

Takin' it to the Streets

California racing hopes to draw new fans by making its product more widely accessible.

By Mary Forney

Anyone with a mind to take a gamble can visit one of more than 90 card clubs or 60 tribal casinos in California – or even play the California Lottery at one of 18,000 locations. Yet to place a bet on horse racing there are a mere 32 locations – racetracks and off-track betting facilities (OTB's) – in the entire state. Someday soon, however, it may be possible to stop in at a local card club, casino, or sports bar, perhaps on the way home from work, and catch a few races. That is, in fact, part of the plan being worked out by TOC, racetracks, fairs and other industry representatives that will revamp

California's existing, outmoded satellite wagering network.

Established in the late 1980's, Southern California Offtrack Wagering, Inc. (SCOTWINC) and Northern California Offtrack Wagering, Inc. (NCOTWINC) encompass a network of 32 satellite wagering facilities throughout California, predominantly on state fairgrounds. A statutory expense fund pays for the audio-visual signal and pari-mutuel systems, and each facility receives a location fee consisting of two percent of its handle. Much like the handle at racetracks, satellite handle generates funds for purses, breeders, track commissions,



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workers' compensation insurance, equine research, and other state-designated funds.

The system functioned splendidly for many years. But in the last decade, as handle migrated from the “brick and mortar” locations to the Internet, a proliferation of other gaming and entertainment options vied for the attention of racing patrons, and urban congestion began to limit accessibility to traditional racetracks and OTB's, handle at the satellite network began a marked decline. At the same time, fixed expenses caused deficits to grow. The question became, “How do we fix a broken satellite network?”

Among the innovations being tested is the introduction of new, small satellite wagering facilities in densely populated areas (read more about these mini-satellites in Legislative Update, page 18). Whether they are introduced in existing sports bars, casinos or card clubs, the possibilities are as varied as the new types of clientele that can be reached.

The first of the new mini-satellites was opened in July 2009 at Commerce Casino. It was an immediate success and has provided a model for the type of mini-satellite that can be effectively placed in other card clubs and casinos. On a visit to the Commerce Casino racebook on a Thursday afternoon during the Santa Anita meet, I was amazed to find it literally packed. Attendance ranges between 170 and 230 per day. Within six months of opening, it was the fourth highest generating facility (non-racing) in the satellite network, with daily pari-mutuel handle averaging \$80,000 on weekdays and \$130,000 on weekends.

According to John Griffo, Director of Marketing, there is a mentality unique to the patrons of a casino. “It's just the men-

tality of being in an establishment like this,” he explained. “At the table where they're playing, a group might decide to go in together and put money on a race. That enhances the racebook. In the end result I also have seen a crossover of racebook players to our low level poker tables. There is actually a lot of crossover.” Edgar Wong, a mutual teller at the racebook, experiences that crossover on a daily basis. He explained that he often cashes in poker chips for customers who try to bet on the races with them.

“I knew with our clientele and with the sheer traffic that the casino generates there would be great exposure for the racebook,” said Griffo. The Commerce Casino has roughly 10,000 people come through on a daily basis. That's a lot of exposure. Although the casino launched a fairly aggressive advertising campaign at startup Griffo has found it unnecessary to do much advertising since. “Through just word of mouth at Santa Anita and other tracks, horse players are finding out that we're here,” he said. According to Wong, 80 to 90 percent of his clientele live within 10 miles of the casino.

Ron Charles, president of Santa Anita, cited similar statistics for Santa Anita. According to Charles, “Seventy-five percent of people who attend the racetrack live within 15 miles.” Under current California Horse Racing Board (CHRB) law, before a mini-satellite location like the one at Commerce Casino can open, it must either meet the criteria of being outside a 20-mile radius of any existing racetrack or off-track betting facility or, if it falls within the 20-mile radius, receive a waiver from the affected track or simulcast facility. Santa Anita has been very supportive of the expansion of mini-satellite locations and has willingly agreed to waive the radius restriction.



Racebook at Finish Line Sports Grill

“Santa Anita feels strongly that we need to make our game more accessible to the players,” said Charles. “And Commerce Casino, falling within the 20 mile range, certainly is still a considerable drive. So, we are trying to make it convenient, trying to help out the card player who has to make a decision about where to go.”

