



WEDNESDAY, DECEMBER 7, 2016

Racing Innovation Showcase

MODERATOR/SPEAKER

Hai Ng: Partner, Neomancer LLC

SPEAKERS:

Walter Hessert: Chief Product Officer, Derby Games

Yenni Vance: Digital Communications and Social Media Director, Remington Park and Lone Star Park Global Gaming Solutions LLC

Ms. Liz Bracken: Good morning everyone.

Thanks for coming in early, although we tried not to make it as early as we've done in the past.

First of all, always a shout out to the sponsors.

Like we said, we can't do this without them.

Evening reception last night was sponsored by Sky Racing World.

Breakfast was sponsored by Exacta Systems.

This session is sponsored by CRIMS.

You might be wondering what session we are actually having, because there were two in the program.

Of course there was the Innovators' Circle.

We are now doing Racing Innovation Showcase.

Basically, University of Arizona Race Track Industry Program, and the producers felt that the Innovators' Circle content just didn't develop the way we would've liked.

We wanted to present you something really good and useful, so we decided to scrap it rather last minute, which is why you have a program insert.

We're really happy to have these three people.

We wanted to keep with the innovation theme, and I think they're going to do that very well for us today.

One more announcement before I introduce Hai, hopefully to just the women.

Somebody did find an iPad in the ladies room yesterday.

It's in Betty's office.

Like I said, I'm just hoping I'm talking to females here.

No judgement.

It's in Betty's office.

Okay.

Our moderator/speaker Hai Ng is cofounder of Neomancer, a technology consultancy, and advisory firm.

He is currently focused on gaming and game design, and he will also speak to you about ESports a little later on.

I will turn it over to Hai.

Mr. Hai Ng: Good morning everybody.

Alright, I got a thumbs up over there.

You can hear me everybody now.

Good morning.

Today we have an interesting group of people that have done a lot of very interesting things in terms of the racing world, and with innovations, and what I'd like to do with this panel is we'll have some presentations.

My fellow panelists here will present some of their work that they've done in terms of innovation in racing.

I'd love for everybody to get involved if you have questions, if you have something that you're doing that's exciting you want to share with us, please do.

Just walk up to a mic after the presentations are done and I'll be happy to give you a time to talk about it.

Ask us questions any time during the panel.

Feel free to engage, and this is your panel as much as it is ours up here to talk.

Let me jump right into it.

Our first speaker is gonna be Yenni Vance.

She's the digital communications and social media director for Remington Park and Lone Star Park.

Both are owned by Global Gaming Solutions.

In case you don't know, they're a branch of the Chickasaw Nation.

They're based in Oklahoma.

She's done a lot of things.

I'm gonna actually skip ahead.

One of the notable ones is she was actually recently named 40 under 40 for her contributions to the community and her leadership in the industry.

I'm gonna hop right into it, and then I'll introduce Walter right there down the road, as well, when he's ready to present.

First, let's have Yenni Vance from Remington Park.

Ms. Yenni Vance: Good morning.

Good morning.

My boss advised me not to drink too much coffee, so I'm going to try to speak really slowly today and really loud, too.

I love all the advice that everybody gives me before I got on the stage.

Lonny Powell told me to break a leg, and I told him that I will be sure to break a lot of legs today with this presentation.

Let's talk about digital strategies and why mobile marketing is so important.

This session online basically we are going to be talking about the mobile landscape, the two towns and 60 holiday results in North America, why mobile is so important with your digital strategy and my Remington Park app.

Have you guys heard about there will soon be apocalypse?

This is what we think it looks like.

No, this is what it really looks like.

This is what we see every day.

This pocket sized device we have talks about your journey, where we love, where we care the most.

You carry your best photos. You carry the photos of your pets, your favorite apps, your favorite music.

This mobile device right here tells the journey of everybody and everybody around here.

As marketers, it's been very difficult to know how we can reach people through mobile devices.

I'm gonna walk you through.

I want to show you how you can, through understanding the journey of your customers, include the mobile device: you can really reach the masses.

We have a business case.

It's my Remington Park app.

We've been very successful in our industry.

I will show you a little bit more.

Remember the cool kids?

Remember when we used to have the old music boom box?

We will be going with our friends hanging around.

Right now you see our music we carry everything on our mobile device.

Let's drop to some: all marvel marketing starts, and they are really wide open.

Cisco estimates by the end of 2019 there will be 5.2 billion mobile devices.

In U.S. alone, 44 percent of people say they will never be able to live a day without a mobile device.

That's my case.

I go with my mobile device everywhere I go.

Smart phone users have a minimal of at least 26 apps, and they access all those apps every month.

Twenty percent of all their money paid to Starbucks in the U.S. came alone through mobile devices.

Did you know that every customer look their phone an average of 1,500 times a week?

That means 170 minutes a day.

Just think about it, how many times you pick up your phone.

You send a text message, how many times you go and look for a photo to show to your friends about your pets, your family, how many times you look at your email, how many times you look to go and find a place to eat.

You do everything, your journey, your life, everything about you talks about through your mobile devices.

Let's talk a little bit about the holiday results in North America alone.

As many of you know, cyber Monday hit this year all online sales \$3.45 billion, an increase of 21 percent over last year.

This year, black Friday will go on the records.

It was the first time they exceed the 3 billion online sales and the first time ever to write \$1 billion in mobile revenue.

That is 33 percent over the year before, more even was had before during the Thanksgiving days when you're supposed to be meeting with your family, having fun. People were bored and looking up where to shop, where to buy.

Fifty percent of all those Thanksgiving visits, 40 percent of sales happened through the mobile phones and the tablets.

Before we go too far, let's put things into perspective and into context.

In a post-era of the start in technology, mobile is the way of life, is the way we interact with people, and is something that we can't just evade anymore.

Google introduced a beautiful paper that I encourage everybody to read.

It's called "The Micro-Moments."

Google is trying to help marketers and brands to understand how they can reach their brands.

These micro-moments means those moments when customers pick — any customer or any of your potential customers pick up their phone and look their phone, every time somebody look the phone to send a text message, every time somebody clicked the phone to read a personal notification, every time somebody looked at the phone to read a text from a company, anytime somebody look at the phone just to go through the airport and check in.

Those are all micro-moments.

We as customers — as brands, we are a consumer we don't know how to reach.

