



TUESDAY, DECEMBER 6, 2016

What If We Cared About Our Customers?

PRESENTOR:

Mr. Tom Tuchaschmidt: Vice President of Regional Marketing, MGM Resorts International

Ms. Liz Bracken: We're going to start fairly soon here, if you guys could come on in and take a seat so — we're a little behind.

Thank you.

Before I introduce Tom, I do want to catch up on some of the sponsors.

We didn't actually mention that Sportech Racing Digital was the sponsor of the first panel, which was an incredible way to kick everything off, "Racing's Identity Crisis," and I want to mention that because every time I chase Michele Fisher around at the Simulcast Conference, she always says yes to giving us money.

This panel will be sponsored by International Sound Corporation.

Your last beverage break was sponsored by American Teletimer and On Track Media, and the next one will be sponsored by Del Mar Thoroughbred Club.

The first thing I want to tell you is don't blame Tom for the title because I know it was controversial when it came out: "What If We Cared About Our Customers?"

We like to use things that are a little controversial for titles to get you guys to come, but also, it was based on thinking about my years in NYRA, and dealing with customers.

What we thought we were doing for them, and their perception of what we thought we were doing for them seemed to be two different things at times.

Now that we've had that general discussion, we want to drill down on doing — really discussing, specifically, the groups of our wagering customers, and how are we taking care of people, so we're going to get specific now.

We're really glad to have Tom Tuchschtmidt here.

He's the Vice President of Regional Marketing for MGM Resorts International, and regional for him basically means that he's responsible for driving casino revenues for the biggest gamblers at all 15 MGM resorts nationwide, so that's a pretty big region.

Tom is an alumnus of the RTIP program, and he is a racing fan, and he did walk the walk.

He had positions at Tucson Greyhound Park, Birmingham Race Course, and Beulah Park, so he's been there and done that, in that smaller track circuit, where you have limited resources.

Without further ado, I will hand it over to Tom Tuchschtmidt.

[Applause]

Mr. Tom Tuchschtmidt: Thanks.

Welcome RTI students, and alumni, and racing executives.

My name's Tom Tuchschtmidt.

I was Class of '90 for the Racetrack Program here many years ago.

I am pretty sure you're wondering, "What is a casino guy doing at a racing symposium?" The short answer is I love racing.

I grew up in racing in St. Louis in the Midwest, went to Cahokia Downs, a small bullring of a racetrack, regularly with my grandparents and parents.

They were gamblers.

My grandparents were horse owners.

I came out to the University of Arizona after going to school in St. Louis at Washington University.

The University of Arizona program was right up my alley.

I wanted to give up my plans to go onto law school, and instead, go into the horseracing business.

The best way to do that was the Race Track Industry Program.

I had some great mentors in the program.

Dave Hooper was the director at the time.

He was fantastic.

My emphasis was on business development and the racing industry, and he was extremely knowledgeable.

Lonny Powell, Remi Bellocq, two more fellows that were instructors and leaders in the program as well, so I really enjoyed that.

Then I was very fortunate to come right out into the racing industry going to work at the Birmingham Race Course, the new Birmingham Race Course, when it opened up, as well as Beulah Park Jockey Club, one of the oldest race tracks in the country while it was still operating.

I was able to get my start with a couple of fellows that really looked out for me in the industry.

Mike Weiss played a huge role in my getting the jobs at those race tracks and moving up through the ranks.

I held just about every racing official position you can think of on the backside, and I loved it, identifier/clocker in the mornings and placing judge in the evening. I really, really look back on those memories fondly.

Then, I ended up getting married.

We had our first child, and as is the case in the horse racing business, especially when it's seasonal, there wasn't health insurance, and I needed to find something to take care of my family.

I was very fortunate, once again, to be invited to work at a casino in Gary, Indiana of all places.

It was just opening up, a brand new one.

It was the first American casino owned by an African-American, Don Barden, so I went to work there as Player Services Manager, Shift Manager, and that was fantastic.

It was a pretty easy segue from working as a Director of admissions, and programs, and reservations, and ushers at Beulah Park.

From there, I loved it just as well as I did horse racing.

There was the action in the casinos.

