Handle Stagnation: How to Move the Needle Upward

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Todd Bowker
General Manager, Premier Turf Club
There is only one answer.

Listen to your customers!
What are the Customers Saying?

- They don’t trust the game.
- There isn’t as much value in the pools.
- They think the game is too expensive.
PUT MORE MONEY BACK IN THE CUSTOMER’S HANDS
How do we put more money in the customer’s hands?

- Lower Takeout
- New IRS Withholding Rules
- Change the betting menu to increase churn.
“The drastic reduction in W-2Gs at one of the world's biggest sporting events illustrates what a big win our effort resulted in for horseplayers and the sport,” said NTRA president and CEO Alex Waldrop.

“While it is too early to measure the long-term impacts of this change, we are confident that all segments of the industry will benefit from the proceeds being kept in circulation.”

-- The BloodHorse 11/6/17
# Impact of the New IRS Rules

*Since the new rules began*

<table>
<thead>
<tr>
<th>Under the Old Rules</th>
<th>Under the New Rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of tickets subject to withholding:</td>
<td>Number of tickets subject to withholding:</td>
</tr>
<tr>
<td>24</td>
<td>2</td>
</tr>
</tbody>
</table>

Total withholding $:  

down 50%
Churn in the Land of Casinos

“We reinvest in our customers with comps, which are based on the theoretical worth of the customer over time.”

“Although we do track things like buy-in and lines of credit, we estimate our revenues based on average time played, average wager and game type.”
Churn in the Land of Casinos

So what does this mean?

Even though Casinos don’t receive a direct commission on every wager, they still want the customers to continue to wager over time, and will invest in the customer’s experience to make it happen.
Churn in the Land of Casinos

Why wouldn’t we want to do the same?

Having people continue to wager over time (aka Churn) is a much larger benefit to our industry because we do earn a commission on every wager. Investing in our customers (lower takeout, rebates, etc) to make that happen is the right thing to do.
What Does Churn Look Like Today?

Without Accounting for Rebates, our churn is:

\[ 4.35 \times \]

Accounting for Rebates, our churn is:

\[ 7.54 \times \]
Pick(n) Bets are Killing Churn

<table>
<thead>
<tr>
<th>% of Pick(n) Bets (w/o rewards)</th>
<th>% of Pick(n) Bets (with rewards)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 75%</td>
<td>2.07</td>
</tr>
<tr>
<td>50% - 75%</td>
<td>3.30</td>
</tr>
<tr>
<td>25% - 50%</td>
<td>2.83</td>
</tr>
<tr>
<td>&lt; 25%</td>
<td>4.83</td>
</tr>
<tr>
<td>&gt; 75%</td>
<td>2.16</td>
</tr>
<tr>
<td>50% - 75%</td>
<td>3.59</td>
</tr>
<tr>
<td>25% - 50%</td>
<td>3.31</td>
</tr>
<tr>
<td>&lt; 25%</td>
<td>10.16</td>
</tr>
</tbody>
</table>

“Just play the P5.”

“Easy to say, but not easy to hit. Kind of kills churn too. I know if I hit a P5 for $10k, it isn’t coming back to the pools any time soon.”

– post on Pace Advantage (8/8/17)
It’s not simple or easy

Putting more money back in the customers hands is only part of the solution to increasing handle, and it’s not just that simple or easy.

But it’s the right thing to do.