Through this paper Google introduced, it helps you to understand especially what is called the user interface and the user experience.

That is very, very, very key when you are building any digital strategy, especially in — we are going to be talking a little bit about the app that we have, my Remington, but I want to point out that we've been very successful not only because of the app.

You can create an app, and you can expect that people come and download the app, and you guys are going to start making money, and getting people added or no.

It's a very digital integrated strategy that you have to hide behind. I'm talking about text campaigns, about emails.

You have to know your emails are really mobile friendly.

Then when you send a campaign — the statistics we saw 45 percent of people open their emails from mobile devices.

If you don't have clear integrated digital strategy, you are going to be failing.

Let's talk.

Let's go here.

Did you see those little kids?

I have seen this so many places in restaurant, in places.

This is what we call the eye customer, or what we call the generation C.

In present time and so then I did a few years before I spoke about the generation C.

This is the consumer that is so connected.

This generation C, they are born mobile.

These kids, they know how to use the mobile phone better than we do.

They are born digital.

They are born mobile.

They are not defined by their income, by their age, or by the status of how much education they have, or the demographics.

They are defined by the digital era.

They are defined by real times.

They know what they want.

They want it now, and they want it very specific information.

Let's talk about business case, my Remington Park app.

Our situation is like most of our business we rely on the word of mouth, including social media to direct traffic to our facilities.

Facebook put a big challenge since they did all the content that we post needs to be a sponsor.

We also, a year and a half ago, we said — all the marketing team they sat together and we were talking about how we can really understand the journey of the potential customers and the customers that we have.

We always say let's create winning experiences.

We are in the gaming industry, and we're talking about let's create winning, winning, winning experiences.

We think creating winning experiences is when you get people added and when they are in your facility.

No, in today's world, winning experiences start in the digital world when people go and search for a place to get married, or a place to have fun, or a casino in your city.

If they land on Google and they find you because you have advertising, you have AdWords, you have a good SEO on your site, but if they don't land on the proper page, it's not mobile friendly, you lost a customer.

That is alone not a winning experience.

In today's world, the winning experience starts in the digital world.

We had a challenge, and we find out on our website alone we were having a 65 percent of people coming from mobile devices.

We were having an 80 percent bounce rate.

People will run in the page, and they will leave because some of the ads will say, hey, come up for just book a wedding package, book a girls' night out, and they will be landing on the wrong pages.

With Facebook shifting everything through sponsor content put a real challenge on us, because we were not able to reach our customers one-to-one.

We didn't know what to do to really know who they were.

Our main objectives with this campaign were let's do something where we can drive traffic to the casino, to the race track, to cross pollinate our patrons from the race track and casino to increase advocacy and loyalty from Remington Park patrons.

This is extremely important.

When you have your customers talking about your brand, your work is not as much as advertising.

It reaches the masses.

That's where you always want to focus on and increase our new coin-in.

Our goals with this app were also to develop a fully branded comprehensive mobile solution with functionalities like how to reach our customers one-to-one.

Through the app, something I love and I'm very passionate about it is the data.

We are able to know everybody and there lies the apps.

What is their age?

What are their demographics?

What is their zip code, where they live, their mobile numbers, just all the information that we need to do smart marketing campaigns, whether it's email or text campaigns.

Also, we wanted to harness the power of push notifications, what we call real marketing, real-time marketing views.

The solution we came up with an award winning brand mobile app.

It's called My Remington.

Here are some of the features that really makes our app so powerful in our mobile notifications.

We are able to send mobile notifications to our fans, not just to everybody.

We have very segmented data.

We know the people that download the app, if they are looking more for boxing events, this group is going to be in a different database.

If we know they are looking more for racing events, we will be putting them in another database.

This time we've been a little bit slow in the casino, in the racing side.

We've been able to send some push notifications and track who really comes to the track.

Direct messaging, one-to-one, social media aggregation: that is the part that I love a lot.

What happens is people then link their social networks through our app, are able to share our messaging and their passion for our industry through their app through all their friends, and that amplifies the message.

The proper analytics then is the most important piece of anything that you do in the digital world.

It's important on your team, you always have people and they are looking data constantly and analyzing. These times, mobile change so much.

Digital change so much. Data really is what's going to drive your business.

Everything, this is how the app looks like.

We have custom navigation that includes rewards, offers.

We are able every month to send out customers or our fans in our app an offer, whether it is a free play, or whether it is a free bet to come to the races on a Friday, Saturday during the time that we have the live racing, or to invite them to special events.

We also have all our social media fit, everything from Facebook, Twitter, so people don't have to go through Facebook and try to find us, or trying to go to Twitter and see.

That means also then we have a very unique content strategy.

You don't want to be looking on Facebook, and Twitter, and people to get spam and feeling like you're posting the same thing all over and over, and then it worse.

Then also ready to share amplification of which we — it's part of the education that we have with our funds.

We're teaching them how they can spread the passion of our sport.

We give them photos, videos, and ideas on what kind of content they can share through the app to Facebook, and Instagram, and Twitter.

The results, we have seen an incredible significant increase in our revenue and engagement.

We saw a conversion of ten percent of social media followers to our club membership.

Let me explain to you how that works.

We have over 100,000 fans on Facebook.

I remember the times when we were all excited.

Yeah, I have 100,000 fans.

I have 1 million fans.

Those times, it's important to have that number, but right now the real question is how many people?

How many of those fans are really your customers?

How many people you have on your database?

Do you know their email?

Do you know their phone number?

How can you reach them in a personal way?

In the first quarter, we were able to convert those, over 100,000 fans, ten percent into our loyal club members.

We generated 1.5 million on coordinating the first quarter for the casino.

Forty-nine percent of it spent came from people who had never been in the casino.

Many of them, they were maybe in the racing time.

Many of them, they never came back.

They never were in Remington Park.

This year, this is something we are very proud.

We went against some big names in the world, Starbucks, McDonald's, Aflac, and we won the second place on the best app in the country.

We were the only ones in the gaming industry.

We take pride of that.

Let's talk a little bit about segmenting your data.

This is something that is extremely, extremely important in everything you do in your digital strategy when you leave your footprint in the digital world.

You can't have — you can't say, well, I have 30,000 people on my database from the app, and I have 40,000 people in my email database from the club. You have to really know who your customers are.