When you walk out on the floor, it was the same kind of action that I felt when you go out on the tar apron and the horses being loaded in the gate.

It'd be a quiet hush, and the bell would ring, and they'd take off, and everybody is screaming, the same sort of action, the same sort of great feeling.

I love horseracing, and I love gambling, and I love the casino business too.

I've worked for Harrah's Entertainment, Park Place Entertainment, Caesar's, the Seminole Hard Rock Casinos, and now, for MGM Resorts International, all wonderfully big gaming companies.

Before I go too far into this, I suppose I should mention to you what I say up here comes from me as a lover of the industry, as an alumna of the Race Track Program, and I don't speak on behalf of my company.

I'm not necessarily a loose cannon.

They know that I'm here, but my perspective and philosophy is my own from my experience over all these years, and it's a short discourse actually.

It's just filler pretty much between your panel sessions. My topic is customer developments, employer developments in the horse racing industry, and what the horse racing industry can take away from and use from the casino industry.

Customer service at the race tracks, you've heard in the last panel session how there's many revenue streams.

There's the horsemen.

There's the folks that come out and don't do any gambling and just drink beer.

There's revenue streams from that.

There's revenue streams from group sales from corporate events that take place at your race tracks, but what I'm drilling down to is the gamblers.

That's my experience.

That's my love.

I'm a gambler myself.

I own two two-year-olds.

One's up in Philadelphia, and the other one just shipped down to Oaklawn, and I am a gambler too.

I love playing the ponies.

With this short discourse, I'm going to share with you my thoughts on the history of player development in the casino business, the player tracking systems, and how they can apply to the racing industry, and then also, what you need to successfully implement those player-tracking systems.

I know some tracks today do have — in the last ten years, they've come up with player cards to try to do player tracking, but I think it's a terrible shortfall in the racing industry that there hasn't been more focus on relationship building with those individual gamblers.

In the casino industry, back in the '50s and '60s, player tracking entailed a casino host at the casino, a couple of older fellows, and then also junket reps, which would bring in gamblers from around the country.

In the '50s and '60s, you had — your only casino was out in Las Vegas.

Then Atlantic City came along a little bit later on, but those were the fellows that had the relationships with the gamblers that came in.

They knew everything about them.

They had their phone numbers.

They were on a first name basis with them.

They knew their families, their children, where they went to college, went to their bar mitzvahs.

They would go to their children's' christenings.

They were the fellows that had the books of business, which were very valuable to the casinos at that time.

Those books of business were all of the information, like I just said, of the families and their names, and birthdays, and such, but also calculated the value of those customers based upon something that's antiquated now.

It was based upon how much money a guy would bring, or a gal would bring, to the casino.

They would either have a credit line set up of \$100,000.00 or \$50,000.00, and then they would bank upon giving them and reinvesting them based upon that bankroll, or they would bring out to Las Vegas their wads of \$50,000.00 or \$100,000.00 in cash, something we can't do today.

That's how player tracking was back in the '50s and '60s and '70s.

In the '80s, I was fortunate enough to experience how Harrah's Entertainment launched something revolutionary in player tracking.

They did away with the bankrolls that people were bringing because naturally, it's not a very good measure of how much of how much a person is going to lose or anticipate they're going to lose.

Player history is the best way to anticipate the value of that customer.

All this applies to the horse racing industry too, and I will roll back into that here shortly too.

With player tracking for Harrah's Entertainment, they had what's called Total Rewards, which I'm sure a lot of the marketing guys or marketing gurus in this room are all very familiar with, but Total Rewards evolved as well.

It would definitely define the fields within the computer database system that was accessible to any casino host or executive, the player's play history, their personal information.

That personal information would be their phone numbers, their business accounts, their bank accounts if they wanted to draw markers from those bank accounts, their wives' names.

They would have host contacts within that system that would identify who the host was in order to follow up and maintain that relationship with those particular customers.

The player tracking also included measuring the average wager that a customer would make, how long they would play, how much money they would put into the machines or table games, and how much they would win out in return.

It also kept very close calculation of reinvestment, reinvestment which is extremely important in the casino business, and I believe it's very important in the racing industry, to move forward in providing shareholder value and profitability in the racing industry.

