transmissions of a race to TV displays in distant betting halls, purists attempt to block the practice, and the profit-oriented would oversaturate the airwaves with races.

Is the "bet" the racing product? Today one can bet a race finish to *win*, *place*, or *show*, or one might bet a combination such as an *Exacta*, *Trifecta*, *Quinella*, or *Pick Six*. Wagering industries consultant Mike Shagan suggests that before racing decision makers move to bring in other forms of gambling, they should experiment with more new bet types and non-gaming amenities to add interest, sizzle, and patron responsiveness to products for sale. Instead, industry leaders repeatedly insist that "there is nothing that can be done to make the racing product more

competitive in today's entertainment market" (Doocey, 1995b). For example, when former New York Governor Mario Cuomo convened an Advisory Commission on Racing in the 21st Century, the Commission reported that, in regard to the need for new race distances, bet types, etc., their hands were tied because "[t]he current regulatory mechanism has served to frustrate management efforts to attract fans" (Tese, 1994).

Packaging

Either as part of the product or its promotion, it is important to recognize that racetrack facilities comprise a *package*. Grandstands and tracks, etc., are *packaging*—a distinct physical consumer interface that elicits an impression. Many track facilities have become run down, resulting in bleak conditions such as aging facilities, weather vulnerabilities, and dank restrooms. In fact, one article profiling New York City racing facilities referred to them as "considered downright frightening by most of the racing community" (Doocey, 1994). Facility packaging often needs explicit attention, separate from (while in addition to) marketing the race and wagering options. All but the newest tracks must refresh and retrofit to accommodate new betting opportunities, from tele-theaters to video poker terminal lounges. Research in other types of hospitality operations points to the importance of such facility concerns as maintaining the restrooms, remaining attentive to safety (e.g., adequate lighting), providing clear, informative signing, and attending to access conveniences such as valet parking. More successful tracks are flexible, maintain a dialogue with patrons, and invest "significant sums" in packaging improvements (McQueen, 1995b).

Place

The "place" in marketing vernacular refers to distributing the product in order to facilitate a market exchange with consumers. Convenience, access, and exposure appear critical. Today's gaming patrons are increasingly reluctant to travel long distances solely for live racing entertainment (Cook & Yale, 1994; McQueen, 1995b). Given known preferences for convenience, today the question to pose may be: *Where would patrons like to play the races?* Theoretically the player could play not only at the track, but on the riverboat or other casino, at the truck stop, supermarket, or other retail outlet (as with lottery betting), or even at home. Entering the international marketplace, bettors also should be able to bet races beamed-in from other countries, and owners and track operators should be able to distribute their races to other lands. As discussed below, technology holds much promise for the "place" capability of racing.

Price

Defining the racing product is a must in pricing. Casino patrons report a broad range of descriptions of the "price" of gaming. In intercept interviews with day-trip casino patrons in Atlantic City, patrons were asked about their gaming "budget" (if any) and how they would describe the price of play. Some respondents described the price of play as the amount of a minimum bet. Others viewed price as their approximate budget for gaming for an interval (i.e., one morning).

Still other players defined their price as what they expected to spend for a specified gaming trip, including travel expenses, food, beverages, concessions, and incidentals. As for price expectations, when asked, many respondents were able to bracket their gaming excursion into a more-or-less defined budget or range of expenditure. Their explanations included vague references to limits or price thresholds on individual cost components (e.g., the price they would pay for a drink), and on their gaming as a whole (Cummings, W. T., personal communication, December, 1995).

Attention to the reasonableness of prices on gaming related products, from admission to beer, appears to be a competitive necessity. This is especially visible at tracks because often players have made a significant outlay just to arrive, park, and enter. Most parks currently have few attractions other than races over which to

“amortize” trip costs. Responding to such price concerns, Dan Bucci (Vice President and General Manager of the thriving Rhode Island greyhound track, Lincoln Park) lowered admission and parking fees and is examining others, such as food, beverage, and souvenir prices.

Combining marketing acumen with political-legal vision may keep the racing industry out on the track. But to be competitive, leaders must press into greater service such new tools as digital technologies and emerging microprocessor chips for gaming.