If they are landing from a page where they were looking from a boxing event in your facility, you know then they are more likely to like that kind of sport, that kind of entertainment.

If you know they are looking into the racing side, you need to have the in the internet database what is all racing.

If they love casino, have them in a database.

It's important that you distribute them by age.

I can give you an example.

Now, a long time ago with a promotion for the Breeders' Cup, it was claim your voucher, mystery voucher.

I was asked to send an email database to all the 45,000 people in our email database.

I did have my misgivings, because I knew that if we will do that, we will be spamming some people, and we will seeing some unsubscribes on our database.

I did predict maybe we will have 25 percent reduction from our racing base.

At the end of the day, that's what happens.

We ended with a lot of people unsubscribing from our database, because they got something that they not really were interested.

They didn't want an offer from racing. We just sent it to everybody.

Segmenting data is extremely important, and sending messages out, whether it be a text, email, or push notifications through your app are very key.

I love what Edward Demen say.

Without data you are just another person with an opinion.

That is so true.

Today in our digital times, if you don't know the journey from your customer, if you don't know what they love, you can steal one of those micro-moments from — that Google mentioned.

You are just a spammer.

It's extremely important that we know who our customers and who our potential customers are.

The most effective contest marketing strategies, especially if you go into mobile hour, intention goals, not expectations to past interactions.

How many people enter your website because they were looking for information, whether it was for casino, racing?

What kind of questions they have?

What kind of devices they use? Google give you some incredible tools.

Google Analytics shows you everything that is happen on your website, everything that has happened on your app.

This will help you tremendously when it comes to create your strategy to know the user experience and to know the user interface, values, activities, frustrations.

This happens every day, everywhere around the world.

I think I live this with my husband every day.

He always told me, can you please just put your phone here, and I want to know if you're really listening.

Time is changing.

We must adjust.

I find fascinating one of the presentations yesterday somebody say, then racing was dying.

I don't think racing is dying.

I just think we are not adjusting to technology.

We are not a wall beam.

We are so into our programs.

We are so into just the local teams, and we're not looking beyond.

This packaged sized device can really help you to reach one-to-one people.

Just look into your digital strategy.

There are many, many great ways and very smart ways to reach your customers one-to-one.

This is it.

I hope everybody understand my crazy accent.

Thank you for our attention.

[Applause]

Mr. Hai Ng: Thank you, Yenni.

There's a lot of interesting things here.

When you talk about mobile generation, just when Yenni was speaking during your 15 minutes, I already received a whole bunch of notifications on my phone.

I got a — let's see.

Wal-Mart's having a sale in case you want to know.

Chrysler just tweeted something.

A friend of mine just made a move in chess that I have to now go make a move.

It is important.

Notification is great.

Mobile generation is great.

They've done a great job.

Yenni has done an incredible job with this app.

I think there's a lot of new ones there that I hope you guys can see, as well.

It's not as easy as just getting an app out there. I'm sure you guys have to learn from a lot of mistakes that you make along the way.

Beautiful thing about digital is that it's never about one to many.

In the old days when we advertised, and we have to go through traditional channels, whether it's TV ads, or print ads, or all this, you had one shot.

You put it out there.

It goes out there.

You can't change it.

It's running for six weeks.

It's running for two weeks.

It's running for Monday night football in a few different weeks.

Even if you can change it, it's gonna cost a lot of money.

When you talk about a digital app like this, you can change your approach all the time and adjust it.

You don't have to target your entire database.

Segmentation is a very key point.

Yenni, when you guys do a segment, do you do experiments, and do you adapt some of your ads that you go out and you see what the response is?

If it's not good you change the color or something like that and make it work?

Ms. Yenni Vance: Yeah, absolutely.

We do a lot of AB testing campaigns.

We test a lot of things whether it's with a photo, or whether it's with the content.

Based on the results, we always know what was the best, whether it's through the app, whether it's through the text campaigns and looking how many people click on the link, or whether it's on Facebook when we do promotions.

There've been many occasions when we add a photo here.

Then it has just a lady and here you had a photo with a group of ten people. You target them by zip code. You can see the results.

A lot of AB testing campaigns, and I was gonna say we analyze data.

That is very, very key, what really people like it, what people click on, if they really have good results, what we need to tweak for the future campaigns.

Mr. Hai Ng: Yeah, I think one thing that Yenni said that kind of jumped out at me, as well, is that when she was talking about a number of fans.

When you're talking about number of fans on Facebook or Twitter, it's great to have hundreds of thousands of fans.

It's almost like going to a conference and saying you know everybody.

The more important question is, do they know you?

If they don't know you, they might have just a friend introduced them to the site.

They clicked on like.

Yeah, alright.

What does that mean?

You really need to look at the data, and I think they've done a great job.

Any questions before we hop onto Walter?

Really, no?

Tough crowd.

Alright.

Let's hop on over to Walter.

Mr. Walter Hessert: Good morning.

I know I'm not as nice to listen to as Yenni, so I'll make mine a little quicker.

Ms. Yenni Vance: Whatever.

Mr. Walter Hessert: I'll introduce myself first.

My name is Walter Hessert.

I'm one of the cofounders of Derby Games.

I started the company with my brothers five years ago.

We're based in New York City.

We developed our first game, which was a social online wagering ADW platform that's operated in partnership with Express Bet.

It's called Derby Jackpot.

We've been very successful at attracting new wagerers to the sport of horse racing and creating consistent, every day or weekly players on our site.

I want to talk today about our newest product that we've been working on.

It's called Race Champ.

I want to talk a little bit about the category which is social gaming or casual gaming, depending on how you want to define it.

This is a product I'm really excited about.

It's targeting a new market and new fans as well as existing fans by really giving people a way to interact with horse racing on their mobile phones.

Like Yenni said, it's definitely a mobile world.

Everyone in this world knows that.

I'm not surprised that you've had such success with the Remington app.

One thing that's happening a lot on mobile phones and has been a huge phenomenon here in the U. S. market has been social casino.

Social casino in the last year has done \$3.5 billion in revenue.

It's over 3 million active paying players.

Eighty percent of the market is female.

Average age is 40 plus.

The top 15 publishers, many names that you may or may not know, account for 82 percent of revenue.

Names people in here would know certainly are Big Fish Games, which is a part of Churchill Downs, Double Down Casino, which was late leaving the market in Zinga, of course.