Anything that was issued out to a customer, whether it be a meal, a jacket, whatever, it was tracked inside a player's club, and it was decremented against the value of that customers, so you knew who was being spent upon, so you could maintain a profitability level for those customers.

Today, most casino companies have those player card programs, almost all of them, and they've actually developed them where they're tiered programs now.

There are four and five levels.

With MGM, we have five levels of cards that players can achieve based upon cumulative play in their lifetime or on a single trip.

We look at both of those things.

We look at both of those things, how much a gambler does over a period of a year, that determines the value for us, as well as a single trip, because a single trip might be very valuable too, but so do those players that play a little bit less, but come out very frequently.

Getting back to the horse racing industry, the horse racing industry has done a wonderful job in showcasing the product.

You saw that at the last panel session.

The videos are fantastic.

When I went through the program, we always talked about how you need to communicate excitement, and the marketing teams are fantastic at communicating excitement.

With handicapping programs, like Jockey Club's Equibase, and TrackMaster Lens, which I'm a huge fan of for handicapping.

Those technologies have come a long way and they're fantastic.

The shortcoming in the racing industry is maintaining and building those relationships with your players.

You have different levels of players.

You've got players that are your casual players, you have your avid players, which come much more frequently, and you have your professional players, and there are values and reinvestment levels in each of those.

They're at our level in the casino business, and they're at your level in your industry too.

Building those relationships with those individual players, based upon their levels of play, their profitability is extremely important.

You break down — the way I see the player-tracking system helping you guys out

is again, having recognition of when the player comes out, all of his pertinent personal information, but also breaking it down to identifying the types of wagers, because your types of wagers vary in determining what kind of revenues are driven to your bottom line.

Just like in our industry, a roulette player has a different value to us than a craps player.

Well, in horseracing, I'm pretty sure that your exotic players have different values than your straight-wager players, so identifying those, breaking those down, and driving visitation and revenue from those people is paramount to your success.

I really believe that the growth that the industry took off with, in the casino business, in the '80s is in direct relationship with the implementation of the Player Club program.

The proliferations of gaming across the country, all the race tracks that have popped up since the '80s, I think, are direct results of player tracking and player development.

Knowing who those players are, targeting them with offers, knowing which ones are most valuable, and driving them back to the casino, and marketing to them is what drove the opening of more and more racetracks across the country.

It's not because casinos are a simpleton sport.

I've always professed that horse racing is a thinking man's sport, yes, but I am friends with, and I know very many horse racing gamblers that don't spend that much time looking at the program, and will go right to the window to wager, without a whole lot of effort, no different than a guy sitting at a blackjack table who's trying to keep track and count card numbers.

I don't necessarily think it's because it's an easier entertainment activity.

I believe that it's truly because of the marketing approach between the two industries.

Truly, there is a great deal of value in knowing who your customer is, assigning those segments value, and also, assigning your better customers hosts.

In our industry, a casino host is extremely valuable.

They often work with non-compete agreements, even at your lowest levels. Entry-level positions for hosts run \$35,000.00 all the way up to six figures.

They're compensated based upon performance measurements for bringing in new business, reactivating old business, and incrementally growing their existing assigned business, and that business being their assigned customer base.

With the hosts, they have free reign at the property.

They go everywhere, and I would think that a host would have free reign at the racetrack as well.

You would need him to be everywhere.

He needs to have that relationship with your dining room team and host staff, so they can communicate freely to know when the big gamblers are up there in the dining room, or someone's playing without a player card and not getting rated, to be over at the mutual lines, to be very familiar with the mutual managers as well as the mutual clerks, because that's where you're going to get a lot of your business referrals to pick upon, and develop, and make sure they get rated with player cards.

The casino hosts have their own book of business, and it is supported with marketing efforts at the casino as well.

I see ambassadors up at NYRA. At the Jockey Club, I've been introduced, at some of the events up in Saratoga, to ambassadors, all wonderful people, have great presence, come across very well, but there's a little bit more that needs to take place besides just waiting for customers to come to you. You need to be assigned customers to go and solicit, customers to go and develop, customers to go and greet.

