



Race Track Industry Program

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SYMPOSIUM ON RACING & GAMING**

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Social Media and the ADW – a Match Made in Heaven?

MODERATOR:

Chuck Champion, Paladin Capital Partners, LLC

SPEAKERS:

Lynn Chang, Chief Creative Officer, JigoCity

Russell Fine, General Manager, Cimarron Digital

Dr. Jeffrey Horowitz: Senior Architect, PublishThis

Mr. Doug Reed: — chair in front. Front and center. Front and center. Come on, come on. I'm calling security.

Mr. Chuck Champion: Try to get the guys in the right, back to the front.

Mr. Doug Reed: There they are. Justin, hand out the handouts only in the center and towards the front. This is gonna be an interactive panel and presentation.

Mr. Chuck Champion: There is a purpose in this. Come on, Doug. You can make it happen.

Mr. Doug Reed: I can do it. Class will not start until you follow the instructor's orders. Jordan, you are now assigned. You have the ability to do — help me here. You wanna get a good grade? Yes.

[Laughter]

I'll keep working. I could work all day.

[Laughter]

All right. As people come in, please join us in the front and center. There are a lot of seats up here. Yes, that's you with your jacket off back there, casually looking around.

[Laughter]

All right, let's get started here. I wanna quickly thank our sponsors. Last night we had our last and final reception sponsored by Groupe Carrus. We appreciate that. We have sponsors from all over the world which is great. This morning's breakfast was sponsored by Equibase, and Equineline sponsored the refreshment break we had outside there and afterwards.

It is a pleasure to introduce our moderator. Many of you know Chuck Champion probably from his days at Youbet when he took a struggling little ADW and made it one of the best and biggest ADWs there was. Of course now he has gone on to bigger and better things. He's working with the Iowa ADW. He's working with Post Time Technology. He's working with Kenny McPeak and his mobile apps. He seems to always be cropping up doing something. He's assembled a tremendous panel of experts here for us on a fine day in Tucson.

I was going to say that Chuck is a very big supporter of the Race Track Industry Program, but I thought he'd take it personally, so what I will say is he's a very good friend of the Race Track Industry Program and supports us in many, many ways and this is just one way, putting together I think perhaps one of the best panels that we saved for last. He is of course with the Paladin Capital Partners, LLC as their president and I'm happy to always have him participate in the Race Track Industry Program, so personally I wanna give him a warm welcome. Thank you, Chuck.

[Applause]

Mr. Chuck Champion: Thank you very much. Well, thank you, Doug. I really appreciate it and it is great to be back amongst you again. I was here last year as an attendee on behalf of a client and this year I've had a chance to spend the entire week with a conference reacquainting myself with some old friends, repairing relationships in certain cases with others. For those of you in the audience I haven't had a chance to get around to, I apologize for whatever I did when I was here last.

[Laughter]

I really have turned over a new leaf and find myself in a new role and delighted to be in it, quite frankly, in the industry.

I am gonna beg your indulgence just one more time. If I can get the folks in the back of the room, and there is an expressed purpose for this, to move forward for me if I could? I know you're comfortable and it's convenient and you kinda like the back of the room cuz you like to get in and out, but can I get some of you to move forward and kinda fill in some of these seats up front? There is a reason for it.

Mr. Doug Reed: Now you know how I feel when I teach.

Mr. Chuck Champion: Thank you very much. I appreciate it. I really do. I'm not gonna get anybody over here to move forward, am I? I'm not gonna — you're not gonna let me get away with this, are you? Oh, come on guys! I'll put \$20.00 in each one of these chairs in the front.

[Laughter]

You guys think I'm kidding!

[Laughter]

I got \$20.00 for anybody that will sit in these five, six seats.

[Laughter]

[Applause]

Yes. Who's all gonna sit up front? Come on! \$20.00 anybody in these seats. All right. Come on now. But I won't pay the same guy twice! One seat!

[Laughter]

What you just witnessed is what social media can do for you. What I did was I influenced Doug to influence you to come sit in a certain place in this room and to gather together to participate in an event. In certain cases, against the more recalcitrant, I had to pay, but I got what I wanted and that's what this panel really is all about today. To talk to you about what you can do to go out there and to get people to do what you want them to do, which is to participate in your sport.

I've known each and every one of these individuals now for the last 10 or 11 years. I met them on the first day that I entered racing.

Lynn Chang at the far end happened to be the director of marketing for Youbet.com. She is just really very good at what she does. She's just a phenomenal marketer. She's gone on and she's written children's books and illustrated them, started an entrepreneurial venture that consisted of starting a website from scratch, built it, designed it her entire self around, of all things, rating chocolate. Why did she do it? Cuz she loved chocolate. What happened is the most famous chocolate companies around the world sent free chocolate to her house.

[Applause]

She now is the chief creative officer for one of the largest social buying companies in the world, JigoCity, and we're very fortunate to have her today.

What I've asked her to do is to talk a little bit about how social media fits into the rest of the mix, to talk about why social media isn't necessarily a panacea to everything, but it's an important tool that can help and assist you in what you do.

The gentleman in the middle is Dr. Jeffrey Horowitz. Jeff got his PhD at the University of Los Angeles, California — University of California, Los Angeles. How's the football team doing, Jeff?

Dr. Jeffrey Horowitz: We're in a bowl game.

[Laughter]

Mr. Chuck Champion: Ooh! Shout across about SC and he's in a bowl game. Jeff got his degree in computer science, or his multiple degrees in computer science, his doctorate in computer science. He also has a doctorate in mathematics.

Jeff was a senior architect and literally took Youbet Express to its heights from the work that was done by the gentleman to his left. Jeff now has gone on. He's been in game development.

Prior to Youbet he was in software and hardware development of a number of companies that you will know. He's been on the leading edge, and in certain cases bleeding edge, of technology for the last 15 to 20 years.

When he left the industry again he went into fantasy games and he now works for PublishThis which is a very interesting aggregator of content around new technologies. He's working in that field and he'll talk to you a little bit about that.

Jeff's gonna kinda talk to you about some of his observations of the industry from a technologist's perspective, and some of the things that you can do with social media to assist and help you.

The guy to my immediate right is, frankly, one of my personal heroes. He doesn't realize that. It's the first time I've ever said it publicly, but it was he and his partner that in the mid-1980s when they were in school together that went to a friend's wedding in Thailand.

The friend was Swiss, the bride was Thai and from a very wealthy family, and they intended to spend a mere two weeks in Thailand, two young guys, and what happened was they spent two years in Thailand working for the family. One of the things they developed was a PC-based totalizator system.

Prior to him arriving there, everything was done on large mainframes. He believed that by developing distributive processing and put it on a PC-based system, that it would be just so revolutionary that the United States, for example, where he had secured the rights for the system, would eat it up in a second.

When he got here and he found out that no, this technology really wasn't well understood. Totalizator systems didn't really need it, want it. It was an innovation the industry didn't wanna pay for, so he put it up on the shelf and he went to work for General Motors and worked on their Just In Time supply line technology utilizing internet.

Then once he learned enough about the internet he realized wait a minute, let's take the totalizator system and let's put it together with the internet and let's take bets online.

History tells us that the first relationship between an ADW company was with Youbet and Ladbrokes, and the first bet was taken on the system by a system that Russell Fine designed. He could arguably be described as the father of ADW.

He knew at the time what he wanted to do and how he wanted to do it and why he thought racing needed it. I've asked him to come back now 20 years later and talk about racing from a different perspective cuz Russell has gone on.

He's been a serial entrepreneur, very successful in what he's done. He's been involved in sports data and understands sports wagering. He's not an offshore bookmaker. He never took a bet. He just provided a lot of detailed information.

He understands fantasy sports extremely well. He's recently sold a business call Opposing Views which was a great content aggregating types of business. He'd probably describe it a little different, but it was a fabulous site.

He's gonna talk a little bit about how he sees social media and the opportunities that are before the industry today. What I'd like to do is ask, if I could, Lynn to come up and kind of set the stage for social media and where it kinda fits in, and Lynn has a small presentation to give, so Lynn, why don't you come up and —

[Applause]

Ms. Lynn Chang: It's kinda fuzzy in your face. Hi. As Chuck has mentioned, I've been in — this is kinda weird? Does this go lower? Okay. I've been in the area social buying for the last two and a half years and it's the latest phenomenon on the internet.

You're probably familiar with companies Groupon and Living Social which are focused on the daily deal, and they're very integrated with social media to propagate the deal.

The company that I work for is JigoCity and you're probably less familiar with this because we're focused on the Pacific rim with presence in countries as Australia, China, Hong Kong, Macau, Singapore, Malaysia, and Taiwan with over 1 million subscribers worldwide.

What we've found is that followers on social media don't really translate, necessarily, into sales. For example, whether it's Plurk in Taiwan or Renren in China, we found that a lot of countries that have huge amounts of followers often have very poor to weak sales.

Now, it's true that social media has taken the world by storm. It's the hottest platform. It's completely changed the way that we communicate and it's have phenomenal growth.

Facebook has over 800 million active users and Twitter has 1 million users and over 3 million tweets a day. One thing we often forget here is that the visibility is inversely proportional to the user base and that's the basis of my talk today.

When creating a social media program I think it's really important to use the same tried and true principles of any traditional marketing program, which is target your customer, tailor your message, and select the hardest hitting touch points to reach your customer.

Now, we're gonna go a little out of order here because this panel's on social media and we're going to assume that the touch point we're gonna have is social media. But as you know in racing there are a million ways that you can reach your customer, whether it be in print or in your program or on track or on TV, your signage or even your SAMs.

Before this particular case study, we're gonna look at the Asian market.

[Laughter]

The Asian market comprises about five percent of the U.S. and in that bucket they include the Chinese, the Japanese, the Koreans, and also the Vietnamese. We're gonna focus on the Chinese.

Now it's important to note where the Chinese come from and they generally come from three — these three areas. One is China, the People's Republic of China. One is Taiwan which is the Republic of China, and then Hong Kong and Macau.

Now you'll see on the presentation I've noted what the different languages are. In China they speak Mandarin. In Taiwan, Taiwanese. In Hong Kong and Macau it's Cantonese.

Now, while the written language uses the same character set, the actual syntax of Cantonese and Mandarin is quite different. The way that they would string together a sentence would be very, very different.

What's important to note is that in Hong Kong the only gaming that's legal is horse racing. Now, it's true that they can take the ferry across the bay and go into Macau and experience other forms of racing, but with the Chinese they tend to gravitate to more thinking-type games like baccarat or Pai Gow versus something that's less thinking like a slot machine.

Now why are the Chinese important? Well, they're a very affluent group that hasn't really been tapped into.

The average household income is 30 percent higher than the national average, and the medium household income in Los Angeles is 17 percent higher. 40 percent, 45 percent — I can't actually read this — of Asian households have incomes of \$75,000.00 or more. 31 percent have incomes of \$100,000.00 or more, and Asians represent 15 percent of total households with \$150,000.00 or more. What that gives us is 2.9 million consumers with tremendous untapped revenue potential.