In that social casino market, which again, is \$3.5 billion a year in sales of people buying virtual goods and virtual currency, it's mobile primarily, and mobile is the interesting part of the market that's growing.

Let's look at that next to horse betting.

I'm not going to talk about trends and vectors right now, but let's just talk about the snapshot.

I actually find in these facts, which a slide following that slide called horse racing might look dismal, but I find a lot of really positive informant in this slide here.

This is from the McKinsey Report done by the Jockey Club not long ago.

It said five percent of Americans go to the races or bet on horses three plus times a year.

That number always surprised me.

That's about 15 million Americans have significant engagement with the sport.

Twenty-two percent of Americans have a positive impression.

Again, I'm surprised by that, and 220,000 online horse bettors — I'm surprised by that, but in the other direction — 220,000 is what we think of as the regular — is our estimate of the regular active retail horse bettors online, which is a relatively small number when you look at it against the 15 million people that are interacting with the sport in another way.

Americans spend — their net spend, so after their winnings — the retail bettors spend \$400 to \$500 million betting horses online.

That's take away the big computer wagers, and take away the bricks and mortar.

It's only \$400 to \$500 million online, which is a pretty small number.

When everyone talks about the conflict between bricks and mortar and online wagering, I don't really see it as that big.

This is a pretty small number being spent, and small number of people playing, particularly when we look against something like social casino.

One of the reasons I think that is — is because you cannot — the only ways to interact with horse racing online — we've just talked about how we live in a mobile world, and everyone's connected.

The only way to interact with horse racing online is either to consume media from sites like the Pollock Report or Blood Horse, or to wager.

We know that consuming media is for a very dedicated and more sophisticated fan.

We know there's a lot of barriers to wagering.

Wagering is really the only interactive thing you can do online.

It's the only form of entertainment.

There's countless barriers that everyone in this room could add to the list.

Number one, it's very expensive to wager online.

Animal welfare, SSN required, so all these sign up barriers, unfamiliar jargon for the casual fan or the previously non horse racing fan, too much data, don't understand the odds, wait between races.

These are all challenges that we dealt with in developing our online ADW software and feedback that we got back from players.

We need to find — I think it's very important that the industry finds new ways for people to interact and be entertained with the sport online.

One of these really great opportunities I see right now is in casual gaming or specifically social casino meeting horse racing.

Social casino is suffering from a dearth of new content.

People are inventing new ways to celebrate slots wins, and new big win animations, and slightly new mechanics to slot machines.

You're basically seeing a lot of the same content come out with new polish.

Of course, horse racing needs a new way for these 15 million people that are already engaged with the sport and for the countless others that are looking to be entertained on their phone and on the internet, horse racing needs a new way for people to play.

If we go into the iPhone app, and the Google android store would reflect similar, this is what you find if you search horse racing.

Again, this is how much of the population is figuring out what to do with their time today.

They go into one of these stores.

They search a term or the app store starts suggesting something.

I can tell you the app store is definitely not gonna suggest something in horse racing, because there's very rarely something new in horse racing that's entertainment and game based.

If you search it, if you're one of these 15 million fans or maybe a curious nonfan and you search it, this is what you get.

You get a lot of low budget virtual horse racing apps.

Less than five of them, the ones that are naturally at the top, offer most standard game features.

They're very low budget.

The majority of them are just placeholders put in by other gaming companies or affiliate companies.

They're put in to capture the demand of people searching for horse racing, and then as soon as you open the app it kicks you into other types of social casino apps.

It's other industries taking advantage of the demand that's actually in there for horse racing, and they're just generating money off of the lead generation into more popular apps where they've actually invested money.

No gaming app on here incorporates real historic race video.

The only way I'm going to watch historic race — I'll say that Horse Races Now has done a good job of bringing some of the horse race video to the front, but I would consider that a media site.

There's nothing interactive you can do there.

It is a nice app, and I think it's been a good effort to put more content onto the mobile phone for these fans, and not yet fans.

No app incorporates real historic race video.

They're all using virtual racing, and the reason why is because virtual racing is actually really cheap to get open source for and develop very cheaply if you have a team of developers.

All these apps here that have horses running around with nice graphics around the race are actually — you may open them and say, wow.

Someone invested a lot. It's very, very cheap open source code to get the animations of these horses running and pretty good fidelity graphics.

We partnered for North America to develop this app with Penn National Gaming. It's a game we designed called Race Champ.

It's bet real races for free, which we expect to be on the top of this horse racing list both in Google and in Apple.

Bet real races for free.

We've, with Penn National, built a database of 40,000 historic races.

Users come on.

They're able to pick horses.

The information is obscured.

It's not abstract in the way that instant racing machines out in the lobby are.

You're actually picking a horse.

The horse is animated, winks at you, does certain things.

Then you watch a real race that happened in the past.

You're able to fast forward that race.

It's incredible the things we're able to do when we have access to these videos and we can doctor them up, improve the sound, make graphics, do touch events, make you be able to skip to the end, fast forward, slow motion.

Really we can make even races that by today's video standards look scary.

We can make them really fun for a gaming experience online.

We know that our users, particularly the older female segment, really enjoys watching the live horse races and the real horse races.

Live meaning the live animals.

Bet more currency you'll level up and receive bonuses, again, using a lot of mechanics that we see in these other very successful social casino apps.

The levels are a way of ranking and gaining social achievement.

Collect certain achievements, daily achievements, to unlock new race tracks and levels, really developing race track levels into destinations and into environment type worlds that people want to achieve and move on to the next one.

Top the leader board on each track to be the champ.

Penn National Gaming launched the desktop version a couple weeks ago.

We tested it with a group of about 30 casino players at one of their race track racinos in Ohio.

We got incredible feedback from both people who did like racing and found out that sometimes at the end of the day they just didn't have enough money to keep betting, or people that were at the casino and were consuming a lot of different online games at home.

The mobile app we're launching in May.

The desktop version, which you can go to at racechamp.com is a light version of the game that we built to consume the API of the database that we built of the archive races, so very much just the basic core loop of the game.

In the mobile app we'll be introducing the race track worlds, so different race tracks you'll actually be playing a group of Penn races.

Once you achieve a certain number of bets or a certain number of wins you'll unlock the next one and maybe you're able then to move to either Sanford or a

track from let's say a Brazilian race track and watch races down there while immersing yourself in this animated, 3D feeling environment.

