ALAN F. BALCH

COMPETE!

Not too long after this esteemed magazine published my last essay, one of my "admirers" contacted me with her own opinions.

"You're so smug and condescending," she said. And went on to berate me for "never" doing anything except calling attention to problems, "never" offering solutions, "never" recognizing that it's a far, far different world now than in my relative youth. And I'm "always snarky" besides.

I now rise to the challenge of trying to put some (more) solutions out there, in a little better detail than I've been able to do before, so fixated have I been on the problems we're facing and their contexts.

A leading executive of The Stronach Group, one of the three principal behemoths controlling American racing these days (the other two being New York Racing Association and Churchill Downs), was quoted as saying that "there is about $11 to $12 billion bet annually," and that the national total has not been growing, even though Gulfstream's handle has. "It's our job to get that money and lift the handle at Stronach tracks."

There, succinctly, is the problematic perspective of our leaders. They are concentrating on what's called racing's market share – one small segment of a total market – and their own respective shares of that segment, instead of on growing the racing market's total overall. The broader American gaming market is far, far bigger than just racing's share. According to Casino City Press, annual U.S. gaming revenue (not handle, mind you) is around $106.4 billion. Across the U.S. and Canada, race and sports wagering revenue (again, not handle) is only 2.25% of the total, and declined by 4.5% in the last year. All other sectors rose . . . they are casino and card room gaming, lotteries, and tribal gaming, along with on-line and charitable gaming.

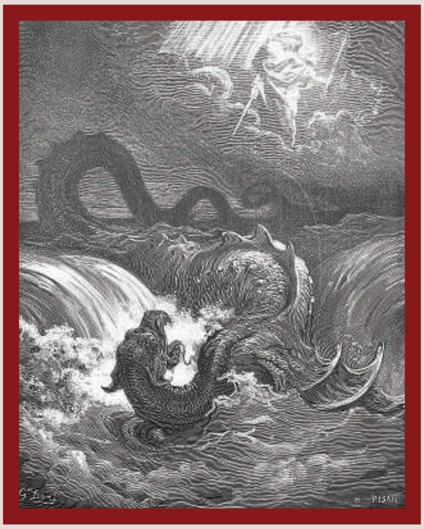
What I have previously referred to as "positive competition" among racing's ownership oligarchs is essential for our future, and essential for true growth. That word – oligarch – has really negative connotations these days, owing to our toxic politics. But I'm using it in its literal, non-pejorative sense – government by the few. Racing worldwide has always been an oligopoly (yes, always). It's just that now there are even fewer oligarchs than ever before.

Consider that in California over the last half-century, our previous oligopoly has contracted drastically. All Harness racing is now controlled by one association, and a separate one controls Quarter Horses. One additional entity controls two-thirds of Southern California Thoroughbred racing as well as eighty percent of it in Northern California. That doesn't leave much for the couple of other oligarchs here!

This transition in contemporary American racing to an ever narrower oligopoly has taken place throughout the continent, owing to economic circumstances including vast and ever-increasing competition for the gaming dollar as well as skyrocketing real estate values in urban markets. No secret there. And no judgment, either . . . business decisions must be made on the basis of facts and return on investment, not emotion. Like "love of sport."

So here's what must be done to have a prosperous future: our remaining racing oligarchs must invest heavily in marketing for future growth, and not just scrap over their relative shares of a contracting market segment. They can do both, simultaneously. They must do so now, while they can still afford it. Strategically. Their forebears should have been doing this for at least the last 25 years; if they had, we would have more of them left today.

There's one and only one way to grow: compete. Compete in the open marketplace for more of the total gaming market. Since we have the best game of all, this seems elementary to me – but we also have the highest fixed costs of any sector of the gaming market. So we have to do much better, smarter, more efficient marketing than our competitors.



Yes, we have to manage our properties properly, including catering. But success at marketing racing is not dependent on that! Or on "special events." In fact, the total market for restaurants and entertainment is even more enormous than the gaming market, so the thought that accentuating anything other than the gaming aspect of the racing experience is likely to succeed is . . . uh . . . foolish.

Our superior gaming product is now constantly available in essentially all households, via telephone and television. That's a relatively recent development. But I would venture to say that not even 5% of total households are even aware that they could bet the races that way if they wanted to, let alone know how to do it.

There's only one way to change that: hard-nosed, hard-sell, aggressive marketing . . . especially intensive (and expensive) mass-media advertising. The days are long gone when the on-track experience had to somehow be "protected" from cannibalization. Even though we need more than $2 bet away from the track to make up for $1 lost at the track, advertising must be developed and pursued that reaches the masses with a message stimulating interest in our sport, and the betting that fuels it, both at the track and away from it, simultaneously. Thus, growing our share of the total gaming market.

Wave after wave of new gaming competition has washed over racing in the last 30 years, as we have stood relatively still; the sports betting and cloud-based gaming breakers are rushing toward us. Our remaining racing leviathans now must each open their wallets wide and invest whatever it takes to advertise our game intensively and ingeniously, mainly through television, throughout America.

Competing that way among themselves – both to our existing and vast potential new markets – is the only productive way forward. ■