Promotions

Traditional promotional activities in marketing encompass advertising, merchandising, personal selling, publicity, and public relations (McCarthy & Perrault, 1993). Rather than promoting the industry, however, the racing industries' tend to lament their lot to a degree that could be damaging, both to internal morale and to various publics. Thomas Joy, owner/operator of Windsor Raceway in Ontario, expresses it in these words: “Too much complaining about your predicament only creates your own bad publicity” (McQueen, 1995b).

Taking positive promotional action, Lincoln Park's Bucci studied his patrons. Determining that his racing regulars were fairly constant, he redirected the advertising of his greyhound park toward attracting casino type players rather than the usual racing patrons. Bucci even removed the word “greyhound” from the park's name. In a different type of promotion, to signal its new at-the-track casino, Hollywood Park in Inglewood, California invested in one of the largest existing neon signs—30 by 326 feet. The spectacular sign spells out *CASINO*, not to street-side invitees but to airline passengers on their Los Angeles International Airport approach. Installed on the casino roof, the sign is designed to be visible from 20,000 feet (Albertson & Motu, 1994).

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Technology Applications

The third of the trio of racing industry tools is applied technology. In the broadest view, technology is science applied to doing things. Applied computer and communications technologies have advanced racing sports in countless ways, from the totalizer systems in use for integrated parimutuel betting to satellite video distribution. Racing industries technologies largely converge on applications for game distribution, information management and communications, gaming tracking and controls, and games themselves (e.g., video poker machines). Though technologies new to racing offer benefits for track business success, their adoption is progressing only spottily. Hesitation may be related to cost and to the fact that some technologies, such as digital signal processing of racecasts using satellites, are in only an emerging phase of development and availability. Other reasons that certain technologies have been slow to penetrate racing include traditions, race-track space restrictions, and, of course, the marketing and political-legal challenges discussed in the foregoing.

Track legislation and regulation, marketing, and enabling technologies have resulted in a tiering of racetrack gaming into four technology frames or formats, as illustrated in Table 3's matrix. Referring to the numbered rows, these formats are (1) non-track or off-track betting outlets, (2) tracks with gaming terminals, (3) tracks and adjacent stand-alone gaming facilities such as card parlors, and (4) tracks with an integrated casino (formats adapted from Doocey, 1995b). Lines of difference also can be drawn according to the games played, as suggested by Table 3 column headings. The following section provides an outline of important technology applications (see columns A-D in Table 3).

A-1. Simulcasting

Simulcasting and off-track betting (see below) seem to be as much legal entities as technologies. For racing, applications are the foci. In a simulcast race, video signals of the racetrack action are transmitted to one or more other locations simultaneously with the live action. Similarly, races from other tracks can be piped in and displayed as live races from one or more other tracks. North America's racing industries long resisted simulcasting due to industry and policy-maker fears that bettors would stop coming to their tracks to wager. United States simulcasting levels have thus lagged behind levels in racing centers of Europe, Asia, and Australia. Simulcasting participation in the United States today is relatively widespread because the racing community finally has "learned to accept the economic reality of parimutuel sports in the 1990s" (McQueen, 1995b).

Table 3. Track/Casino Formats & Gaming Technologies Track gaming configurations are down the left side as row headers 1 thru 4 Racing technologies are across the top as column headers A thru D				
TRACK/ CASINO FORMATS	GAMING TECHNOLOGIES			
	A-1. Simulcasting: Send and/or Receive <<< with >>> A-2. Off-Track Betting (Includes <u>Intertrack</u> Betting)	B. Video Lottery Terminals	C. Other Gaming Machines	D. Table Games (Not yet substantially technology- driven)
1. Non-Track Gaming Site	Yes	Maybe	Maybe	Maybe
2. Racetrack & Game Machines	Maybe	Maybe	Yes	No
3. Racetrack & Card / Game Parlor	Maybe	Maybe	Maybe	Yes
4. Racetrack & Casino	Maybe	Maybe	Yes	