You might be worried that, well, you need a huge team of hosts.

In my role, I've managed teams over the years, and I'm in charge of a team at this point, but I also have 4,000 customers I'm responsible for in my database alone for developing in the Southeast to all of our properties.

Those are customers that bring, in a single visit, \$5,000.00 to \$5,000,000.00 to go gamble with.

My database of customers, I don't get to talk to every single one of them on the phone every day.

It's just not feasible.

So technology is a beautiful thing.

My cell phone — I've — I've got two cell phones — are constantly going off with communications, multitasking with several conversations at one time, and so does any good casino host.

You don't need a huge staff of casino hosts, especially when you're launching your player development, casino marketing, player-tracking initiatives at your resorts, or

developing the ones that you have already.

A couple of suggestions from our side of the business that we've implemented on our floor that probably could help, and I know it's happening already at some places in the business, these are — well, you already have your player cards at some places.

Granted, they're one tier at a lot of places, so there's no aspirational marketing involved to try to get your customers to chase to another tier, but in addition to those player cards, I know from personal experience, I don't get a lot of solicitation based upon my play, nor do customers that I — my very big customers that go to your race tracks, get a lot of solicitation based upon their play, even though they may have player cards.

Making those player cards of value and accessible are two extremely important things.

Player Club booths, they're up at NYRA, they're at the dog tracks, they're everywhere, but they're not very prominent, and in this technology age, people don't like to wait in lines, and if there's more than one person in line at that Player Club booth, they're going to walk by and not sign up for your player cards.

With technology, I know in our industry, we've rolled out kiosks that not only work at ATMs to issue out cash, they will also cash your bet tickets, which is not a far jump for you guys to be able to free up your mutual clerks and be able to have them go cash your tickets at the kiosks as well.

They will also issue out player cards right there on the spot to individuals, who want or need a player card, for tracking purposes, so accessibility is important.

Value, value is also important.

I know we run tight.

I know, from experience, the racing industry runs a tight ship.

There's not quite as much disposable income in the racing industry as there is in the casino business, because of the way we've become so profitable.

However, there are things that you can do that add value to your player card system that don't cost a whole heck of a lot of money, and I am starting to see some of it happen in some places.

Meet and greets with jockeys don't cost you a nickel or a dime.

If you have a charity event, you're already performing something in the city, reach out to your top-tier players, and invite them to that charity event.

It doesn't cost you anything because you're already executing an event.

With your top-tier players, it doesn't mean you have to take all 500 or 1,000 players out for an event.

A simple reaching out to those customers makes an enormous impact, and that's where the host plays a vital role.

Just a phone call wishing the person happy birthday is what makes a person feel valued, and that's at the core of hosting and player tracking is making that person feel valuable.

Speaking of birthdays, that's another — something of a no-brainer too.

It doesn't cost much money at all to have your bakery cook up a cake and invite, not everybody that's in your player base to a birthday party, but your most valuable players to a birthday party.

You know what? You're going to be lucky to get 3 to 5-percent actually show up at the event, but that other 90-percent, you're building loyalty there, and they will come back, and with your host just reaching out to him in a conversation, makes a huge difference.

I look back, and it's been a while now.

It's been 21 years since I've been in the racing industry, but I don't remember a single time, at either one of the racetracks that I worked at, that people actively solicited friendships to the customers.

You had your general manager that will walk down, which was great, but your general manager can't do everything.

Your general manager is busy as hell anyway overseeing the operations.

You need a dedicated staff of hosts, not even expensive hosts, glad-handing, and if you do that, I think you're going to get your customer base back.

You're going to ensure this new generation of Millennials will stick with you because they certainly do appreciate that star-quality feeling with all their selfies, and Facebook, and Twittergram postings and all.

Let's see if I've got a little more hard offerings for you guys for suggestions.

Something to keep in mind for hosts in our business, the goals that we set for them — this is pretty much a standard in our casino industry or close to it, but to give you an idea, those hosts are tasked with generating about 25 times, or at least maintaining 25 times their salary in revenue, and then about 10 times their salary in new business or reactivated business.

Those three things are what drives your bottom line revenue and profitability is growing your customer base incrementally, reactivating customers who haven't been there for a year at least, and then also, your new business, finding new customers.