We know from social gaming experience that one of the biggest drivers in spending and engagement on these social apps is the feeling of a journey and opening up new places.

This is something I've been very passionate about and thinking about for a while.

I think that the social gaming is something that horse racing should really take a close look at.

We look at how big it's been.

The proliferation of casual gaming — you can call different micro — different segments of this casual gaming — they could be called fads, or maybe short-lived trends, but certainly the trend of people spending more time consuming entertainment and playing free to play games on their mobile phones is a long-term trend and is not going away.

It's not a fad.

The casual game market in total is \$25 billion spent in the U.S.

Over 50 percent of adults are playing mobile games.

Children are spending seven hours per week on average playing mobile games.

This crosses ages.

It crosses all demographics and is — casual, mobile gaming is here to stay.

A lot of people in the audience might say, well, we're not a social game company.

How do we facilitate this, or if we think this is important, how do we become part of it?

There's two ways.

One, if you're an international track, we're looking for international distribution partners to localize it for your markets.

If you're a U.S. track, open your races for game developers.

I talked about the dearth of social casino content, but there is across the spectrum, game developers, and game designers, and game publishers are always looking for new content, and horse racing is great content.

The historic races are great content.

Open the content up.

If you need help or understanding on how to do that, we can help support that and help develop an API added to a bigger database of races and open these types of races up for companies like Zinga, and companies like Double Down Casino, and IGT to develop games.

I think that the — if any industry, any incumbent media industry, and horse racing included, if you don't embrace this huge growth in casual free to play mobile gaming today, it's like missing — it's like saying no to television in the 60's and 70's, because horse racing, for example, was one of the greatest and the most popular spectator sports.

It didn't embrace television like other sporting or other types of entertainment.

It got passed for that and other reasons.

I think that we'll see in the next 20 years some of the large incumbents today, possibly some of the big four sporting leagues, do the same thing and not embrace social free to play casual gaming, and you'll see new forms of entertainment, new sports that pass them.

I think it's a great opportunity for horse racing to be a part of a new wave of entertainment and how people are consuming entertainment and media in their lives.

Mr. Hai Ng: Alright.

[Applause]

Thank you, Walter.

Any questions?

Please.

Audience: Can you tailor the app to other languages?

Mr. Walter Hessert: Yes.

Mr. Hai Ng: The question was can you tailor the app to other languages, and the answer was yes.

Back there, yes.

Audience: Can you speak to the legal and regulatory issues at all?

Mr. Walter Hessert: Sure.

I can't speak to every foreign jurisdiction, but I can speak to North America being Canada and the U.S.

There is no regulatory element to it.

There is no regulatory approval needed.

If you're operating under another license and your regulators require approval for any new game you offer, then you may need to seek approval.

To offer this game itself, or to offer any of these casual games, there's no approval needed.

There's no payout.

You buy virtual currency.

You play with virtual currency.

You get free virtual currency.

Audience: I was referring to your other product.

Mr. Walter Hessert: Sure.

Our other product operates as one of Xpressbet sites.

Xpressbet is — it's licensed with Xpressbet under Oregon multi-jurisdictional license and then state by state.

It's also approved in Ontario under Woodbine's license, HPI Bets.

It's currently only in North America.

Mr. Hai Ng: Walter, with the new product here you're coming out, it's based on — purely on historical?

Mr. Walter Hessert: Yeah, purely on historical.

One thing we found is we're working on ways to convert players or give them offers to go and watch live racing.

One of those ways, which we did launch with the desktop site is about 20 percent of the horses in our database are still running.

If you play the virtual currency game Race Champ for a day, chances are you're going to win or have as part of one of your winning combinations a horse that's actually still running meets.

When you come back to the site another day, we take the feeds of all the real races coming in, and we can say, hey.

That horse that you won \$2 million coins on yesterday is actually running a real race today at Remington Park.

Here's a link for you to go watch that video.

Then we give them much more in line with the way that people consume this entertainment in media which is give.

The offering generally gives and gives and gives to the consumer before they ask for anything.

That's what we can do with Race Champ versus in Derby Jackpot and I know is the case with other ADWS, you just take, take, take, take before you can give anything.

You have to ask for all the personal information, credit card.

They generally lose.

Credit card again.

Mr. Hai Ng: Yes?

Audience: Do you have any age restrictions or regulators?

Mainly, do you have age restrictions?

Mr. Walter Hessert: There are age restrictions for the — there are opt in age restrictions for the social casino product.

Audience: What about the new product?

Mr. Walter Hessert: Yeah, sorry.

Audience: Can a 12 year old virtually bet?

Mr. Walter Hessert: A 12 year old, when you come into the site you actually have to check that you've over 21.

A 12 year old could check that incorrectly, or untruthfully and could play.

Mr. Hai Ng: It's fantasy bets, right?

It's a social game?

Mr. Walter HSSERT: Yeah, it's all virtual currency bets.

Betting as we know it doesn't really take place.

It's called wagering, but just like spinning the slot machines on Zinga Casino is called playing the slots.

Mr. Hai Ng: When does the app go live?

Mr. Walter HSSERT: The app will go live in May.

Audience: When you go live, will you be able to track the age demographic of your players?

Mr. Hai Ng: Would you be able to grab a mic?

I can repeat your question.

Just go ahead.

Audience: I just wondered if when you go live, will you be able to track the age for data so that you can maybe think of other marketing strategies to target those age demographics?

Mr. Hai Ng: The question is when the app goes live, will you be able to track the age demographics so that you can target the correct age or target campaigns for those specific age groups?

Mr. Walter HSSERT: Yeah, that's a great question.

For example, now on the desktop site if you try it at racechamp.com, you'll see that before you can get any of those alerts it will ask you your zip code and your age.

It's not verifying them, but it's asking you to input them before it gives you offers for going to an ADW even to just watch the race.

Audience: Would you market it to the tracks or whoever's that type of data so they could maybe do some more targeting for their campaigns?

Mr. Hai Ng: Yeah, I guess is their intention to sell that data to the tracks or rent that data to the tracks?

Mr. Walter HSSERT: Our intention is to partner with race tracks and race track groups who can leverage that data.