Now, as you can see, the Asians tend to congregate in major metropolitan areas. You can see in northern California, southern California, and also in New York. In particular, southern California American-Asians possess over \$85 billion in annual buying power.

Our next filter for this exercise is San Gabriel Valley. Now, this is probably the richest pocket of Asians in the United States. As you can see, some of the more affluent neighborhoods like Arcadia and South Pasadena have a high Asian percentage. We're taking over.

[Laughter]

Just watch out.

[Laughter]

One city of note that's not listed there is San Marino. Now, San Marino is arguably the most expensive neighborhood in the United States. If you wanted to purchase a house there, to compete with the immigrant Chinese that are coming in you would need to have cash to buy these houses, start about maybe around \$2 million.

Now, the Asians, which is interesting here, don't typically leave their home because of the language barrier. They typically just stay at home. They're not really going out and they're not working. In summary, the target here and here are the filters, is going down from the U.S. market to the Asian community to the Chinese and then the Cantonese, then California and then boiling down to the San Gabriel Valley.

The next T of the three T's is a motivating offer. You wanna target the racing fan and you need to consider what is it that's gonna make the racing fan go to your race track? What are you gonna use to motivate your target audience?

A T-shirt? Or maybe a pick six carryover. Or a handicapping contest. Or maybe an enormous purse. When you target your audience you need to think the thing that's going to attract you as a racing fan to go to the track is gonna be the exact same thing that's gonna attract the Asian racing fan.

The next element is language. Now, of course that's really important from anything from advertising to hospitality. Asian-Americans are primarily first generation.

Since 2000 in southern California there have been 400,000 immigrants and they predominantly speak their native languages at home. Now, it's really important that just like Americans that go to a Hong Kong jockey club that the Chinese want to have an immersive experience. They don't wanna be shuttled into one room, for example, in the Hong Kong jockey club that only speaks English.

The Chinese don't wanna be shuttled into one room where they speak Chinese. They want to have an immersive experience at your race track. Now, without a doubt, no matter what culture you are, respect is really important, but especially with a culture as old as the Asian culture, the Chinese culture. Also what's just as important is prestige and status.

Now, the last element here that I wanna talk about is imagery, so I need to ask you do these images compel you to go to the race track. Then these images don't compel an Asian racing fan to go to the race track.

[Laughter]

People always ask me if Chinese people like dragons, rice, and pandas. The thing is, we do, but they don't make us want to go to the race track.

[Laughter]

If you want us to go to the race track, select something that's really compelling visually. In this particular exercise in tailoring your message, it's a compelling offer, it's in language, and it has meaningful imagery.

In conclusion, here are the three T's. Targeting your consumer which would be the Cantonese, Chinese in the San Gabriel Valley; tailoring your message which is the compelling offer in language with meaningful imagery; and selecting a touch point, and for this presentation it would be social media. That's it.

[Applause]

Mr. Chuck Champion: Lynn being a very polite Chinese won't say what this guilo, which is Asian for white guy, will say.

Social media needs to go through this process before the first message is sent. You need to know and understand clearly who it is that you're trying to reach and as much information about them as you can possibly get. Then understand how to tailor that message down to where it will motivate them to do what you want them to do.

In this case, I understood that people sit in the back of the rooms for this so that when guys like me bore you or when your phones ring you need to leave, and so you want the convenience of the back of the room.

In order to get you to move forward, again, I needed to use Doug who's an authority and an influence here to get you to do that, and when that failed, I needed to tailor the message further and adjust and spend \$120.00 to fill the front row up to make a point. So I literally

did what Lynn had suggested here and we wanted to show you that, again, social media isn't just about blurting things out that come to your mind.

It's about strategically thinking about them, thinking about who you're trying to reach. It fits into part of programs that you're already running. It's another channel, another distribution it is not in lieu of. It's really designed to extend a touch point to a customer in a way that will resonate them and often through a social influence or someone else that can influence their behavior to get them to do what you want them to do.

So thanks, Lynn. With that, what I'd like to do is now turn the floor over to Russell Fine who is — are you gonna sit here? Yeah, he —

Mr. Russell Fine: I don't know. What do you wanna do?

Mr. Chuck Champion: Whatever you wanna do. What do you wanna do?

[Laughter]

Mr. Russell Fine: I'm pretty comfortable here, to be honest about it.

Mr. Chuck Champion: Okay, well then sit there.

Mr. Russell Fine: For \$20.00 I'll stay here.

[Laughter]

Mr. Chuck Champion: You know, do I have \$40.00 to get him to leave now before you listen to this?

[Laughter]

\$40.00 anybody? Anybody \$40.00? eBay, see we got eBay.

Mr. Russell Fine: If you pay me \$40.00 I'll leave.

[Laughter]

Mr. Chuck Champion: Seriously, Russell, whatever's comfortable for you.

Mr. Russell Fine: Okay, so I didn't realize we were doing presentations, and even if I did I'm not very good at them so I'm just gonna use the excuse that I didn't prepare. Thank you, by the way, Chuck, for saying that I'm one of your heroes. I think that sets the bar low, but thank you anyway.

[Laughter]

Let me just start by —

Mr. Chuck Champion: They already knew that.

[Laughter]

Mr. Russell Fine: You know, let me just start by first of all characterizing. I'm a guy that grew up as a hacker. I was one of those kids that couldn't get a date. I was playing with computers when they were chips.

I ultimately went to business school and I spent my career at the juncture between media entertainment and technology because, to me, technology is not a business. Entertainment is a business, media is a business, and technology is a tool to achieve those business ends. I kind of — I always find it interesting that people who did not grow up with technology or haven't had their hands on keyboards look at us as technologists. We're really just business problem-solvers and our language happens to be computers, software if you will.

What I'm doing right now is I'm running a digital entertainment marketing company. Chuck doesn't know all the details, but for example, my group is marketing *Twilight*, *Inception*, *Despicable Me*, *The Immortals*, so a third of the movies you may have heard about or gone to, we did the marketing for across the boards, digital all the way from the trailer you saw up to the website, the Facebook. That was actually posting to Facebook. Those are not actually people, some of them. We did the Tweeting, etcetera.

My career right now is trying to leverage these tools to help market other types of products and services, but largely for me, it's been media and entertainment.

I think I was invited here by Chuck largely also because I'm a heretic. I have a history of looking at things a little different and saying things that half the time are wrong and half the time are right, and luckily most of the people remember the last ones.

I have a little different perspective, I think, than Lynn who I greatly respect, and Jeff. I may have sort of a twisted sense of logic when I look at these things so I wanted to deliver a couple of different messages that may or may not resonate.

First of all, let me just have a little audience participation. Everyone, if you can remember the first time you went to a race track please raise your hand. I remember. Everybody else?

Okay, so the people who do not have their hands up do not actually remember when they went to a track or had never been? Interesting, okay. Keep your hands up, please. Raise your hands if you remember the first time you went to a track.

Now, if you remember the person you went with that first time, put your hand down. You remember who you went with? Right.

Okay, so we have nobody whose hands are up. This is a simple message. We have one person. You don't remember who you went with?

Audience Member: No, I —

Mr. Russell Fine: Did you go alone or did you go with somebody?

Audience Member: I can narrow it down to a couple people, but not one.

Mr. Russell Fine: Fair enough. So here's the message: nobody went alone. Not a single person here went to the track themselves.

I was involved with this industry a long time ago and I look at it very simply. You're not gonna get someone to go from a billboard. You're not gonna get 'em to go from an ad.

Nobody says gee, I've never been to a track but I think I'm gonna go to that night. Or you're gonna give me \$20.00 and I'm gonna show up at a form of entertainment that I don't get, but I'm gonna go try out.

You went because someone invited you. You went because they were gonna take you along for the ride and teach you. What you want it, if you want new players, and let's — the elephant in the room. You need new players. The existing players, you got 'em. Give 'em a hat, they'll show up more often. Great. If you don't get new players there isn't gonna be a panel in 20 years.

New players have to be brought by existing players. That is the only way it is going to happen. You have to influence them to influence their friends. Bring them, teach them, have a good time. You have new players. That is social media. That is what it does.

15 years ago when we invented this Youbet idea, me and a couple of crackpot friends of mine, mostly David Marshall, the biggest crackpot I know, but who I love, it was simple. We were gonna take entertainment; we were gonna make it convenient. We were gonna make something that's hard where I gotta go to the track, we're gonna make it so anyone can do it whenever they feel like doing it. Make entertainment convenient. This wasn't rocket science. It was just good, simple business logic.

Social media is your next step. Probably your biggest opportunity here to get the new player is social media. Why? Because social media is about getting other people to talk about to their friends what you want them to say. That's what it does. You want 'em to invite someone to the track, social media's your tool.

You wanna buy 5 million banner ads, good luck. I have a lot of clients that do it, okay? Every tool in your marketing toolbox does something different.

Social media is uniquely applicable to a situation where a purchase or behavior is highly influenced by other people. You want 'em to buy a car? Social media, eh. My mother telling me she likes the Toyota Cressida, eh, isn't gonna influence me. Guess what? A good ad campaign, image works. My mother telling me to go to the track, not gonna happen. So you want me to go to the track? I'm socially influenced. I'll go if a friend goes.

I think this is your biggest opportunity. I think this is your biggest tool. Period. Bar none. Biggest opportunity I've seen for this industry to turn itself around or not. Or the biggest one we're all gonna look back on and say wow, did we blow this thing. I know it's a little bit different. That's the way I look at it. That's what we're doing for our clients today. That's what we've done for other clients in other industries and I can tell you in certain industries, as a part of the mix, not a replacement, it's a very powerful part of the mix.

I think it's highly applicable so when Chuck said to me you wanna come talk about it, I thought about the industry and I said oh yeah, this is an industry that could use social media. This is where it could make a difference if it's used right. I also wanna say that social media is not media. I think it's a really horrible term. Social media is not media. Everyone thinks of media as I'm gonna put an ad up there. That's media. Social media as we know it is not a media. It's simply social applications. It's social engagements through devices. It's games.

You know what? Warner Brothers wanted to do a social campaign with us for some of their biggest releases. Did they wanna put ads on Facebook? No. They wanted games on Facebook that people would engage with. They wanted social activities. Two of our other biggest studio clients, they use social media for research. They said you know, we do polling. It's crap. I can get 20 people in a room to say anything I want depending on the moderator, and if I put one person's proponent in the room, guess what? They're all proponents.

Instead what we do is I have a team of researchers that goes out and they listen surreptitiously and quietly to what's really being said online. They put them into groups. They cluster them and they come back and we get to tell studios things like here's what your clients — here's what your potential viewers are really saying. This is your problem group. This is what they're talking about and you need to message differently to influence them. When you start doing it we're gonna tell you real time that conversation has changed and we're gonna tell you what it changed to. Social media for them is proactive research. It's a replacement for polling and it's a much better replacement for polling because it tells you what's really going on down on the ground.

First of all, start thinking about social media as nothing more than a way to interact with people who are interacting with their friends, whether that's for research, whether it's for outreach, whether it's for engagement, whether it's for a variety of things you wanna do, whether it's for repackaging your product. It's simply another way to approach people and it's a mindset. Don't think of buying a Facebook ad or putting up a page is social media. It wasn't. That was last year. That was the year before, and in our industry two years ago, that's ancient history.