I've already talked about how your hosts will help grow, incrementally, your business.

Your inactive customers, I wonder how many in the marketing industry or the racing business actually know who their inactive customers are, or if they do pull a report on it, actually do anything with that report.

In our business, it is paramount. That's a huge portion of it.

That's part of the incentive program for the hosts to pay attention to those things, because that's where your lost revenue is from gamblers that haven't come back, reaching out to them, finding out — maybe they're sick, and then when you reach out and hope that they feel better, something that's simple and no-costing as that, can all of a sudden make them want to come to the races one afternoon to see you, or to go see where they're more feeling like they're in a friendly environment like *Cheers*.

Then new business, new business is a little more creative, and I love that part of my business, the hunt, the hunt for the whales, and it's not necessarily the whales that you need to be chasing in the racing industry either, but it helps to chase after the more profitable, the higher worth, less time-consuming customers, not necessarily the professional gambler, but your gamblers that will come with bankroll, and not just buy a couple beers, and put \$2.00 through the window, but guys that will bring a couple thousand, \$10,000.00, to put through your windows that drive your bottom lines.

Some things that I've noticed over the years that seem like pretty prime targets for capturing new business, and this is just one man's thought, when I was with Caesar's and Harrah's, we would go to Churchill Downs, and we would rent, at a hugely exorbitant cost, those tents right on the inside rail for Kentucky Derby and also Oaks.

We — I'm sure you guys knew it, but those were our extremely best customers.

We flew those guys in from all over the country just to go gambling there.

I would go with my customers too, and attended many of those races, and those guys, some of them, had only been there a few times. Some told me about how they love horseracing.

They were putting tens of thousands of dollars through those windows.

I don't know — I don't ever remember seeing anybody from Churchill trying to capture or build a relationship with anyone in that room.

Now, it's a touchy subject.

You can't necessarily go in like a bull in a china shop, start handing out business cards, and telling them you're there to take all their customers either, but you can provide them with a welcoming experience that they will feel like they can come back, and they know that they like racing, and you guys — that's a target rich — it wasn't just us. Most of those tents on the infield of the race track, not the main infield, but along the racecourse itself, the three double-deckers, it wasn't just us.

It was half-a-dozen other casino companies that were doing the same thing.

We flew players in on private planes chartered specifically for that event.

Harrah's, we actually had the casino up there also that we could house people in, but other casino companies would fly in with their own private planes to drop people off.

That's an enormously target-rich environment, and that's just Churchill Downs, but that does apply to anywhere else, even a racetrack that's maybe not a first-tier racetrack, but a track that has an event, where you have other companies that you know have gamblers, or people who like to gamble, that are coming there to show up and play.

You need to make an effort to send a host in, hand out a business card, at least shake hands, send in the person that does the player card signups explaining, "Hey, we'll make sure you get on our mailing list, so you'll get every update of every great race, every infield party, that there is."

If you capture two or three more trips that you never had before from those big gamblers, it's going to impact your bottom line.

Other ways of driving new business that has been successful in our industry is partnering with other entertainment companies.

The casino business has become very good about partnering with cruise lines because we know that the people on those cruise lines like to gamble.

There are casinos in those as well.

We even partner with other casinos, Atlantis, places that we don't have, my company, we don't have a property, and that can go for you guys as well, partnering up to do cross-marketing, not sharing a database, but sharing marketing materials that they will, in turn, send to their database in exchange for you sending marketing materials to your database to enlighten their players.

That can go for a New York track working with a Los Angeles track.

Also, with regards to finding new players, and this is probably even developing players incrementally their growth, but if these players don't have cards already, which is not likely, but it could very well be, but the players in the systems with the racing form in Equibase, that is a gold mine of information that the industry hasn't tapped.

The racing industry, like I said, is fantastic about polishing the past performances, and providing the racing product that looks fantastic, but you have, at your disposal, all of the information you need to follow-up to customers that subscribe and gamble right there, and that needs to be capitalized upon.

I know there are a lot of factors involved that not everybody is part of Equibase, and everybody is worried about their own database of customers, but there's ways around that too.