Our intention is that what we're working to do is build Race Champ as a positive, a stand alone game so that we can spend marketing dollars against it and have — be positive ROI on those marketing dollars, and then be able to engage figures that were not even close to be able to engage with in ADW in watching these races and virtually betting on a daily, or monthly, or weekly basis, and then be able to give them soft offers to the race track.

We're looking to partner with race track operators.

We've partnered with Penn National for the site in North America.

We're looking for other partners who want us to build race track levels for their race tracks and then that's a way of promoting and getting your races out in front of people.

Again, if I owned a race track and I was sitting on this database of races I can't imagine why I wouldn't want that to be happening.

If I wanted to create fans and create people engaged with the sport, and particularly my track.

Then we're looking for international partners who will be outright distribution partners in those countries.

Ms. Yenni Vance: What an incredible way of branding, to brand individual race tracks through your platform.

I just think if as an industry we can get together and help people like Walter in his company to share some of the content.

We can really build a new generation advanced.

When we talk about micro-moments here is an incredible micro-moment.

I'm very excited.

I think the potential is huge.

I'm glad to see things like this in our industry.

Mr. Hai Ng: I think another interesting point to highlight here is something that Walter said earlier is the information.

How much are you taking from your customers and how much are you giving back?

I think that's something that is very worth looking at, especially when you're entering a digital field and addressing that digital savvy market.

This digital savvy market, there are a lot of points there.

What some of your developers will probably tell you as friction points, every time you ask a question, every time you're asking them for information, permission to do something, it is a position in time that they can actually close that app and never run it again.

That's assuming they already found the app to begin with.

I'm sure Walter might be able to elaborate a little bit on this since he's launched other apps before.

Every day, there are thousands of apps that go on app stores.

The question is how do they find your app?

Walter, can you share some of your strategies on how you intend to get the app seen by people in the app store?

Mr. Walter Hessert: Yeah, I think of it the app entertainment, games, media, whatever it is as two parts.

You have content and distribution.

They're both equally important.

It's rare that one of those strategies is good enough to compensate for a complete void in the other.

For us, our strategy for Race Champ is partnering with people with good distribution.

We have a good partner for Race Champ in Penn National Gaming.

They obviously have very deep roots in racing.

They're a very forward thinking digital company.

They have a very active online games site.

We'll be distributing and they'll be marketing to their database.

We'll be supporting them.

Likewise, we're looking for similar partners and around the world we're talking to the Swedish racing groups.

What will happen is when we do a deal with an international partner, they'll put their races in the database which will benefit both the U.S. players, because now they can open up a new place that looks like Sweden and see these new races with different strange sounding announcers, and likewise for the Swedish they get to play our races and our worlds from the U.S. We're really trying to build this global engine that we can distribute with strong partners around the world that have racing content and operate racing businesses.

Mr. Hai Ng: The thing about apps today, as well, is real estate is key.

Most people have smart phones that we talked about.

Everybody has that multiple pages of apps and a lot of apps.

People download a lot of apps, but they don't necessarily keep a lot of apps.

There are also a lot of apps that are what sometimes we call zombie apps that they've downloaded but the last time they touched it was a year ago.

The relevance of your app is important, and the engagement and retention is important in your strategy.

There has to be a reason after somebody downloads the app and runs it for the first time for them to want to keep it.

It's not enough for you to get them to download it.

What you have to do is you've gotta make sure that they keep it up there, and maybe even promote it through the pages of their phone so that it's in the opening screen or in the quick access screen.

If it's that important to them, then it's a success.

Otherwise it's just a single hit and run, and they're not gonna look at it anymore.

The value that you're giving back to them is important, because they might have seen your app in a billboard, or when they visit the site you have that usual app store, Google Play thing.

They're like okay, this is interesting.

I download that.

The worst thing that could happen is that they look at it and they'll go eh, I could do this with that board over there.

I don't need it on my phone.

It's gone.

Now, Yenni, what kind of experiences do you have in terms of retention for your app?

Ms. Yenni Vance: Well, we have done — our digital strategy is very integrated.

We have been using the power of our social media.

We have been able to convert many of our social media followers into our customers.

When we talk about how many people have downloaded the app, how many people continue engage, I have to agree with what Walter's saying.

You say content is key.

Content is extremely important, just keeping people engaged, creating fun videos, creating good share content, great photography, very direct, and fun, and engaging notifications.

The ramification aspect to everything that you do in the app is extremely important, and that's what keeps the revenues.

You say something that is very true.

People don't want to be pursued today.

They don't want to be sold.

They want to be engaged, and they want to be empowered.

If you get people what they want, what they're looking for, and it's a great experience through your app, through your mobile device, they will come back to you, because they love you.

They know that you are delivering something that is called a winning experience.

Mr. Hai Ng: Notifications is — when you bring up notifications, it's actually a very powerful tool.

Anybody who has a smart phone in their pocket right now knows the power of notification.

It also knows the curse notification.

You can notify somebody too much, and it suffers through channel fatigue. It's another technical term that I guess the world uses, as much as emails, or fliers, or junk mail.

They're called junk mail for a reason, right?

It's also a really powerful tool for reengagement that not a lot of people think about sometimes.

Once you download an app, unless you've deleted it, as long as you don't delete it, the notifications will still come through.

A lot of people are quite lazy and you don't delete that apps that you don't use.

You just demote them to a page that's right down on the bottom, because you're kind of like, eh, one day I might want to use it.

There have been a lot of developers that are really smart in sending out notifications to people that they know haven't logged on for or haven't ran the app for a few months, maybe six months, maybe nine months.

They give them a special offer.

Only those people receive it.

Results data has shown that the people will come back, because you've given them something.

They might reengage because now the app is newer.

It's updated. They're doing something new.

That's always an interesting option.

There are a lot of cool things that you could do.

Ms. Yenni Vance: Well, and when you talk about the first step in their journey when they download your app, something that Walter mentioned, too, the key is what kind of information you are collecting.

That's when you get the real attention.

You don't ask too much, but you want to be able to know what is their email.

What is the age?

Where are they located?

That will influence all your marketing decisions and everything and goes through their journey of that customer and your app.

In the future, if they turn off the push notifications or they delete the app, you can still have the email.

Like you say, you can send an offer later on and say, hey.

If you get active here is an offer for you.

Mr. Hai Ng: As with anything, the key is really you want to make sure that what — if you're taking somebody's time and when you send somebody your notification, you're taking somebody's time, a couple of seconds of their time.