Let's see here. I think I also just for in that — like I said you need the new client and the new client wants something different. The new fan, I hate to say it, nobody likes to hear this, it's me. I know everybody likes to think they're the person but I really am. I don't go to the track. I did when I was in the industry. I did when I was younger but somehow the track lost me. I am the perfect demographic for the track. You want me back. I have money to spend. I spend it on other entertainment. I'm at the end of the baby boomers. Guess what? I'm gonna have a lot of free time coming up and I'm affluent.

I am your perfect target market. I'm smart enough to play the game and understand it. I love characters that I can get engaged with. I'm interested in sports and things like that. I am the perfect target, but guess what? You will not get it by treating me like a horse race fan right now because that's not me. When you advertise to a handicapper you didn't get me. You got an existing handicapper base who you're bringing back to the track.

You want me, offer me something different. Incent my friend to take me with him. You gotta think of me differently. You have to target these as different audiences. If you don't start there you're gonna end up with a lot of racing fans that are slowly gonna shrink but you're gonna get 'em to the track more often which is, I feel like with most of the campaigns I'm seeing are actually doing. There are industries that are bringing in new clients. There are gaming industries. Look overseas. There are successful companies doing this. There are successful companies doing it in entertainment where they're taking products that one demographic, they're applying it to a new demographic and they're using new tools. It can be done.

What has always excited me about this industry and why we started Youbet in the beginning, we looked at this and we said, David Marshall and I, this industry has the monopoly on gambling, on engaging an activity where I can have a piece of the action. I

can have hope like the lottery cuz really, at the end of the day, this form of entertainment is about knowing better, having hope, and being social. That's the fun aspect of going to the track, and hopefully getting something good to eat. I look at it and I say there is a huge opportunity.

You have amazing athletes, both horses who everybody grew up with. You have movies about horses. I mean, let's face it, the horse is near and dear to the American heart. The new movie *War Horse* is coming out, *Seabiscuit*. We all wanna love horses. We have jockeys who are phenomenal athletes. If you're not in the industry you don't know who these people are. You don't know what incredible athletes. There are often better athletes than the football players and the basketball players you're aware of. We haven't taught anybody this.

We haven't educated them, so guess what? I don't know about 'em. You wanna get me to the track? Teach me about 'em. Get me engaged. Make me fall in love with one of 'em. Let me know I can have a piece of the action. Have a friend invite me. I'm at the track. Make it easy for me. Put it at home. Put it in the middle of my conversation with my friends through social media. Let my friend Tweet about it, Facebook his winning bet, gloat on how much he won and I was a schmuck for not showing up with him. You'll get me to the track. But that's how you gotta treat me. That's how you have to look at me. That is my little speech. Thank you for listening.

[Applause]

Mr. Chuck Champion: Jeff, why don't you just spend a few minutes and kind of talk about your experience in the industry and how you are viewing it, because you were on the leading edge of some of Youbet's development as we built Youbet.net, an education attempt to get young fans and new fans into the sport and over the hurdle that our industry inherently has. I mean, we've all talked about the complexity of the sport and the barrier to entry.

Please don't be insulted by my remark, but we've done very little to nothing to make it any easier as time has gone on. We know it's a problem but we truly haven't seriously addressed it yet. If you think about just the one quick thing of what happened in casinos over the last 25 or 30 years, you remember, some of you, I wasn't actually there when they opened it in Las Vegas, but crap games were literally the game of choice and dominated the floors. They realized that the average person, it was a complicated game and they introduced blackjack, 21, and other simpler games all the way down to the point of spinning a wheel which is, admittedly, the worst odds on the floor.

Then eventually, while slot machines existed early, they became — and they proliferated the floors of gaming and in part because they're very simple to engage with and the reward is seen almost immediately and it doesn't take a rocket scientist to be able to do it.

In our sport we have a tendency to need some pretty sophisticated understanding of it and it's intimidating and we've all talked about it. At least I've heard it for ten years. So Jeff, talk about how you started to think about dealing with that, how you built contests or one thing or another, and now with the advent of social media developing as I know you and I talked about nearly seven or eight years ago and how you thought it might occur, where it puts horse racing.

Dr. Jeffrey Horowitz: Well, when we built Youbet Express we built a product that was really geared towards people who understood horse racing. We provided all the content and

features necessary for sophisticated horse racing fans to make intelligent bets and, at the same time, be able to place those bets on any track that we were able to provide to them which was quite a few. We then decided that it would be really good to see if we could start utilizing this technology to bring new players into the space because we noticed that the — although we were generating a lot of handle through the wagering interfaces on our system, it was clear that the amount of wagering in the industry was declining.

So could we help facilitate growth in the industry through internet products that brought in new players? We built a product called Youbet.net which was scaled down version, free version, of our product. It provided all the functions and features, a little contest and so forth and so on, but what we didn't do there was really address the engagement aspect of what would draw someone new into playing this game.

At the same time, social media was emerging so we didn't really have all the social media available to us at that time. Social networks were evolving and Facebook — MySpace was kinda getting used but it really wasn't the right product. Facebook was evolving. Twitter was a thought process at that time.

I remember going to conferences and Twitter, this was about 2006, 2007 maybe, Twitter was a new technology there. I signed up for it maybe first 50,000 people or so that were on the service. The main thing then was that the people that were using this technology were young people. They weren't 50, 60 year old guys that had been playing around for a long time. These were new thoughts from new people on how to communicate with one another.

Social media is not just a marketing vehicle. It's not just another way to send out your message. Social media is also a way to engage people and for people to communicate with one another and to really virally connect with them.

How could social media and the ADW, then, be worked together in order to bring in new players while at the same time educating them on the avenues of wagering on horse races so that when a friend wants to take you to the track, you can go to the track maybe armed with something.

Because the real challenge, I think, when you go to the track is not just going with someone who knows the game, but once you're there, a feeling that's aside from socializing with your friends that you really have some sort of opportunity to be successful. Whether or not you are successful is another thing, but just having the opportunity to think that you might be able to place a bet and have a chance to win in a non-lottery fashion.

I know that when I've gone to the track not being a horse racing handicapping expert, that's what I would do. I would just say well, I like the color of that thing that horse is wearing or the jockey's wearing. I'm gonna bet on that one. But that's really — that's gambling in its true sense. Can we use ADW and social media to attract people? Well social media isn't just Twitter. It's not YouTube. It's not just Facebook. There's a whole — it's also social gaming.

I believe that you can combine these technologies of social media and social gaming to have friends begin to engage each other and start to educate each other, as well with people who understand horse racing can be engaging in this way so that the younger people can become educated on the industry and the persona of the typical handicapper that younger people have can be changed.

I really think that's a really strong direction that can help bring new players in. I really think that is the key, I think, to growing your industry. It's not just trying to get the same people to the track and getting more money out of them, but you really have to look at how are we gonna bring in a new generation?

Mr. Chuck Champion: I open it up to the panel. As you think about the industry today and individuals that are in it, and you think about social media and how it can play, how would you prioritize the things that you would be working on?

What would be the tools, cuz as you've all three pointed out, they're varied, they're different. What do you think that you can — would you be constantly talking about young people and trying to attract them, or as Russell already pointed out, do you really look at each demographic differently, targeting 'em differently, and go after the baby boomers as well as the young audience?

Ms. Lynn Chang: I think that it's a very useful existing tool that has the ability to reach a tremendous amount of people, but I do really disagree that the common — and Russell I'm sure you just said this in a cavalier fashion as you often toss things out, that just throw the existing members a hat, I completely disagree.

I think that when you start off, when you're saying that new people are brought in by existing members, that the existing members are your greatest asset and that you need to treat them as any kind of hospitality would. I think that the new users actually are matriculating and trickling in through the loyal fans that are real fans of the sport. I think it's very important not to toss them aside.

[Laughter]

Mr. Russell Fine: I apologize. I didn't mean it in any way — they're — all I meant to say was the types of campaigns that I have tended to become aware of in tracks, appear to me to be targeted at existing fans. The types of things that would engage them, and you even said it earlier this morning, something about like, you know, a \$2.00 beer night. Those are the things that, if you go, this is another incentive to come back. That does not appeal to someone who knows nothing about it, that appeals to somebody you already have engaged.

They are — social media rests on the pillars that you have existing audiences or fan bases and that you wanna use them to seed the rest of the world.

Absolutely, the greatest marketing asset this industry has is its existing players, people who are engaged, excited, wanna talk about it, wanna share it, and you wanna treat these people like gold because they are. Without them, social media is moot.

The key, then, is to empower them to spread the message and give them tools to make it easy to spread the message and to allow them to make the tools engaging to someone engaging to someone who doesn't understand it so they can draw them in.

Ms. Lynn Chang: I completely agree, but I do feel that social media tends to skew a little younger. Now, I'm not saying that's not changing and that's not something that we should harness right now while it's in its infancy in terms of this particular demographic. However, one of the issues — and you touched upon this with social media — Is that we talk about how it's really changed the way people communicate and not all of that is aligned with racing.

Racing's a really complex sport and it requires a great deal of investment to play in the game, where social media is part of the whole, what I call the low res generation where you're limited to 144 characters and the images you're looking at on your cell phone, not only are they this small, they're 72 dpi. I mean, I think that there's kind of a disconnect between the message that you're trying to do unless they educate people and the actual medium of what social media is. I do agree, though, it's a great way to send a message to a bunch of friends and say come meet me at track and win big.

Mr. Russell Fine: Listen, just so you all know, I've known Lynn a long time and we're actually friends. I respectfully disagree.

[Laughter]

I do not believe — the demographics of social media will naturally skew young. There is no question about that, but that doesn't mean that there aren't 50 million active Facebook users in the United States that are between 30 and 60 years old.

There are 20 times, 100 times more people available on Facebook in the demographic you already want that are there. Even if they're the minority on Facebook it doesn't matter, and Facebook is not Twitter.

Twitter, yes, limited to 100 characters, blah, blah, blah. Facebook isn't. Facebook is now a resident part of many people's desktop. 50 percent of people in the age group you might wanna meet maybe don't use it, don't really care. Fine. We don't need them. We're a country 385 million people. You know what? We can do without that 40 million. There's another 40 million that are available. You only need a couple of 'em.

Ms. Lynn Chang: I think it depends on what demographic. I mean, specifically with the Chinese market I wouldn't say that there are 50 million. I think that that would be really small. If you take a look at the demographics of — particularly I'm talking about the Asian-American immigrant community — that the usage of social media is probably 5 percent compared to like a white audience which is 81 percent.

Now, of course this is because of the language issue because most of Facebook is in English and so you can't read that if you're Chinese. Just like you can't read Chinese if you only read English. I think it depends, but I don't disagree with you, Russell. I don't. I do feel like there are a lot of people that are valuable in social media.

Dr. Jeffrey Horowitz: Well, the notion that social media skews younger, I think that's a fallacy. I think social media starts — these different types of social media start with younger people, but if you look at the statistics, the majority of the users of social media are 35 and above. They're — I don't consider 35 young, but —

Ms. Lynn Chang: Depends how you look at it.