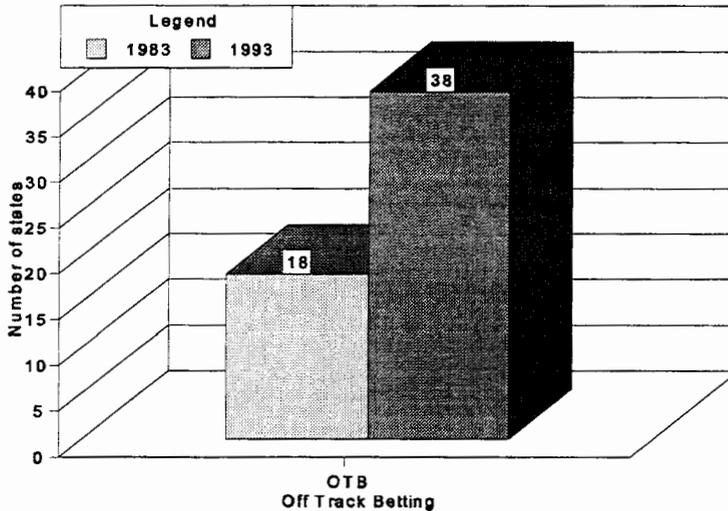
Yes = Format at left would be likely to implement the technology in corresponding column.
 No = Format at left probably would NOT implement technology in corresponding column.
 Maybe = Format at left may or may not implement technology in corresponding column.

A-2. Off-track betting (OTB)

Off-track betting, an outgrowth of intertrack betting, is an extension of the betting pool from the track of origination to the simulcast site. Included under this heading are intrastate intertrack betting, interstate intertrack betting, race and sports book action, tele-theaters, and telephone betting. OTB networks have existed for years but are realizing recent growth as interest in gaming and the number of jurisdictions permitting simulcasting and OTB have soared. Dr. Gary Vallen (1993) states the following about OTB (see figure 5):

“Although there is much fanfare associated with high-profile legislation (lotteries, card rooms, and casinos), little is heard about off-track betting. It is therefore interesting that OTB has grown the most during the past decade. In 1983 only 18 states offered OTB; by 1993 that number had risen to 38, for a 111-percent growth rate.”

Figure 5
Off-Track Betting Soars - 1983-1993
Technology, Policy, & Marketing Merged



Simulcasting with OTB

The pivotal capability of racing distribution systems technologies is the transformation of separate pools of live racing—the tracks themselves—into widely available, easily-tappable networks of betting opportunities. The bottom line is that simulcasting/OTB access and exposure appears to result in a greater gaming handle for racing. Typical evidence comes from Maryland's harness racing handle. In 1993, Maryland was the sole state to have an increase in harness racing wagering, which they attribute to both off-track wagering and full-card simulcasting (McQueen, 1995a). Executives at the Del Mar track in California reference two measures of success with their 1994 simulcast network. First, track handle was up 22 percent. Second, at season's end, the track was able to issue nearly a million dollars of retroactive payments to all purse earners (Siraco, 1994).

As a means of enhancing revenue, simulcasting with OTB has changed the face of racing in at least four specific ways: (a) expanding racing's access to patrons (b) cross-marketing opportunities (c) providing a more patron-oriented betting experience, and (d) enlarging the potential return on investment.

- (a) **Expanding racing's access to patrons.** Racing simulcasts open the betting opportunity from one track to an enormously larger pool of patrons, offering them exposure and easy access. Betting is no longer restricted to only the track of origin, or even to intertrack betting, but is widely available, potentially being implemented wherever gaming systems are permitted.

The next step, race simulcasting and OTB at home would represent the ultimate access and convenience. If the fans are not coming to the track, why not bring the track to their living rooms? At this time,

typically such arrangements are only beta-sites or tests. Also, the execution of betting from home often is fairly low-tech relative to the state of the art in automated information and transaction capabilities. For example, a home betting system may simply be a phone call connecting the race wagerer with a human order-taker. But soon, depending on legislation, selected races should be available through one or more home outlets, whether borne by the phone system, a combination of phone and personal computers, local cable TV transmission, or emerging technological hybrids such as on-demand digital video. Already several cable companies are working on interactive channels just for horse racing (Burris, 1993, p. 331; Grossman, 1995; Paskevich, 1994). And Prodigy Services Company boasts an on-line horse sports bulletin board on which PC users discuss wagering strategies, etc.