That's valuable when you're talking about micro-periods of time they are looking, that is a valuable slot.

What are you giving them in return for that piece of time?

It has to be worth it.

It has to be something that they see and they'll get surprised and they'll go, wow.

For 25 percent, yes, I'm gonna do that.

It's worth it.

I'm gonna watch out for it.

If you send somebody something that they had already seen yesterday, and it's not unique, it's not something that made them feel special, they're just gonna go eh.

I saw that yesterday.

It's not new.

You're bothering me.

You're gone.

You only have a couple of tries. So far we've seen great apps, great new ideas for revitalizing each sport, horse racing.

Now I'm gonna jump into something that's a little bit been talked about over the year quite a bit.

I'm sure a lot of you guys have heard of it.

I'm gonna verify now how many of you in the audience know what ESports is?

Wow, that's actually pretty good.

Alright, for those who didn't raise their hands, ESports is actually competitive video gaming.

I'm gonna run a quick video right now to show you the ESports world and the influence, and hope you enjoy.

[Video Playing]

This was one event actually this year held in Poland.

As you see from the initial title screen, it was 110 people — 110,000 people came to that event over the weekend.

Let's bring it a little closer to home.

More recently three weeks ago, there was an LCS World's final.

LCS is a game called Legal Legends, which was the second game you saw playing out there with a bunch of people running around throwing fireballs.

That was held at the Staples Center three weeks ago.

It was sold out in one hour when the tickets went on sale.

The Staples Center, the way they've set it up probably approximately 20,000.

Average ticket price was about \$70 U.S. The lowest, the cheapest price was about \$49.

It sold out.

If we're talking about the mobile generation, the generation that's coming up, this is the next spectator generation that is moving up through the ranks.

Traditional sports, they're already starting to see a decline in their viewership.

While some people are speculating whether those viewers are actually moving to ESports, there's no solid evidence, but there are some research papers that are pointing that they are watching these more than they are TV.

TV is getting into the action right now, as well.

ESPN is broadcasting ESports.

TBS, Turner Broadcasting is now not only broadcasting ESports, but has started their own ESports league.

We're talking about innovation today and how we're gonna bring new customers to racing and introduce them to this great sport of racing. What I'm gonna talk about in terms of that innovation today is how to draw a new audience to the tracks, and to the racinos, and to introduce them to the great sport of racing.

Now, to that end, what we did last week, we actually ran an event.

Our strategy for the last few months have been trying to figure out if there is a way to use the crowd and the draw of ESports to bring that audience to a race track and can it extend beyond just having another form of entertainment like a food truck event, or a concern at the track?

How does it convert?

We did an experiment.

I'll show you in a quick video that we did of what happened last Saturday.

[Video Playing]

We did this event at Elements Casino, which some of you might know as Frasier Downs. It's a racino that's in British Columbia just outside Vancouver in the suburb of Surrey.

We threw a one day ESports event on Saturday, December 3rd, so just this last Saturday, for two kinds of video games, competitive video games.

One was Street Fighter V, which you saw some of the guys there play. Another one is Heart Stone, which is more of a poker like skill-based with a little bit of random card game that is one versus one.

We sold out.

We advertised this event.

It was put together pretty quickly.

We came together probably about a month ago when we started advertising this release, press releases out to the industry as well as to the world of gaming in Vancouver.

The stats that we got back from that was the PR that was generated by the great Canadian group on behalf of Elements Casino was the third most carried press release that they've ever done in their history.

The guy who helped us bring this in and make this a reality you saw on TV, Spiro, his boss, Rosh, which some of you might know from the racing world, they actually got on TV, Canada's global station and actually did an interview on a Saturday talk show about what they did.

Just press alone — let's not even talk about stats of conversions and all that yet — just press alone they got a whole dose of press to people who were both racing and not racing, potential customers that revitalized their image and their property.

Now, let's go into conversions right now.

It's only Wednesday now, so the event happened Saturday.

We still have pretty much unofficial numbers, but we sold out of all the entries of the Heart Stone game within two days of sign up.

For the Street Fighter, which was a paid entry event, we sold out in three weeks.

We had over 100 people enter that room.

You had a little glimpse of it.

In the time lapse in the beginning you might see where it located.

It's actually located past the race book, so in order to get to this location you have to actually walk past the race book.

Because of that, this is a 19 plus event.

In BC, 19 is the age that's required, so it is a 19 plus event.

Everybody in that room who was an ESports competitor was a customer.

They weren't underage.

They could drink.

They could gamble.

They could put wagers.

They were a valid customer to the casino.

Food and beverage was extremely good.

What we were told at 8:00 p.m. of that day, and the event didn't end until 1:30 in the morning — at 8:00 p.m. we were told that we had exceeded their expectations by 40 percent.

In terms of attendance, we exceeded their expectations by about 50 percent.

There was actually — we engaged Doug Reed, which I'm sure a lot of you here are familiar with that name, to help with the crossover to handicapping in horse racing.

He had pretty good returns, as well.

I think between 15 to 20 percent of the attendees participated in his handicapping contest and were introduced to the world of racing.

Many of them never bet on a horse ever, never seen, never went into a race track, and have never seen a race.

Unfortunately, on that day there was no live races, but there was a simulcast, obviously, and the contest, and I actually saw one guy with a winning ticket.

He actually placed a live bet, as well.

There was a blackjack table as you saw in the video that was in the room.

Because that room wasn't a licensed room for gaming they couldn't take real money, but we were playing competition style.

We were awarding match play coupons.

The stats that we got, while unofficial, shows that about 30 percent of those match play coupons were redeemed in the casino compared to an average of between two to five percent on a typical non-gaming related event, such as a concert or otherwise when these coupons might have been handed out as promotional items.

Overall, we think it was a great success, that we were not only able to throw by ESports standards a good community event at a racino, but show that conversion is possible and that these millennials do gamble, and if you present them the right game in the right atmosphere with the right language and the right positioning, they will spend money, and they will spend quite a bit of it.

Any questions?

Yes.

Audience: Did you use any game for social competition like that, or does the license prohibit it?

Mr. Hai Ng: It depends on the game.

It also depends on whether you are charging an admission fee, entry fee for the game.

A lot of these games are — actually, almost all these games are intellectual property.

They are owned by a company.

As a result, you do have to get clearance.