[Laughter]

Dr. Jeffrey Horowitz: The audience that has the money in order to place wagers, the vast majority of them are using social media as a form of communication, either through Twitter, watching Twitter feeds, or through posting on Facebook or engaging with their friends on Facebook, or watching videos on YouTube.

I think the key challenge, though, is not to just approach this as a straight marketing problem. I look at it like Churchill Downs website. They have blogs. They have like and follow. They have some Twitter guys that Tweet things, but it's all just more of the same. It's all stuff that's geared to — you really have to understand the horse racing world in order to make heads or tails of anything that you find on their website.

The challenge — that's what I alluded to before I think — is recognizing that the majority of the people that would be interested in betting on horses are using social media as a form of communication, either to obtain information or to communicate with their friends.

The question is, is how can we leverage that to engage and virally spread the message that horse racing is an exciting sport and that there are exciting athletes, and that coming to the track can be fun. How can we lower the barrier to that engagement so that when you get to the track you feel that there's an opportunity here for me to wanna come back? I think that's really where the gap needs to be filled.

Mr. Russell Fine: Right, and I don't — I'm not in this panel trying to think about the problem of once we're at the track how you engage someone so they have a fulfilling experience which I think is its own — which is a whole completely new set of problem that does need to be solved because in order to have, obviously, players who play, you have to get them there and then they have to have an experience that makes them wanna come back.

If we just separate — for me, when I approached this, I said the big opportunity here is to start getting people to the track and then hopefully the second half will be solved. Let's get tactical, okay?

I haven't spent much time in this industry in the last ten years. When I left, again, I went into entertainment. I went into news and media. I sat back and I thought okay, what do I know from my entertainment clients? We have hospitality clients; MGM Worldwide is one of our biggest clients across every form of digital marketing. What were the learnings?

That is, someone walked in the door from the race track and said okay, what am I supposed to do tomorrow, what would I tell them?

A couple things just to note that I think are important. Social media, if you just blog and you post it to your Facebook, wow that's great. Okay, so the 40 people who liked it may, if you're lucky, re-Tweet it. Social media is about getting people to talk about things so you need to start with something to talk about. You need to say something insightful. You need to promote something. You need to have people who write something hysterical, stupid, insane, sad.

You have to create characters. People aren't gonna talk about things if you don't give them something to talk about so this is all part of a marketing plan.

When we talk to our clients about social media, we say this all start with, pairs with public relations. We have an online PR department. They go hand-in-hand. We create things that people will wanna talk about. We give them something to talk about. We have people create statements that are either offensive or interesting, but people will re-Tweet. We give them content worthy. It's not just an article. An article's great for SEO because we'll get syndicated and you'll get a couple of great links and you'll get some search traffic, but social media is about people talking.

It's about people talking, people engaging in activities, so you either gotta do apps, games, activities, promotions, sweepstakes, two-screen stuff in front of a screen where they'll play with their friends and/or if you're gonna use it as a contents indication vehicle, then you have to seed it with things.

That means that an editorial staff or a promotion staff that is doing something worthy. You know, Jill Marguerite just won \$40,000.00 and her life changed this weekend. She went from housewife to rockstar. Put it out there. Take insane pictures. Guess what? People will share it. They'll be interested.

This horse that was ready for the glue factory just won this race and is now on its way. Put the picture out. These kind of things are worthy of someone saying hey, did you hear this? You gotta do those things. It isn't — you really gotta think it through and use it for what it does.

Ms. Lynn Chang: I just think that driving people to the track, that doesn't necessarily translate into a profitable operation for the track. I mean, I think that there have been lots of examples where they've been able to drive a lot of people to the track and that they have now translated into becoming wagers. One of them is the \$2.00 beer nights that are very good at bringing in a bunch of people who want a \$2.00 beer.

Another example, I hate to say this Russell, is this Youbet.

[Laughter]

When I had come into the marketing department we had spent part of the .com. It was kind of the bubble, too, that we were in, a tremendous amount of money advertising to people who were not targeted. Our response rate was abysmal. It was something like .0000 percent. I mean, it was just — it was shocking.

Just the amount of money that we had spent, if we had just given it to people to come in, like racing fans to come in and wager on it, that they would translate it to a better effort for us.

What we had done is we had targeted it just to the racing fans. We started using, we started partnering with tracks and sharing their lists. Those gave us much better results. Hopefully, in turn, those people would matriculate new people into it.

While I don't disagree that we need to — the racing industry is in dire straits right now, that we need to do all that we can to be creative, but I think there also needs to be that layer of how is this going to return on your investment?

Dr. Jeffrey Horowitz: An example of that is before Chuck came to Youbet, we had a fledgling product and we had a ton of customers and we were losing money by the boodles. One of the reasons was because we were marketing to everybody and just saying come to our site, it's a great site. What we found — and everything was free. The only thing that you had to pay for was your bets. We found out that we had about 60 percent freeloaders, right? One of the innovations that Chuck inspired was to implement a thing which ensured profitability of each customer. Either they had to pay for their video services or they had to wager a certain amount.

The point of that is that as sort of what you're saying, that you can't just have them coming to the track. They have to have a reason for being there and it has to turn into some sort

of return on your investment. How that's done, whether they're educated a little bit and understand some things before they get there or things after they get there, I think that's one of the challenges that this industry faces is how do we get that guy to the track and how do they become a profitable return?

Mr. Russell Fine: For what it's worth, I just wanted to address one thing you said. Keep in mind —

Ms. Lynn Chang:

[Laughter]

We're gonna beat each other afterwards.

Mr. Russell Fine: — that without going into the politics of this there were many regime changes at Yobet over the years. Yobet, as it was built, I mean I and your husband, Jeff Franklin, designed this product. That was originally intended as a product to make a sport for existing players convenient.

It was actually never targeted or designed in any way for someone who didn't understand the sport. Through many regime changes there was the idea this could be used and I think that was fundamentally a mistake.

I still think there is a core problem, which is yes we have things that work for a player. We know how to make them profitable. The remaining question is how do we take people who are not players and find whoever will be a profitable player and get them through all the steps? Stage one is getting them there. To me, social media is not — does not address any of the further steps. It's just a way to assist in getting them to the doorstep and then we gotta solve the rest of the problems that go along with it.

Ms. Lynn Chang: Right. I mean, one of the things that a problem — oh, sorry.

Mr. Chuck Champion: No, that's all right. Go ahead. Finish your thought and we'll —

Ms. Lynn Chang: It's just like when you go to the track and you're a new person it's very difficult to figure out just basic fundamentals. Where to park? It's not clear. The signage isn't clear.

If you were someone that's, for example, Hispanic or Asian or someone that speaks a different language, there's no way you can figure it out.

Then you get in, you don't know what door to go in. The ingress and egress is really complicated. When you get inside there is really like what you touched upon, Jeff and you as well, Russell, there's no explanation of really what to do. There's a lot of confusion at that point. I think that is a real barrier.

Also, Russell, you talked about this earlier this morning, just about just the nature of the sport, how complex it is. I mean, that's just a whole 'nother layer of it. Is there a way to make the sport easier to digest? I always, sometimes, wonder if it's gonna require things to come to such dire straits that people are going to have to make big choices because usually the momentum is not to change, just to keep everything the same.

I think that's one of the things that you really speak to, Russell, which I really do agree with, which is you need to go and throw some things against the wall and see what happens.

Mr. Chuck Champion: So Jeff, specifically, but I know both of you, as well, are on the forefront of social media, of emerging technologies, emerging content plays and aggregation plays. You mentioned that you were at a Twitter conference in — or a conference that included Twitter in 2006, or 2007, 5, whatever. I know that new technologies are emerging. New ways of organizing thought and displaying content are emerging.

I think this audience would be interested to know some of the places that they may look and things they may need to think about on the forefront, on the bleeding edge, if you will, that may or may not emerge. You guys really identified, again, Facebook and MySpace and Twitter and those kinds of things. Are there things out there that you can think of that they should be looking at and saying hey, this is a potential tool to you moving forward?

Dr. Jeffrey Horowitz: Sure. One of the areas — and this is something I'm working in now — is the area of content marketing. What this is, is the ability to take data in the world that's structured and things that hover around it and tie it to the various forms of content on the internet, be it webpages or RSR blogs or Twitter feeds or videos on YouTube.

Then this type of content, when aggregated and associated to very specific topics — for example, in horse racing it would be content about a particular horse or a particular track or a particular jockey — but the main thing is that there are tools available today to be able to package that content and embellish it so that you can then become a thought leader in a particular subject area.

I think there's a big opportunity for this emerging technology also to be utilized by the horse racing industry in order to create media that really is attractive and can cause new audiences to take interest. If that's a mechanism of promoting these particular things, then that would be a good avenue for that.

Mr. Chuck Champion: That body of work is referred to as what?

Dr. Jeffrey Horowitz: It's content marketing and content creation, so the whole — the notion is content marketing and the key mechanisms are utilizing content that's on the internet already through these different various medias, repackaging it on their own sites so that experts on things can be — so that you can promote yourself as an expert and embellish your content with the other content that supports what you're trying to do.

Mr. Chuck Champion: And that's applied Symantec —

Dr. Jeffrey Horowitz: Right and it's a lot different than trying to search Google for content information and piecing it together. It's where if I wanna build something about a particular track, let's say I wanna market my track, it's a way to easily aggregate content from bloggers, Twitter feeds, news stories on that track into its own buckets of information that you can then utilize for different marketing purposes.

Ms. Lynn Chang: I loved your concept, Russell you talked about this morning, about affiliate marketing. That's an old fashioned concept, but I just feel like that —

Mr. Russell Fine: Totally works.

Mr. Chuck Champion: Why don't you talk for the group? Why don't you talk a little bit about, again, if you own a race track and you wanted to go out and get new fans and you wanted to use what was available to you out there, including affiliate marketing, what that might look like?

Mr. Russell Fine: I'd be eating Mylanta all day and wouldn't get any time to work.

Ms. Lynn Chang: I wanna throw my idea in by going to w — what is it? Gaming and GA?

Mr. Russell Fine: Yeah, you wanna talk about affiliates or new technologies —

Mr. Chuck Champion: Yeah, no, no.

Mr. Russell Fine: Cuz they're two totally different things.

Mr. Chuck Champion: Why don't you talk about the new technology first, but then roll right into the affiliates after that?

Mr. Russell Fine: I think first, I can tell you a handful of things that I know are — we're working on that are on the bleeding edge of marketing for our motion picture clients or our network clients, and also for hospitality which is MGM being one of our biggest clients, they're a fusion of entertainment and hospitality, but we really look at them as entertainment. We've identified the trends that we're gonna be essentially pitching to them and explaining to them over the next couple of years, but before I do that I think it's important that you have to have a marketing strategy before you pick which of these tools you use.

The reason I say that is how are you gonna approach this? Are we gonna approach this as — this is family entertainment?

There's a whole set of ways to do that. Are we gonna approach this as we're going to promote athletes and we're gonna teach people to fall in love with horses and jockeys as athletes? There's a whole different way to communicate that message and get people engaged.

