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“YOU NEVER KNOW...”

“You never know how much you can do until you try to undo what you just did.” So proclaimed my old riding teacher, one of the world’s greatest horsemen. Constantly. He was talking about teaching and training horses, of course, but the same wisdom applies to business, all business, and in our case, the plight of racing today in America, especially California.

We have made so many mistakes, and taken so many wrong turns; that we seem to continue to do so is of constant wonder to me. And I include myself in the “we,” since I was part of track management for so long, and for the last eight years have been leading the staff of California’s trainers’ organization. I’ve had an up-close chance to see what’s been happening since 1971, in one role or another.

I readily confess that in my early days, although I came from a horse background, I shared the prevailing management view that “the horsemen” – meaning owners and trainers combined as they were in one California organization in those days – just did not (and quite possibly could not) understand the decision-making process we went through in track management. In my first few years, racing at Santa Anita was threatened as it had never been before, due to a combination of circumstances. Its future was cloudy. Return on investment from our 440-acre property was grossly insufficient, especially for a publicly held company. Our stock price was suffering. The horsemen didn’t understand the necessity for our development of about 110 acres for a regional shopping center that would provide year-round income. About 20 weeks of racing a year couldn’t carry the whole load.

That was my introduction to “analytics,” but it wasn’t called that at the time. In truth, I don’t remember what we did call it – possibly just cost-benefit analysis. This was before pocket calculators were in significant use, long before personal computers and their spreadsheets and models. My boss, a Kansas Jayhawk engineer named Ray Rogers, always had a slide-rule in his jacket pocket that he would produce to do instantaneous calculations in planning meetings. Most people now don’t even know what a slide-rule is. Or was.

Track owners and managers simply had to be the ones to prioritize, inform, and make the decisions, we argued, because our investment was enormous by comparison to an individual horseman’s; ours was long-term and illiquid. The business was really owned and directed by the tracks. Horsemen, particularly owners, might make major investments in bloodstock, to be sure, but they came and went. Trainers might consider their profession a livelihood, but were perceived as agents of the owners and therefore less consequential no matter how annoying (and persuasive?) their opinions might be.

California racing enjoyed a long-term relative prosperity (even a boom) from the mid-seventies to the early 1990s. In my view, that era of health was based on balanced rivalries as well as competition among the track managements throughout the state to invest in their facilities and market them aggressively. For the most part, it was a positive competition, although the various track leaderships didn’t exactly love each other. I heard plenty of grumbling about how much more money we could make if this or that particular track would just understand more sophisticated business analysis and pricing, for example. And we were all living in a regulated environment, of course.

Ironically, our California industry wheels began to wobble when for numerous reasons the horsemen – the relatively inconsequential stakeholders, supposedly – were divided by statute into two separate organizations of owners and trainers and, due to litigation among trainers, stall limits were banished. In addition, the owners, who also claimed “ownership” of the purse fund, were therefore provided serious statutory oversight and even approval of what theretofore had been racing association prerogatives.

That intrusion by owners, or complication for the tracks’ planning and decision-making – just as monumental threats from the proliferation of Indian gaming, simulcasting, the Internet, and telephone wagering advanced on the gaming multi-verse – caused every wheel of California’s industry to wobble even more. The economic regression of 2008 witnessed the most serious contraction of the sport in its history.

I have no doubt that leaders in the legislature, the regulator, the tracks, and the horsemen’s organizations have been well-intended. But what happened to using objective analytics prior to making critical decisions? Business is way beyond and above the slide-rule era! Endless proliferation of exotic and high-takeout wagers, takeout adjustments themselves, reductions in minimum betting denominations, reduction or elimination of admission and parking prices, discontinuation of investments in marketing and the backstretch, simultaneous and enormous increases in prices for food and beverage and box seats – all these things and more must have sounded like good ideas to someone. But it’s hard to believe they were based on carefully considered forecasts and cost-benefit analysis, or developed by those who really understand horses and racing.

Analytics. Yes, analytics. We were almost certainly the first sport based on analytics, and at least one fortune was made on developing the analytics that enabled horseplayers to bet the races with greater and greater confidence by their publication in *The Daily Telegraph* and *Daily Racing Form*.

Is it too much to expect our leaders to apply serious analytics to the decisions made that define their future, and ours? T