- (b) **Cross-marketing opportunities.** A second benefit of simulcasting/OTB is cross-marketing. If track attendees become casino gamers, conversely, marketing experts see the opportunity of turning lottery, poker, casino, and other gaming customers into racing fans with various formats of OTB. (This concept was featured as a major session at the 1994 World Gaming Congress in Las Vegas.) For example, the strategy for publicly-owned Hollywood Park in Inglewood, California is adding a card club to bring supplemental gaming to the tracks and promote racing to a broad segment of gamers alongside other gaming.¹ Predicts R. D. Hubbard, chief executive of the Park, "The racetrack will bring people into the casino, and the casino will bring people to the racetrack" (Hubbard, 1995; Moshavi, 1994).
- (c) **Providing a more patron-oriented betting experience.** A third important benefit of simulcasting/OTB is that it adds interest, choice, and value to racing as gaming and entertainment. Casino players often are accustomed to gaming that moves at a constant pace, from the anxious tempo of live craps, to the rhythm of well-funded slot play. Jerry Carroll, owner of the Kentucky racetrack, Turfway Park, describes this simulcasting benefit in these words (McQueen, 1995b): "Live racing by itself cannot stand up to the competition; it is too slow. Simulcasting is built for the customer; it creates more value . . . We need to give fans a choice." Coupling OTB and full-card simulcasting, a dedicated player potentially could play 14 racetracks and 100 or more races a day, from 9 AM EST, to 11 PM PST. Although some refer to this penchant for speeding up the time between races with the derogatory term "McRacing," fans appear to be responding favorably (Hovdey, 1994).
- (d) **Enlarging the potential return on investment.** A fourth set of advantages of simulcasting with OTB is that simulcasting races to the facility from other tracks can supplement the track's product line. One or more incoming simulcast signals can provide the track, sports book, or other game outlet an ongoing "card" of races on which patrons can wager. Previously, tracks not open for the entire day, and those not

open year-round for live racing, had only limited opportunities to earn revenues and purse funds. The enormous facilities otherwise would sit idle when each day's local races ended and during off-seasons. Instead, today it is increasingly common for a betting facility to offer five or more different racing programs over the course of a day and evening, including simulcasting cards to and from other tracks.

As regulations permit, tracks can sell their local race signal to others as an added revenue source. Using satellite systems (especially the newer digital signal processing), aggressive cooperating segments of the racing industry are finding international trade opportunities in enhancing and ex-

anding racing seasons here and abroad. For those who wish to provide live racing action around-the-clock all year, a selection of signals from existing satellite-linked racing centers in Austral-Asia, Western Europe, and even Africa (e.g.,

Kenya, Nigeria) can make this a reality. Already, races simulcast from Hong Kong have proven popular in Canada and California. Of course, these same world-spanning centers are potential buyers of United States race signals (McQueen, 1995b).

While simulcasting and OTB permit wagering at the track on races that originate elsewhere, columns B, C, & D of Table 3, discussed below, highlight technology-driven wagering machines that bring **non-race wagering** to the track.

... race industry stakeholders will need cooperation, intelligence, and foresight in politics and policy-setting, marketing management, and technology applications ... tools to position their products as accessible and desirable gaming industry choices.

B. Video Lottery Terminals

Column B of Table 3 focuses on video lottery terminals (VLTs). As VLTs are an increasingly popular vehicle for the distribution of lottery wagering, some racetracks now permit them on premises as an adjunct to race wagering. VLTs compose a separate category of wagering for racetracks because of their potential widespread acceptance (Zielinski, 1994). All but approximately a dozen of the fifty United States now have a state lottery (which can include on-line lotto, passive games, keno, on-line numbers, instant games, and VLTs) (Vallen, 1993).