Are we gonna promote this as a gaming activity of hope and excitement? I mean, those are very different and you use very different tools to communicate that. They're not run-offs. You can't say we're gonna run a quick marketing campaign that's gonna convince people it's family entertainment by offering picnic day and it's over in three months.

If you're a family entertainment source for two or three years, build that. Do the PR. Do the online messaging. Build the apps that create this as a family destination or as a destination of celebrities or as a destination of excitement, but pick a path. Then separately, now, how do we take that messaging? How do we create that branding and take that to a community?

As far as new, cool things that are coming out, I'll tell you what we're talking to all of our major clients about. First of all, it's all about mobile and handheld, 110 percent. Everything is about this device and this device is important because we're connected to our client 24 hours a day which means pushing messages, which means if they're near a Starbucks, having it go off in their pocket. If they're near a friend that happens to be interested in what they're where — you're right near the movie and your friend happens to be interested

in that movie, also lets you know right away and sends you a text message. Create a game that is geo based where you and your friend can do something silly.

One of the best promotions we saw was done by a car company last year in Sweden. You know what they did? They gave away a — what are those little cars? The Mini Cooper? Here was the deal.

The last person to tag the car got it and you got the geo coordinates here but only one person could have the ball. The person with the ball has to catch the car. They did this through all of Sweden. If I have the ball and he gets near me within 20 feet and he presses his button, he gets the ball and his geo appears. They had people racing through the streets in this thing to get the car. This went on for a day. It was insane. The amount of attention they got — and they gave one car away at probably a hard cost of \$9 grand plus the app which was what? \$10 grand?

So geo on these things, this is the world. By the way, overseas more internet usage on this than on a PC, so this is the wave of the future. All of our clients are working on them. We're building apps for all of them on these. Two screen experience in front of a television. I'm watching the show, I'm part of the show. Every major show will have it in the next couple of years. Every single network is already working on it.

It'll be everything from play the sweepstakes, talk to my friends, see more content, a million different things. Add my own content to the show. That will be a given. In ten years we'll look back.

Our kids will say you mean you just sat there and watched without being part of the show? What was that?

[Laughter]

Let's see, what else are we doing? Gosh, let's see, personalized marketing, building databases of the individual knowing everything about them and stopping the marketing where we blare out a message and hope that the right target got it. Actually building data warehouses of oh, you did this, and you did this, and you did this, and now I'm sending you a message because I know all about you. That's huge for us. Let's see, physical on location things. Touch screens. If you've been to — well, what am I talking about? I'm in Tucson.

In Los Angeles, in one of our malls, they now have a game you can walk up. It's nine touch screens altogether. It's a cat and mouse game. You put your hand on the thing, you move the cat and mouse and it plays on another screen somewhere else and people can watch it. It's totally cool. People are flocking to play it.

Touch screens that actually do things that engage people at the actual location, ooh, look! Let me see the media. Wow, throw that away. That's not cool anymore. All of this is stuff our clients are asking.

Projection mapping, I don't know if you guys have ever seen it. If not, go to YouTube, type in projection mapping. This is the kind of thing where at night you walk by a building and the building dissolves. Suddenly the building becomes waterfalls, and they're doing stunts with this.

A lot of the Las Vegas casinos are now putting them in as forms of nightly show. It's ten projectors, these amazing choreographed scenes, and they draw people by the droves to go watch them.

These are all kind of — and again, it's technology that evolved to the point where it became cheap enough for creatives to use it as a marketing tool, so these are the kinds of things we're working on that our clients are asking us for that are kind of on the front. They were doable two years ago. They're affordable today.

Mr. Chuck Champion: Where do you think timeline or this moment may fit into an industry like this?

Mr. Russell Fine: I think this moment is built for an industry like this. One thing this industry, when we built Youbet the idea was to converge the published information that was going on into one spot. The video stream, the odds stream, the content you could buy. One of the next big steps is the user generated content through curation.

To give you an example, we built for *Twilight*, this last *Twilight* movie, something called the Twilight time tracker. It's this cool app where you get kind of a cover flow of all this content and it's all user generated content with a mediator or curator in front of it. We launched the thing in the morning and in two hours we had 2,000 users post content.

Now, think about that for a second. To post content you had to go there, find the site, register, find your content, upload it, prove it, and get through, and in two hours we had a couple thousand of 'em.

That meant ridiculous numbers of people showed up to do it and the key is when they posted the content they Tweeted their friends. They Facebooked, cuz when that content went up all their friends knew. Did you see me on the Twilight thing? You should check me out in my vampire outfit, so 20 more people got the message and, by the way, they then went and reposted stuff.

That is kinda this moment in this aggregation phenomenon and that aggregation is now moving from old style aggregation of okay we knew about it, it was created a month ago, to more close to real time curation. That's what excitement is. That's kinda fun. You're like hey, what's going on with it now? And you watch, it's moving as you're happening. It's happening, it's like yeah, that's pretty cool. Let me shove my thing up there. We're gonna see a lot more of that as well. Anyway.

Ms. Lynn Chang: Well in daily deals, of course since we're international, it's mobile, it's huge and having something that's mobile optimized is really key. We also do very similar things with geotargeting, obviously.

If Starbucks or whatever's having a deal, that's really important as well. Also as well is personalizing what kind of content or what kind of deals that you're giving to an individual. If they might be interested in, for instance, restaurants or cafes or spas or whatever they might be. There's also a lot of gaming as well to engage people.

The things that we've been most successful with is when the people play a game and they acquire points and those points can be used to make a purchase. It's really tied in to the end result that we want them to do. We've had other promotions. We have a lot of social media experts all over the world where they're getting people very excited to come in and

join something really interesting and really big, but that hasn't translated at all for us in terms of sales.

We've gotten tremendous people signing in, putting videos up, offering content, but when it comes to making a purchase there's almost been zero conversion for us. So like 35,000 followers converting to 6 sales. That's a lot of effort to put towards something. Now, I'm not saying this is the case with everything, but I'm saying this is the case with the daily deals.

Mr. Russell Fine: Ah, but you got 35,000 people there.

Ms. Lynn Chang: That's true.

Mr. Russell Fine: So the question is did you get the wrong people or the people not there, or were you not able to convert them?

Ms. Lynn Chang: Or if — that could be —

Mr. Russell Fine: Let me tell you, you get 35,000 new people to a race track it would be great. Then the race track may not convert 'em. That's a whole — like I said, that's a whole separate problem that needs to be addressed, but hopefully social media can at least get them there and then you get to figure out what to do with them.

Ms. Lynn Chang: Right.

Mr. Chuck Champion: At least with that you have an opportunity to convert them if you get them there.

Mr. Russell Fine: And learn from them. Why did you come? What did you want? You didn't get what you wanted. What was it you wanted? Maybe we should package a product that actually addresses what it is you want. Maybe there is a market here and we just didn't understand that it wasn't the market we currently serve, but we're gonna serve it differently. I mean, there's a huge opportunity to learn if nothing else.

Mr. Chuck Champion: Talk a little bit about what we had a chance to briefly discuss this morning over breakfast, which was how you might recommend to the industry, ADWs and others, how to get new customers and how they should kind of think about affiliates. You can be bold. They can accept or dismiss what you think cuz it is radical, but go ahead. Throw it out there.

Mr. Russell Fine: Well, I've been involved in a number of forms of online marketing over the last 12 years. Search engine optimization, pay per click, affiliate marketing, banner advertisements, etcetera.

What I suggested around breakfast this morning was something that I don't know if the industry can get together and do it, but if I look at where successful gaming and entertainment has activated and engaged profitable clients that stay for a period of time, one of the most important tools has been affiliate marketing and this industry does not do it very well. It does it extremely poorly.

Affiliate marketing is nothing more than taking a big slice of your revenue and giving it to people to bring you new clients. There's an age-old argument. What if I'm getting the same client? I'm just paying someone to commission. There are many ways to solve that

problem that could be talked about. Let's just assume we know who's a real new client and we know who isn't a real new client.

If it were me and I ran this industry and someone said here are the reins of the industry and everyone's ready to hold hands and agree on programs they think can make a difference, what I would say is let's take a big, big part of the money and let's give it to salesmen.

I mean, if you're in the insurance industry guess what? 50 to 75 percent of the first year commission goes to the salesman cuz they want new clients and it works. So give it to affiliates. Why give it to affiliates? For a very simple reason. We're a great company. We're gonna market. We're one company. We're gonna have two initiatives. We're gonna see if they work.

Affiliates, we're gonna give it to 10,000 smart, young people who know probably some of these tools 100 times better than we ever will, who have the time to experiment, who know their niche market, and we're gonna say make yourself rich. Figure it out. Let's give you some money. You know what? So I would give them, frankly, half the revenue for five years on every customer. I'd say let's make this lucrative. Become wealthy, but by giving me a new customer because for me, that 50 percent that I'm gonna get, that's incremental income.

What am I gonna do? I'm gonna arm an army of marketers who are gonna think things we've never thought before and let them go experiment, and guess what? The successful ones will adopt that campaign, but let's let them forge the way for us cuz we're never gonna be as smart as 10,000 people who are looking at this thing.

These could be college students who are making little apps. This could be someone at home who just has some time on their hands, but that's how affiliate marketing works. Affiliate marketing, you never know who's gonna win, you never know what program's gonna win, but you let them win for you.

Mr. Chuck Champion: How do you find the programs of the people who are sitting at home and/or who have those apps?

Mr. Russell Fine: There a whole industry of them waiting to be talked to. There are websites that are for nothing but affiliate marketers where they go look for the best opportunities. This is a major industry.

One of the companies that I know quite well is bet365 out of the UK which is a phenomenally successful sports bar and as I was saying at breakfast, they're phenomenally successful in an extremely competitive industry with low margins. You know what they do? They make their affiliates rich. I happen to know the affiliate manager.

They have affiliates making \$1 million, \$2 million a year because they figure it out, and do they cut the commission? No way! They're like you know what? I hope that guy makes \$10 next year cuz if he makes 10, we're making 20.

They have no idea where it's gonna come from next but the offers and the support they give are phenomenal because you can be only as smart as the people in your room. The best thing you can do is take a whole bunch of smarter, younger people who have completely different perspectives on the world and let them take a shot on your behalf. What do you got to lose? It's a commission. Zero.

I mean, you're gonna lose a little control of your brand. You're gonna have to have affiliate managers making sure that they don't do anything offensive. You're gonna have to have it policed a little bit. There has to be some effort, yes, but the ultimate downside is relatively low. You know what? If they hit it, you win. That would be my first approach because, frankly, I'm not smarter than them. There's no question about it. 10,000 people are smarter than I am, and, frankly, probably two are, but —

[Laughter]

— and they might be.

Mr. Chuck Champion: Well, there may be two, but certainly not three. Anyway, so in the last few minutes we have we thought we'd open it up to questions from the floor. Things that might be on your mind, specific questions that you might have or general theories, or if in fact you have views that are different than those on the panel or successes that you'd like to share. That's what we see this session is being about is to try to educate and inform and influence and share information, so any questions out there?