There are subscription services you can turn it into that that racing form, or whoever that body is that has all that data, will, in turn, do marketing for you if you pay them a subscription to mail out to your customers or potential customers, two cents a person.

There's a lot of value there.

Growing incrementals — let's see, and I think I mentioned about the incremental rentals. Just an example, so, a customer comes to your place five times or four times in a year.

If you get him to come in that fifth time, that's a 20-percent increase in incremental trips, a value that he brings to your place.

The value of those one-offs is huge, just getting them one at a time.

Something I found that was pretty neat with TVG, as I like to play through them, I think they do some things very well.

I think they've taken a couple pointers from the hosting aspect and player development. You don't always have to have a host that's on the floor.

Sometimes, your best hosts are actually the ones that do telemarketing. TVG, I got a phone call from TVG once when my funds were low and Derby was approaching.

They asked me if there was anything they could do to help me out refunding, re-putting more money into my funds.

That's huge.

For me to even mention it, I remember it, and it's helpful.

Then they've also — I've had them where they've wished me a happy birthday, and then they give you offers, and it's by phone call and email, but those phone calls are huge, and I'm not a huge gambler on TVG either, but for them to take time out to make phone calls is very important and very impactful.

Another part that I'm throwing in here that you want to be careful of is — now I'm just going to be kind of hit or miss.

I'm going to be all over the place as I wrap it up, but one thing you want to be really careful, all the work you put into a Player Club program and hosting doesn't mean a hill of beans if your operations don't support you.

The product is fantastic.

The simulcasting has come so far.

Putting the numbers and names of the horses as they're running around, the telecast and the hosting is fantastic.

At the racetracks — I was surprised that this happened — about two weeks ago, and part of that, just to see how it goes, and also to maybe network a little bit, I bought into that Warriors Club horse for Churchill Downs's racing club that's been so successful.

It won the Spendthrift Stakes and \$300,000.00.

It wasn't that expensive to buy into it. I think it was like \$500.00.

Unfortunately, we're not going to get any money out of it, but it's a pretty cool experience, and it's great to see other people in the industry, but my point of the matter is, okay, so there was — Churchill brought all these people together.

You know their fans, and you know they've got disposable income.

They've already thrown out \$500.00 just to get a piece of this horse.

They love racing, and I love Churchill, so don't get me wrong.

I'm not banging on them.

It just so happens that I was there a couple of weeks ago to see this.

Also, the guy that heads up the Churchill Club, Gary Palmisano, a wonderful young fellow, great future in the business, I think he's a Player Club Manager, very organized, communication skills are exactly what I would look for in a host, but to get back to my point, we're all inside of this room, TV monitors, a little chilly

outside, and there's one mutual clerk, one mutual clerk, for the 200-plus people inside this room.

Okay, so he's not swamped with people, and there's no line, but me and my family roll in, and my dad, and he likes to play.

We walk up, and it's not the race for Warriors Club.

It's the race before.

There's like eight minutes to post.

Pop's looking, trying to figure out who he's going to match up in the double, and the quinella, and the whole nine yards.

Sure enough, the clerk exits from behind the mutual clerk booth, leaves, and doesn't come back until after the race.

If you don't have your operations in order to support all that wonderful work, like the Churchill Downs Race Track Club does, then it's for naught.

It's a lost cause.

Racing, I heard you guys talk about it in the last panel.

Racing's not a dying sport.

I'm 50-years-old, and I have seen where it is right-sized.

The smaller tracks that couldn't keep up and couldn't afford reinvestment have faded away, but I think the product is fantastic.

I think the product is great.

I think in order for us — for the racing industry to continue to be successful though, you've got to embrace your customers.

You've got to build upon that relationship with them and use those hosts, use that player-tracking system to its fullest benefits, and that's about all I had to share, but I appreciate you coming back in, and listening, and taking time, and it's great to be back here at the U of A and see so many faces, and it's pretty crazy also for me to think because I was coming here for the U of A symposium, helping put it on, then I came here a few times while I was in the racing industry trying to learn, and I have the greatest respect for all you guys in the room, so it's neat for me to be up here and share what I can for the racing industry.

Thank you.