The two games we featured we got clearance, and in fact, Cap Com, which is the developer of Street Fighter, some of their developers were actually on site looking at the game, because they had an office in Vancouver.

On top of this event, we had the contest, obviously.

We gave away prizes.

They were cash prizes.

At the end of the day we timed it in such a way that there was actually a CapCom world tour finals that was happening in Anaheim that same day.

We had a viewing party that we threw on after our event.

People stayed for that.

As Spiro from Elements was telling us, the longer people stayed, the better it is, because they drink.

They will play more games.

They will go up to the table.

They will eat food.

It's revenue for the property.

They stayed.

Most of them stayed until 10:30 at night, and they had come at around noon the same day.

For the Heart Stone players, they didn't finish playing until 1:30 in the morning.

Those guys were there for much longer during the day.

Any other questions? Yeah.

Audience: Yeah, question over here.

What was the average age, the demographic?

Mr. Hai Ng: The demographic was definitely millennial.

The youngest that — we actually collected all the birthdays and all that because of clearance.

Youngest was obviously 19.

I think the average was about — unofficially.

I haven't ran all the numbers yet.

It's gonna be about 25.

The sphere of influence, as well, is not just Vancouver or BC.

The winner was the guy who threw down his joystick at the end of that tournament.

That was when he won it.

He was from Seattle.

He drove up from Seattle to participate in this.

We had some people come from Calgary.

We had some people come up from — come down from Victoria Island.

We did get a sphere of people from around the area. Yes?

Audience: Are you permitted under Canadian law to accept wagers on the outcome of those events?

Mr. Hai Ng: No, because Canadian law right now, the Canadian criminal code, single outcome betting is illegal.

That's now allowed.

In terms or parlay, though, that's allowed.

In fact, a lot of Quebec took bets on ESports during an event that was held in Montreal in October, I think.

They are looking into parlay bets from the lotto corporations.

This event was blessed by the BCLC.

In fact, BCLC sent reps during our tournament to come check it out.

It was very interesting.

It was also worthwhile to note that it was — for those familiar with BC law and alcohol law, it is still illegal to serve alcohol where videogames are played, but when we did it here we had applied — or Elements had applied actually to decertify that room so that we could actually have the videogames there, and they were granted special permission to actually have alcohol in there, because it was already in the 19 plus area.

The alcohol commission felt that that was enough security to prevent any children from being in there in the first place.

Yes?

Audience: What kind of cost did they incur to set up the room to run the event?

Mr. Hai Ng: They bought the Play Stations.

We had actually offered to bring them, but they said they wanted to buy the Play Station, so that was one cost.

If you bought a Play Station before, \$249 a play station.

Those screens that you saw were competition screens.

They're about \$200 apiece.

Rough math, they bought four.

We brought a couple, \$2,000 to \$3,000 tops.

That room was already there.

Room dressing was pretty much negligible.

It was a space that was making zero revenue until that day, because it was a — it used to be a poker room, which they had shut down.

It was used as storage prior to that day.

Total cost, if you throw in the prize pool and all that, it was probably I would say between low five figures or even if five figures.

During a recent interview with Seth Shores — some of you might know him.

He's got a lot of ink, as well, because of ESports.

He is the first ESports lounge in the casino that Spiro had alluded to them being the second.

That's at the Downtown Grand in Las Vegas.

It used to be the Lady Luck Casino.

Now it's the Downtown Grand run by Fifth Street Gaming.

They have an ESports lounge on their property.

It used to be their high roller slots room, which they converted. During a webinar that I was on the panel with Seth before, he actually revealed cost numbers to us, and he said that the cost it took for him to set up that room, which is a lot more complicated than our room — it had 12 competition PCs.

It had Play Stations.

It had X-Boxes.

It was a much more built out room.

It had big 80 inch LCD screens. He said it cost him the cost of two slot machines to put on that room.

As of June last year, he is breaking even or making money on all tournaments that he's executing there, which means that they collect the fee, and they give out a prize.

That's a wash or better.

On top of that there is beverage, crossover, and food.

Any other questions?

Questions for the other panelists on other things?

No?

Anything to add in terms of apps?

Walter, what advice would you give somebody here in terms of getting into mobile, coming out of a social game?

Obviously, you feel that social is a great way to engage your customers.

What would be the one thing that you would say in terms of doing it right and getting it right?

Mr. Walter HSSERT: Well, the thing with the social game community is that there are plenty of developers and plenty of game studios that are willing to invest their own money in trying to develop the game, and if the goal for the racing industry is to get more people interacting with their product, which leads to people being fans, which can lead to wagering, can lead to people visiting onsite, attending the races, I would say the — let's talk and figure out ways to get your historic races into our API and expose it for other game developers.

We don't suppose that Race Champ is the only or even the best social game that can be developed using the races.

It's our first shot.

Luckily, we've had the opportunity to invest a lot of money, particularly in the app development.

I think it's gonna be very good.

I'm very excited about it, but let's leverage everyone else out in the gaming community that's developing these games, and let's unleash these races that are just getting older and getting less relevant. I don't know of any way they're making race tracks money other than the instant racing machines.

I'd be interested to hear if race tracks and owners have other ideas or things they're doing now.

Mr. Hai Ng: Great.

Yenni?

Ms. Yenni Vance: Just look your data.

Learn your customer journey, and pay very close attention to the user experience.

Keep in mind the winning experience into the world.

Get started on your data.

They start when they land in Google, when they land on any place, on any search engine looking for our brand.

Create winning experiences, not just when they arrive in the door but just before they get there.

Mr. Hai Ng: For me, last thing I'll add is the way people consume information and consume entertainment is changing as you've seen with my fellow panelists here.

They're working at ways to get at that.

The other part of it is that the consumer itself is changing.

The demographic, what they want, what they're looking for, what is entertainment to them is changing.

I think for us as an industry, to ensure that we don't get kicked to the wayside, is to be able to adapt.

The sport is interesting to these people.

It is games of skills that a lot of these people that you've seen doing ESports in this arena that I've shown enjoy that kind of competition.

They do bet.

They like competition against one another.

We just need to reach them in the right way.

Thank you very much for your time.

Ms. Yenni Vance: Thank you.

Mr. Walter Hessert: Thanks for being here.

Ms. Yenni Vance: Thank you.

Good job.

Mr. Walter Hessert: Good job.