Mr. Doug Reed: Russell, this is kind of directed to you, and let me give a little background cuz I've thought some of the same things you did. Race track pictures in the '40s had old men in fedora hats. When I got to the race track as a 12 year old it was old men there. My question is, I think you've identified an interesting demographic. For the next 20 years there's a lot of baby boomers.

I would be probably designated a laps chooser because I understand the game. I'll hopefully have some money, hopefully have some more discretionary time and money. However, I'd probably be easy to capture because I was a laps chooser. How do you — any tactical advice, do you think you can capture people like me that have never been exposed to racing, but are in the same demographic, and how would you do it?

Mr. Russell Fine: Again, I think that look, you have entertainment that is simple that anyone can approach and play. If you can simply convince them to try a slot machine, they like it. Racing is not that kind of an activity.

Racing as it's concurrently configured and is unlikely to change, requires a process of education and engagement with someone to lead you through the way.

I personally think if you wanna bring you or somebody else to the track who is not going, you have to find a way to engage someone they know who is a fan to talk about it, crow about it, invite them, and create a social atmosphere for them to wanna bring a friend, I think is the best shot this industry has.

Like I said, that's what social media's about. It's just about getting in the conversation and getting someone to talk about yours. I think you have to focus on the existing fan, keep them completely excited and find ways to use them to become your evangelists and advocates, and have them invite people.

Personally, that's how I would do it. I don't see any other way you're gonna get someone through the door as it's configured.

Again, if you change the configuration, you repackage racing as sweepstakes and things that the casual user can walk in, understand quickly, play, and get satisfaction, it would be a different game. But as it's configured, you need to go with somebody.

Audience Member: Can you make up an example, like go a little further? You got a couple people like me at the track. How do you get me to bring my friends?

Mr. Russell Fine: Have a celebrity chef show up for two days and say anybody who's a member of a certain caliber of the track is gonna get five passes to bring friends with them to experience the celebrity chef dinner at the track.

Ms. Lynn Chang: Russell, how about something that Chuck did? Making it monetarily beneficial to bring new people in?

Mr. Russell Fine: It's an option. Many things are worth trying, sure. I would try that, too. I would try a lot of things.

Ms. Lynn Chang: Chuck also mentioned that if you're bringing one or two new fans in that you don't charge any entrance fees. I think that's another great example.

Mr. Chuck Champion: Yeah, it's one of the things, again, more directed to tracks and obviously advanced deposit wagering companies and online because, again, I think the thing you're hearing from this panel is that the ADW was created to try to export the experience into the home and make it convenient for a fan and someone who already understood the sport to continue to interact in the sport as life around begin to change, where demands on their lives became greater, where traffic patterns changed, where everything in their lives where they had less leisure time and they could do it from their house and their home.

It was really, as some of you suggested early on and as I argued adamantly it wasn't. It was nothing more than a diversion, a handle from live and OTB into people's homes. I do believe that it's something that you can, in fact, grow in and of itself, but it's much easier to grow when you, in fact, have someone who has had a live experience.

I remember the first time that Gary and I went and we arrived in the industry and we visited Churchill Downs and we met with the guy who some of you know, Tom Meeker. We told him about some of our marketing plans, one of which was to drive people to the track who are our customers. He looked and he said now why the hell would you do that?

He said it's like television. Those that had more live experience at a baseball game were even better television viewers than those who had never been to a ballgame and that the combination of the two really made sense, so one of the things we talked about this morning is to get track operators to try to build promotions around groups, where the groups are virtually getting in for free.

You're rewarding the influencer who got 'em there and then attempting to educate them while they are there and doing — I know there are group sales activities, but they're just that.

I think they're group sales activities and it's about selling when it really should be about getting new audiences to the track to educate. Cuz once you do educate and once people do get in the sport, a number of 'em do get excited.

I happen to be, admittedly, I got involved in it when I first came for a commercial reason, but I fell in love with the sport. It's exciting, it's fun, it's something I watch today, and periodically go to when I have an opportunity, and really once you get into it as most of you know, it's something that can be pretty exciting and it's terrifically social. It is about getting your friends to the track and figuring out how to do that.

The neat part about it is as I continue now to work in the industry again and get more familiar with kind of track, track operators, particular in a racino environment, the personalities that each one of these tracks have and the demographics and the geography they serve, is that we think about our problem globally. The handle is dropping precipitously across the boards, but there are spots in our industry where some of the tracks are actually doing okay and certain providers are actually growing their businesses.

If we kind of get out of just looking at it in the umbrella and thinking there's one solution that's gonna solve it all and getting down to really working individually where the horseman and the owners of the tracks and the regulators are working in concert with one another, I believe that you can create personalities at each one of these tracks and eventually rationalize the content between who and begin to really bring the new audiences in, educate 'em, and rejuvenate the sport.

I happen to be a guy that loved to play poker for the last 25 years. I was depressed to see poker tables being taken out and poker rooms closed in Las Vegas. You know the story.

It was just one simple thing that reversed an entire industry. It was one gimmick, in my mind, that changed it all. It was the two cards down that you got to see that made you smarter than everybody else that was playing it at the table. You learned the game and you understood it and you felt confident you could play it and you enjoyed it and you went and you did it, and the kids in droves did it cuz it was new and it was different.

I just happen to be one of those optimistic guys that don't think that racing is down and out and isn't gonna be around in 20 years. I think that eventually everybody in this room is gonna eventually figure out exactly what needs to be done to get new fans to those race tracks, to utilize fully the ADW technology that's available and develop new, to hear some of the things that are coming out in terms of content aggregation so that if you think about it a fan comes to our sport today to really appreciate and understand it and get the full rich experience that exists here, they literally are not gonna just go to one ADW website.

You've got all these other websites that enhance that experience, whether it's industry information, whether it's data, graphic data, race replays, all of historical data that's out there, it's really neat and interesting, stories about jockeys, all kinds of great stories. Content like the feature films that have been built, documentaries been built. If you can bring that all to one place, make that an integrated experience, I think that's richer for the customer, for the fans. It's more helpful for all of you collectively and I think there can be a rejuvenation in this industry.

I also don't think it's gonna have to completely come on the backs of you who are here today, off the backs of simply younger people and it has to be all youth because I think you've heard today and I think, very wisely, that guys like me are soon gonna be retiring and we're not gonna have anything to do. We're gonna wanna — you know, and while my partner loves to go out and play golf three days a week and four days a week and it's therapy for him, he also loves a social aspects and getting out to the track one or two days a week might really fit into his social life.

So how do we — I haven't heard anybody in the industry ever talk about going out for older, retiring individuals who have discretionary income and bringing large groups of them to the track, whether it's going to senior citizen centers, quite honestly, and getting a bus and bussing 'em in or whatever, but I think the tools to reach 'em now are evermore present.

It does require for you to have thought it all the way through, think about these markets in a targeted way. Think about your messages and make sure there's continuity in the messages, and then deliver 'em repeatedly.

The other thing is, as I know it's a tough time for the industry and this goes to Russell's point and to others, if you want this to turn around it will not be from reducing expenses. You've already done it. You've cut, you've cut, you've cut. It's going to have to be through investment and it's gonna have to be — and there's going to be additional risk in order for you to achieve your objective because you cannot, as I think Stephen Burn said, the old idea of simply cutting and adding leeches and cutting and adding leeches to cure the disease, the answer is not additional cuts and more leeches.

You've gotta do something different. I think it's about reinvestment around the new technology that you have there, and by greater cooperation in and amongst the industry. Do we have another question out there? Yes?

Audience Member: This is for Lynn, specifically, because she talked about targeting the Chinese-Americans and immigrant groups in southern California. You mentioned they prefer to have an immersive experience versus a one-room experience. Could you expand on that?

Ms. Lynn Chang: Well, the concept really is — is that some people have been speaking to me about creating an experience or bringing Asian Americans in and creating just a singular room that all in Chinese, and so the idea was to shuttle the Chinese people into that room and make it Chinese and have Chinese hostesses.

I think what — I don't feel like anyone wants to go into a race track or any kind of place and be shuttled off into one room. They wanna really experience the whole race track.

The race track is an extremely exciting place. There's so many places to go, different peoples to see, and different layers. There's different types of people and that's what I mean by immersive, so that if you were gonna change the signage, for example, in southern California, I think you should make all of it bilingual, actually trilingual.

You should probably put it, make it Chinese, English — or English, Chinese, and Spanish. Then hire people who actually speak Chinese, but not only in one little section cuz it makes people feel that they're not included. Does that answer your question?

Audience Member: Yes, that's a good answer.

Ms. Lynn Chang: Thank you.

Audience Member: It seems to me that the ADWs are missing an enormous market because there are states that prohibit online gaming. I live in one. Those of you who've had some experience with this, it would seem the best social media in the world is not going to get these customers engaged. Is there something that you can do about that?

Mr. Chuck Champion: Are you talking specifically about getting the online gaming laws changed in the state in which you live?

Audience Member: That would be a good start.

Mr. Chuck Champion: What state is that?

Audience Member: Arizona.

Mr. Chuck Champion: Well, we have the director of racing here in Arizona for the last — or at least he's the director of racing for the next how many days? Two weeks? His views of this are probably very different than my views on this.

I think, if I'm not mistaken, the senator here in Arizona who's retiring, Kyle, has now reversed his positions on the evils of online gaming. Is that not accurate, that he's —

Mr. Lonny Powell: On the DC level that's accurate. With Arizona, just in a nutshell, the Arizona racing — I was at Yobet at the time. We were doing business in Arizona, that Arizona racing industry came forward and said this is generally our OTBs.

You understand the mentality, right? This is modern times if you understand the mentality of it. The Arizona industry, they've found online wagering illegal.

Now, two years later, I'm back here because I had a loss of account wagering and they want it back, but they did such a good job of convincing everybody it was illegal, even when they try to bring it back; it's illegal. We in the race industry had to really think — It's not about short-term games. They have long-term impacts. For every action there's a reaction. That's a perfect example of the racing industry circling the wagons and not thinking one year or two years down the road. The ramifications are huge.

Mr. Russell Fine: I would love to find another entertainment industry that feels it's a good way to promote their product by restricting its distribution.

[Laughter]

Yeah, that's some pretty good entertainment thinking.

[Applause]

But you see, we're not in an entertainment business. That's what we don't realize. We're actually in a sport. Unfortunately, it doesn't have a revenue model without its entertainment business.

Mr. Lonny Powell: If I might add, since you got me going —

[Laughter]

Mr. Chuck Champion: Give me the microphone, let me take over.

Mr. Lonny Powell: This is not — it's about ADW per se, but something just from our industry standpoint, I see a real collision of possibilities. Our industry, the stakeholders in our industry love to get access to social media. They're figuring it out. They like to talk amongst themselves.

Then we've got people we're trying to get involved in the industry that are plugging into social media or plugging into blogs or whatever, but what our own industry doesn't realize, they talk amongst themselves in the parlors that we're used to talking about and have a tendency, believe it or not, to be negative.

They get up there and they bash the very sport that we're trying to bring people into because they use these forums as something to anonymously become experts on things.