Why VLTs? "Casino's are carnivores by nature and race tracks are low on the food chain," explains Lincoln Park's Bucci. In that his track is in the very backyard of *Foxwoods*, currently the world's largest casino, how does Lincoln Park survive? "Without the VLTs, we would have been dead long ago" contends Bucci (Doocey, 1995b). Fighting fire with fire is believed necessary in the face of casino and related competition. In fact, with VLTs, Bucci's track now may be the

most successful parimutuel facility in New England, drawing approximately 150,000 people each race day. Today, the VLTs provide \$2.8 million in handle each racing week, of which the track nets \$600,000 to \$800,000. The 10 percent of VLT proceeds dedicated to the race purse have produced some of the United States' highest greyhound race purses. This has made the track a "magnet" for the top racing talent, which in turn, attracts wagering (Doocey, 1995b).

C. Other Gaming Machines for Integrated Gaming Facilities

In addition to VLTs, a host of race-betting enhancements, terminal-based non-racing games, and waves of new game features are now or soon will be available to track operators (Table 3, column C). Implementation of some of these technology applications must pend enabling legislation and marketing decisions. This section describes specific characteristics of selected systems with particular applicability to the evident needs of the racing industry.

Self-Serve

Attributed primarily to *convenience* and *exposure*, self-serve gaming systems appear to be a trend in themselves. Many gamblers are introduced to gaming via the autonomy of slot play and appear to find comfort with self-serve gaming. This may be a factor especially as an alternative to conducting transactions face-to-face at a racetrack betting window. Typical emerging self-serve enhancements include in-machine bill changers, coinless machines, and player-accessible systems to read accrued points for player club premiums (Butterworth, 1995).

Instant ticket vending machines (ITVM) are self-serve lottery machines now authorized in tests in 24 state lotteries (see VLTs, above). In evidence of their popularity, the Colorado Lottery pushed annual sales up by 36 percent with ITVMs. Virginia ITVM outlets reported an average yearly sales increase of 45 percent; supermarkets there averaged a 70 percent sales increase. Yet results suggest little cannibalization of existing over-the-counter ticket sales volume (Doocey, 1995a).

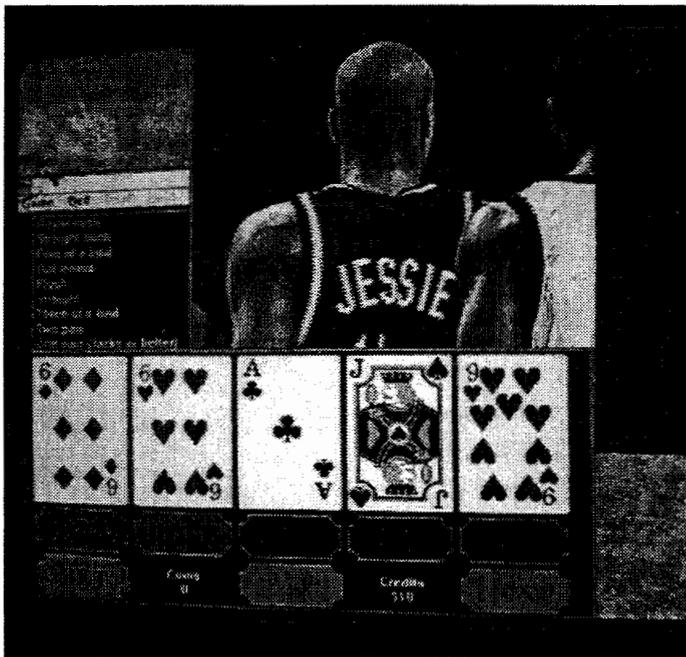
Multi-Games Systems—Synergy

The thrust of terminals now going into many tracks is multi-game systems. In addition to racing, several machines currently can offer any one of up to sixteen casino-style video games (e.g., blackjack, poker variations) all on a touch screen menu. Players benefit with multiple game systems by having the convenience, value, and fun of more choices. Operators gain flexibility, can hedge their investments, and are providing a tantalizing product to both the casual and serious gaming patron. With multi-game systems, players seem more inclined to stay, play, and spend. For example, retail outlets report that VLTs that also offer Keno often result in patrons lingering longer and spending more on non-lottery products than they did with either lottery-only machines or with tickets sold over-the-counter (Motu, 1995b).