Our own industry really needs to start thinking about if we wanna bring fans into the sport, yeah, we need to make our product and our sport better, but we've also gotta be adults about this thing and we've got to be repairing the industry.

We don't build it by tearing down others. We build it by building our industry and I just think — Russell, I think you're all over it and I think this is the intersection of a great opportunity for us, but the industry needs to think it through how we use it because we could rather than using this as a thing to open a huge door for us, we could make it one more nail in the coffin.

I think this is a glorious opportunity for us, but again, this parochialism, this territorialism, this circling the wagons, we gotta start thinking years down the road. When most of us enrolled in this program that were students we brought in this for the long haul, not just what do we do for a few years 'til retirement? It's an industry that requires an awful lot of reinventing yourself and I think the panel was great.

I think you really sparked a lot of that, but again, the ADW question which was tangentially related shows you that even with all the great technology and the resources, we as an industry can do stupid things because we get so defensive and protective that it haunts us years down the road. Sorry, Chuck. You got me going.

Mr. Chuck Champion: No, it's quite all right, Lonny. I'm sure the group appreciated that. The one thing that some of you may have heard me, is the analogy before and I absolutely believe it, and that is that it's a baseball bat. Baseball bat in the hands of a child is a toy.

It's great for amusement and it's great for social activity and one thing or another. That same baseball bat, that identical baseball bat, virtually, in the hands of a trained professional is a multimillion dollar tool. It's just simply how you use it and how efficiently and effectively you use it.

All the things up here are being used socially for entertainment, amusement and to pass the time. They could be described as toys, but in your hands used correctly, used properly, with thought, strategy, deployed against very specific goals and tactics, with investment, can be the very difference in this industry I believe. I believe that you hit a number of inflection points through the life of racing.

You talk historically and you talk romantically about television and what you thought it would do the industry and why you didn't engage. Television passed you by because you thought it would destroy your business.

What happened, in fact now, is that it requires the Jockey Club to spend nearly \$10 million to get your sport back on television. I hope that everybody in this room that has any opportunity around this is to take advantage of the fact they've invested that money which

they'll tell you was your money at one point because they've serviced the industry and they've gotten this reserve from most of you and your efforts and owners and others.

But to take advantage of when those programs are running on television to support them, to make sure you're doing as much marketing as humanly possible to get the fans back into the sport. You looked at OTB and you resisted it. You pushed it back and it took a lot to get it through. You wrote rules and regulations that kind of protected your businesses and in essence what happened is it hurt the industry and didn't protect your businesses.

The same thing with ADW and some of the content wars that were fought, some of the restrictions that were placed on, to Russell's point, did nothing but disrupt the industry further, chased fans away, and destroyed the business for the time that it was engaged. Those activities and behaviors you need to look at yourselves and stop doing it.

Start thinking about how you're gonna grow the pie much bigger and not allow the pie to continue to shrink, and simply figure out how you're gonna get a bigger piece of it because I think you know that if that behavior continues what's going to happen is that the industry is going to be continued on a dire road that in 10 or 15 years from now, there aren't going to be very many race tracks.

You had an individual sit here, I think, just last year literally responsible for some of the largest and most important content in the industry telling you that there would be half as many races and half as many horses and half as much opportunity. What he didn't say is there'd be half as many of you and half as many tracks because it couldn't support it. These tools are, I think, ready and available for you. It's just really about putting them to use with a lot of optimism and some effort and energy behind them.

Mr. Russell Fine: I'm gonna take my one-minute stump here just for a second to hop on that band wagon because when we invented this concept and brought it to the tracks, we were summarily told that it was a terrible idea and no one was gonna benefit from 'em. Please stay out of our backyard.

I was floored at the idea that they didn't wanna make entertainment more convenient and we forced it through over a very long period of time. It seemed like an easy, good idea. It wasn't.

The whole thing reminds me of that movie, *A Beautiful Mind* with Russell Crowe. I forgot what the economist, John somebody he plays, but his economic theory that, one, was very simple. It was competition is not always the most efficient way of success in any environment. That was his breakthrough economic theory.

In this industry, competition is not the best way. If you wanna succeed, cooperate, frankly. Cut deals. Work together and stop protecting yourself because if everybody in this industry continues to play capitalist the way it was defined as Kanes would say, what's best for me is best for everybody. In fact, that is not the case. What's best for everybody in the industry is cooperation in this case. It's simple economics.

Mr. Chuck Champion: I think we have time for one or two more questions.

Audience Member: I wanna see if the panel can come up with some suggestions. Two good points you made. Chuck you made a great point and it kind of mirrors the NFL right now where there's a lot of — attendance is declining in a lot of cities because the TV

experience is so much better. You can sit at home and watch high def. and the red zone and all the different channels and options you have.

Hopefully what you mentioned all these different technologies coming together so you can go online, do your ADW, you have a site to bet with, and then all these other enhancements to make it a better experience maybe being at the track.

At the same time, you're all talking about there's no more socialization at the race track and, basically, that's been destroyed. I think full card simulcasting, when you walk into a facility there's just a bunch of guys sitting there watching TVs without audio. If I'm a newcomer and I walk into a race track and this is what I see, I'm out the door. How can we, your suggestions, in this era where there's minimal attendance at tracks and most days at the tracks are this, except for the hardcore fans, suggestions how you can get that socialization back?

Plus, I always thought that was the best part of educating a fan because you go to the track, you start bantering with people, you meet people, and that's how you learn to handicap. I mean, that's how I learned to play craps, by sitting by the craps table listening to other people showing me how to play.

At the same time, how do you carry that socialization over to the ADW where a guy sitting in his basement by himself gambling, you want him maybe to bring you the fans in. Again, how do we try to add the socialization back on both platforms, both at the track and married to the ADW?

Mr. Chuck Champion: Well, my answer, and the panel may be slightly different on this. There's two questions in that and I think there are two things I'd say. First of all, one, the fact that live audiences are declining in certain sports today may be a result of the fact that it's become so cost-prohibitive to take your family to sporting events. If you have a family of two or three or four and you go to a baseball game it's costing you \$100.00 to \$150.00 just to show up and sit down in the cheap seats. By the time you feed 'em it could be a \$200.00 outcome and that's not the case at the track.

As the live audiences decline and there's an opportunity there, it might be an opportunity for tracks to really try to rethink exactly what that experience is that you've described. How do I make it more friendly for families? How do I make it — there are tracks that are, in fact, doing things right now that are making it more exciting for both young people and families to come.

If you've never been or talked to or seen what's going on at Happy Valley in Hong Kong, that to me was — admittedly, it's a different culture. It's a different place in the world, but it literally was, to me, five experiences as one in the same race track.

I walked in and on the apron next to the rail was beer garden kind of things and all the expats were hanging together, talking about the races. They're drinking their brew that came from their country.

Guys in Hong Kong realize that they wanted to drink some foreign instead of domestic beer and I was seeing a lot of Heinekens around the Germans, and I'm not sure what the French were drinking. I'm never sure what the French are drinking.

[Laughter]

No disrespect to the PMU in the audience.

I saw the next level of being the Chinese and the Hong Kongese and their whole culture going at it and waving tickets and talking to their friends and screaming five rows down, and all the excitement going on in that next row up.

I went up one more level and it was a metro bar. It looked like it was New York and it had some of the most attractive young people I'd ever seen and they were talking, they were having fun, and then as soon as the race went, they ran to the rails to look and watch and see the race. Then they came back and they started hitting on each other all over again. It was really an amazing kind of thing going on and the music was playing contemporary to their life.

I went up one more level and there was great dining. I went up to the top level and now I'm talking white gloves and beautiful food and guys that were worth billions of bucks, I'm sure. It was different experiences for different people. Well thought out, well executed, well disciplined.

It all — and I think our tracks do have that potential. We know that there's successes in our track operations because we know Saratoga is amazingly successful. We know Del Mar is amazingly successful. There's some comparability in the reasons why, but the audiences in Los Angeles are much different than the audiences in Saratoga.

We know we've got the Triple Crown events that are fantastic, but we also know of those Triple Crown events, it's much different to go to the Kentucky Derby than it is to go to the Preakness, especially if you're in the infields of either one of those two.

We can create personalities at our race tracks. We can then look at the things that Lynn is talking about and that is, is that around Santa Anita is one of the greatest populations to race. With all due respect for as much investment has been made into the facility and it's beautiful and I'm glad Frank and others did it, I mean it's so much better today than it was 20 years ago, it's not Asian friendly and they have the largest population of Asians outside. It's there and I don't know how much is being done and I'm ignorant to this, is to think that that could be a place where a lot of Asians would end up going.

Then there's race tracks and I happen to think that the quality of racing that's at Prairie Meadows now continues to increase with grade three stakes races that runs at a perfect time in the middle of America that a lot of people can get to with a 168-room hotel coming online with gaming floors, great F and B, and that can be made a destination for those in the mid-west to come to. Horse racing can incrementally improve as a result because it introduces itself to new fans.

Mr. Russell Fine: I've been thinking about your question and at the end of the day it comes down to more entertainment. If you're gonna bring in a new customer, if you want me coming back without my friend, racing isn't the only thing you have to give me. It has to be an entertainment experience. Tell me an entertainment destination company that is not taking whatever entertainment form and broadened it.

Station Casinos, great example, four properties around Vegas. Yes, they're casinos, but guess what their model is? Locals come who have many choices because it's an entertainment destination.

Gambling is one part of the entertainment source that they have. Malls are the same. Theaters are the same. Look at who it is, what is the demographic of the customer in your area that you wanna get, and make sure you get them there the first time.

Someone brings them, they have a good time and there're more for them to do so when they come back it's not solely horse racing that is the entertainment experience.

Give me couple other things to come for. Give me an opportunity to take my wife to a meal that I feel pretty good about and she's gonna have a good time either way. You got a pretty good shot of me bringing her. If I'm bringing her just to go racing, not gonna happen.

Again, every entertainment destination is doing it. One of the projects we're involved with right now is a company that's investing a billion dollar stadium property that's gonna be a baseball stadium. Our challenge, they said we want you to create many more entertainment opportunities because we know baseball alone will not do it. Period. End.

Ms. Lynn Chang: I wanna build on that idea in a slightly different direction in terms of entertainment. I think it's hospitality. Now, take a look at a company like Wal-Mart, and this is one of the ideas that actually bubbled from within, is that they hired a greeter that comes in and says hello every time you walk in. There's nothing like that at the track.

The person could easily take a look at the person to see if they know where they're going or not know where they're going and help direct them. Another company on the opposite end of the spectrum that does a great job of doing that is also Nordstrom's. I feel like that's something that's really missing at tracks. Sorry.

Mr. Russell Fine: Yeah, this is pretty simple. If I had a good time and I feel good about it, I'm coming back. That's it. I mean, at the end of the day, figure out why I'm having a good time or why I'm not and make sure I have a good time every single time I come. You have a customer for life. It's not just racing.