Picture-in-Picture

Picture-in-picture (PIP) is the term for a window within a display screen that can carry a completely different signal from that on the larger screen, such as a separate TV channel. PIP provides the opportunity for multi-game simultaneous entertainment, beyond just the option of selecting a single game from one or more available games. Figure 6 depicts a simulated look at GG Baron, Incorporated's "Multimedia Slots" PIP. With this technology, players can wager on a race at the same time they watch a separate in-display race, or perhaps, watch their favorite television program, the news, or an in-house movie. PIP systems also lend track operators the opportunity to tutor, advertise to, and otherwise communicate with players on-line via the in-game PIP screen without the need to terminate gaming activities (Motu, 1995b).

Figure 6. Technological Future: Slot machine with Picture-in-Picture Capability



Technologies integrated into physically more-petite game machines can be arranged in areas such as retrofitted racetrack lounges where limited space must be used effectively. For example, Video Lottery Consultants, Inc. offers a scaled-down version of their video gaming machine that features *RaceBet*™ integrated

parimutuel wagering technology. Machines so-designed often are suitable for table, counter, or wall mounting (Jerrett, 1995).

Faster Gaming, More Gaming

Other technology trends are features to make gaming systems easy, attractive, and productive. Typical technologies are featured in GTECH's *AmTote* products. To facilitate completing a bet entry in minimum time, their *SprintBet™* self-service betting terminals include keyboards designed to guide player decisions, helpful display prompts for novice bettors, and a choice of English or Spanish languages on screens (Motu, 1995a).

D. Table Games and Racing

In the last column of Table 3, column D, the subject of table games at tracks is raised. Availability of table games at the races can differentiate gaming operation formats. For example, table games would be present in tracks with or adjacent to card parlors and also would be available at tracks containing or adjacent to casinos with gaming pits. (Also, of course, card clubs or casinos not near tracks may include race betting via race simulcasting.) The greatest importance of live table games to racetrack operators may be the cross-marketing potential. Hollywood Park executive Bruce Rimbo explains that it is his experience that parimutuel gamblers and card players are alike in preferring games requiring a degree of skill and expertise. Consequently, Rimbo theorizes that exposure of card players to races grows the number of race players (Doocey, 1995b).

Conclusion—and Down the Stretch They Come!

The horse and dog racing industries are at a developmental crossroads. Choices can be obscured as racing industry issues increasingly are enveloped in the tempestuous environment of gaming in general. But the crossroads offer at least two alternatives for the future. One path is business as usual, wherein racing industries remain semi-segregated players in the larger gaming picture, disregarding patrons and endlessly infighting. This route is resulting in declining figures in racing attendance and racing handle. Those on this path seem unaware that a race can be distilled by technology to nothing more than an inexpensively-distributed, random-number-generated simulated video lap around a virtual reality track. Such a development could place the racing industry in a claiming race with "imagineers" from firms like Disney, International Game Technologies, and Sega (Moore, 1995). If the game-makers gain the upper hand, thundering fields of very real, very costly 3-year old Thoroughbreds, and the tracks and subindustries they require and support, soon may be only a memory.

Alternatively, this paper reveals evidence that decision-makers for some race-tracks are taking a second path. They recognize a new competitive playing field created by the rapid expansion of legalized gaming, changing consumer prefer-

ences, and applied technologies. Along the second road, race industry stakeholders will need cooperation, intelligence, and foresight in politics and policy-setting, marketing management, and technology applications. Together, these elements offer racing industries leaders the strategic tools to position their products as accessible and desirable gaming industry choices.

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Endnotes

¹ Casino-style games like slots and roulette are not yet legal in California (exclusive of Indian Gaming). This Hollywood Park facility is known as a "card club," (which, by law, must contract out its management) where patrons play mainly card games. Patrons gamble only with one another, not against the house.