Mr. Chuck Champion: Then I'm gonna get on whatever social media that I happen to be using, whether it's Twitter, whether it's Facebook, or whatever it is and I'm gonna talk to all my friends. If it's really exciting the chances are I've taken pictures with my camera or I've even taken video and I've posted it up and it's out there and what you see then is your friends engaging in the sport, and we do what we heard. We're herds and so if our friends are doing it we're more likely to do it. If a celebrity does it, and I know we've attempted to do this in just one quick social media idea around that subject, just figure out — I'm not sure how you do it, exactly.

I've got a couple ideas, but how you get massive celebrity back interested in the sport. How you get the young R and B back in or into this sport. Television and film stars back into this sport en masse, not one or two. I mean we've got a couple people, Bobby Flay and everything and I'm glad they're here. I'm delighted they're here, and big guys that are here, but I'm talking about en masse so that when you're watching television at night and seeing TMZ, they're at the track. It's a cool thing to do. If Usher's got a bunch of horses, and I don't care how you get Usher those horses and he's Twittering that he's got horses, then his fans are gonna be interested in what Usher is doing.

It is social media at its core. It's about influencing the influencer. I'd look down and find out how many people have how many followers and those are the people I want in my sport. I don't need to go out and figure out how to get a million people to watch me. I

need to figure out how to go get 1,000 people that'll engage with me, who will bring the millions of people that want to do what they do, who want to be like they are, and who will take the time to learn this sport. Once they learn it, a percentage of them will love it and will be with us for life. They'll turn into what a lot of you have turned into, is handicappers and owners and all the rest of it because that's the next big problem you'll have if we don't build a fan base.

Where do our owners come from? Where does that massive investment in horse flesh come from? Because I don't know of any owners, even the most wealthy of the bunch, that weren't in some way, shape, or form involved in this sport before they placed the money in the sport. Any of 'em, so — there was a question right here, though.

Mr. Russell Fine: No, I think they're —

Mr. Chuck Champion: Oh, is there?

Ms. Jordan Waikem: Hi.

Mr. Russell Fine: She moved.

Mr. Chuck Champion: She moved.

Ms. Jordan Waikem: I know. I did move. I'm so sorry.

Mr. Chuck Champion: It's okay.

Ms. Jordan Waikem: I'm not sure how many of you know me. I'm actually a student here, a senior, and I have a double major in case none of you actually read the student profiles. Going off of creating new fans or not, I'm not in my late 50s. I don't have extra cash to spend, but I'm gonna focus on kind of my age group, and by a show of hands, outside of the industry, how many of you know someone who's interested in horse racing that's under the age of 24? So not even like a third.

When I tell a bunch of my friends that have no idea what the race track is, oh, I'm in the Race Track Industry Program. They're like, like NASCAR?

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[Laughter]

I'm like no, horse racing, and they had no idea that that even existed, so I understand the need for gaining the older generations and getting them back to the race track, but I think we should actually focus on the younger crowd because it's a dying — in our generation, I feel like it's a dying sport and that like *Luck* is coming on HBO and I think that's gonna be great.

But other than that, most of my friends don't even realize that racing is still around. I think we need to focus on that and I think what a lot of the tracks are doing with their social media is great, but they're not targeting a specific audience, like you said, with targeting the Asian-American audience in southern California. I think that's a great idea and I'm just — I'm curious as to maybe how else we could do that besides through Twitter, and I think going through Usher would be a great idea because who doesn't love him?

[Laughter]

But it's more of a —

Mr. Chuck Champion: My ex-wife.

[Laughter]

Ms. Jordan Waikem: She should look into his new album. It's fabulous.

[Laughter]

I guess I'm leaving more with a comment rather than a question. It's more of you need to engage the younger crowd because half of my friends don't even realize that horse racing exists and I'm friends with people that are in the horse industry and it's quarter horses and it's showing and it's hunter jumpers and it's everything but racing, and they still don't know that racing is around. Then on top of that, I'm still friends with my theater degree people and they're like I didn't even know that that was a major and that that was even an industry.

Mr. Russell Fine: So why are you doing it?

Ms. Jordan Waikem: I love it.

Russell Fine: Why?

Ms. Jordan Waikem: I love the competition. I think it's one of the best sports in the world. I think it's — I've always been a fan of horses. I think they're a beautiful creature. I love the competition that goes in it. I love that we're a family, even though we're all competing against each other in the same race and betting against each other, and it's a camaraderie that I don't think you find in many other industries or any other sports.

Mr. Russell Fine: Do you tell your friends about it?

Ms. Jordan Waikem: I do.

Mr. Russell Fine: Okay. You are the answer. You are the solution. 10,000 more like you giving them tools that they use every day to talk to their friends and say by the way, I know none of you are into this, but here's the picture of me in the winner's circle! Haha! You could have been here with me! That's what gets people to the track. That's what gets your friend in the track to you to talk about. We have to empower you.

Ms. Jordan Waikem: Well see, going off of that, it's almost tedious to get your friends to the track and then when you wanna enjoy the track you have to explain how to bet to them. I mean, in all honesty, how many of us really wanna do that? So you say oh, this prestige level, here's an extra five passes. Come to this cooking thing. How many of you would take someone who didn't go to the race track, and how many would you take that have actually been that are gonna know what you're talking about, know what you're doing? It needs to be easier and I don't know how we're gonna do that, but I think we need to stop being a reactive industry and I think we need to start being innovative. It's more of a comment rather than a question.

Mr. Russell Fine: Well said.

Ms. Jordan Waikem: Thank you.

[Laughter]

[Applause]

Mr. Chuck Champion: Maybe the race track group as a whole chips in \$1,000.00 and you go take a \$50,000.00 prize to the innovation lab at the University of Arizona and you say look, we need to solve this problem. We need young people at the tracks. How do you do it? Or you take it to the entrepreneurial program at the University of Arizona, or you take it to somewhere and you just put a few bucks on it and say you know what? It's a class project and get the university, potentially, to help you do that. It is through people like you that'll solve that problem, not through nearly 60-year-olds like me to solve the problem.

Ms. Jordan Waikem: Actually, my business professor is helping out with that. He's using his marketing class as a way to do that, so it's getting out there, but not really at the exponential rate that we as an industry need.

Mr. Chuck Champion: Right. It might be the folks in Iowa going to the University of Iowa or the folks in Arizona going to both schools or the folks in whatever part of the country going to the universities and saying look, we've got this problem. Here's some seed money. Give me some ideas. Give me some suggestions and tell me how to reach the students of this school or this community and solve the problem. Yes, sir? One last question and then we'll let you outta here.

Audience Member: In the UK, the country could help getting young people to the track and in Australia they're doing pretty much exactly what you're saying; they have big events, big stars. Attendance has dropped in the UK, there's a lack of investment. They need to invest in business that will attract repeat visitors. In Australia, for example, it's very glamorous and they throw parties. You go to the races during the day, then it's a big party afterward. And the parties are directed by young people, but organized by the tracks. You've got a great venue there so why not use it?

Mr. Chuck Champion: It's an incubator. It's an opportunity to bring all these people together and then encourage them, as you suggest, to have a tremendous time during, before, and after. Tailgates bring people to ballgames so they're involved in that social event. Then the after parties, as you suggest, I think are amazing. You can do things that will accelerate that and then basically let it take a life of its own if it doesn't even start with a life of its own.

Mr. Russell Fine: Let me point something out about the UK market, specifically. Successful, profitable, growing, all that great stuff. William Hill, Ladbrokes, bet365, Stan James, a dozen others —

Mr. Chuck Champion: Paddy Power.

Mr. Russell Fine: — all huge, major affiliate programs. They have thousands and thousands of affiliates, all of them. A significant portion of their players come through affiliate programs. These people get a lifetime commission on anyone they bring in, which means not only am I just interested in getting you through the gate, I'm interested in fostering it, educating, teaching you, doing whatever I can as an affiliate to make sure you're a profitable group because that's how I make money. Phenomenally successful at it.

Audience Member: Thirty percent of attendance came from affiliates.

Mr. Russell Fine: Yeah, 30 percent.

Audience Member: And they promote online as much as they can. They promote more interest in the industry and that's going to drive attendance at the track.

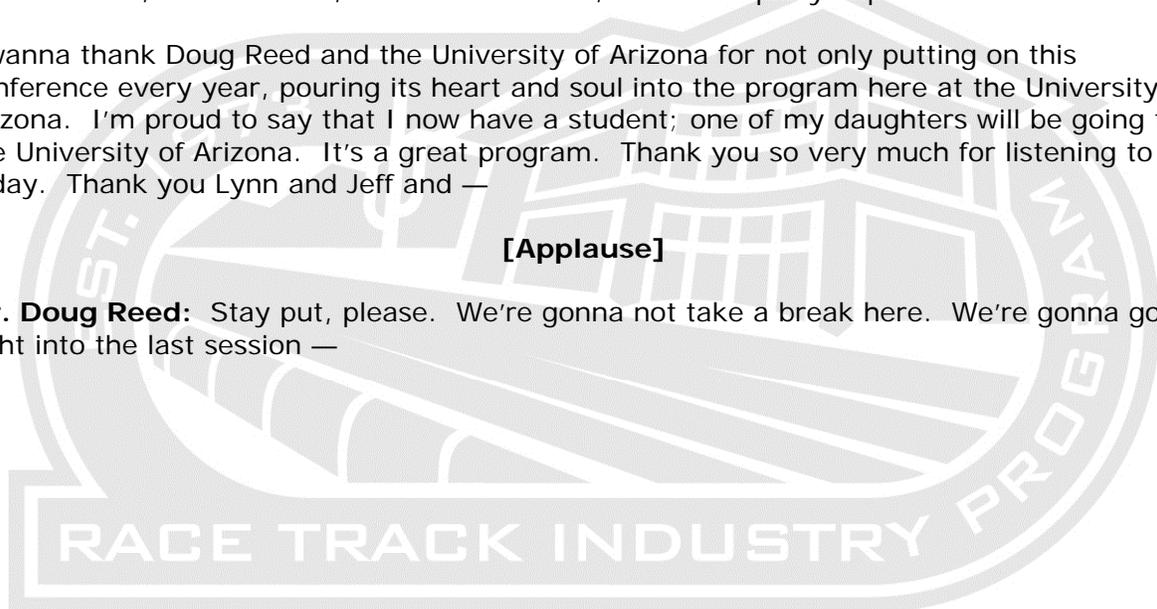
Mr. Russell Fine: Here's the deal. It works. It's not that hard. Again, we don't have to invent some solution that does not exist. It's being done in other countries, in other industries, in our industry. There's a road map.

Mr. Chuck Champion: For those of you that didn't get it, there's a single sheet of paper that has some suggested reading on it, just some books that I've read and that others have suggested and recommended for my early education for those of you who are just getting into social media now. There's a handful. They're worth reading. Its talks about how to understand it, how to use it, how to measure it, which is equally important.

I wanna thank Doug Reed and the University of Arizona for not only putting on this conference every year, pouring its heart and soul into the program here at the University of Arizona. I'm proud to say that I now have a student; one of my daughters will be going to the University of Arizona. It's a great program. Thank you so very much for listening to us today. Thank you Lynn and Jeff and —

[Applause]

Mr. Doug Reed: Stay put, please. We're gonna not take a break here. We're gonna go right into the last session —



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