“In going over to Commerce myself a number of times,” Charles explained, “I can’t tell you how many card players there have said, ‘Thank you so much. We usually have to make a decision – are we going to Santa Anita or are we going to Commerce? Now we can play cards and play the races the same day.’”

“It is handle that racing would have lost,” Charles continued. “And I think we are exposing our game to new people who are watching the races and are starting to learn a little bit more about racing.” Exposure of the sport to new people is one of the core concepts behind SCOTWINC’s plans for expanding the mini-satellite system, and that exposure is particularly relevant in densely populated urban areas like Los Angeles County.

“It is critical that we are able to eliminate the 20-mile radius,” said Charles. “If Santa Anita were approached by an upscale sports bar in Pasadena, for instance, we certainly would allow them to be a mini-satellite – and that is only four or five miles away from us. But when you compare fighting traffic on the 210 Freeway anytime after 3:00 p.m. with the convenience of being able to stop in someplace accessible after work, we have to consider the convenience for the fans.”

One would think that given its resounding success Commerce Casino would have plans to expand the racebook. Not so. “We’re making two percent of the handle,” Griffio explained. “So the revenue per square foot doesn’t really warrant giving it any more space.”

The racebook at Commerce Casino is actually in two separate rooms – one on either side of the casino. It was originally opened in one room and when it quickly outgrew the location, a second room was added. The original room has mutuel tellers as well as self-service terminals; the second room is outfitted with self-service machines only. Both rooms contain numerous flat screen television monitors of various sizes.

“I think probably if we were to do it differently, we would have had one room. We had to use the space that we had, and we tried to utilize it the best we could.” Nonetheless, Griffio could not be more pleased with the results.

“It’s turned out to be tremendously successful,” he concluded. “When you have to expand and open another room, you know that you’ve done something right.”

In addition to the development of new mini-satellites, California’s existing off-track betting facilities are being scruti-

nized to find ways to make them more efficient and cost productive. One stellar example is the recently renovated OTB at Fairplex in Pomona, where the Barretts Equine Sales facility was upgraded to double as the Finish Line Sports Grill.

The glitzy new venue debuted in April 2009 and quickly experienced dramatic increases in wagering handle. Average daily handle for the subsequent Del Mar and Oak Tree meets soared 35 to 40 percent. Currently, attendance at the facility averages 400 on weekdays and more than 600 on weekends, and average daily handle is \$193,000.

“The energy here is really outstanding,” said Kim Lloyd, Vice President, Sales, “People really enjoy coming here.” The original Fairplex OTB was situated in the Grandstand on the Los Angeles County Fairgrounds. A much larger facility designed to accommodate live racing crowds, as a strictly satellite wagering venue it was “somewhat unwieldy” according to Lloyd. Santa Anita’s Ron Charles echoed those sentiments.

“Fairplex is very fortunate to have that sales arena,” Charles said. “And I just think it was a brilliant move to convert it into the present facility as opposed to having racing fans walk into a racetrack that certainly is a lot older and not as appealing as walking into something along the lines of a very classy OTB or sports bar.”

After a horse sale, the auction facility can be converted in four



Finish Line Sports Grill

hours to a theater-style OTB facility with an adjacent indoor sports bar and a park-like outdoor seating area. The facility boasts 48 state-of-the-art wagering machines with card readers. To place bets, patrons can simply swipe their Race Fan Club cards through the card readers, which are loaded with their wagering balances and can also be used at any California racetrack. According to Lloyd, the Finish Line has already signed up 400 Race Fan Club accounts.

“The cards eliminate some of the lines at our teller machines, and they reduce paper usage, which is very important to us,” Lloyd explained. “The patrons like the fact that they can be at a machine and never have to get up. We even have waitresses coming around to take orders and serve drinks and food.”

“Fairplex has done a terrific job,” added Charles. “They have taken everything into consideration, upgrading the facility, making it a real fun spot where you can choose your particular location in the mini-satellite – you can sit in the seats or stand in the bar area. I can’t say enough good things about Fairplex, which went from being a satellite that perennially had the steepest declines in handle to one that now has the best growth. So, if more of the existing fairs and sites would take a look at that model,” he concluded, “I think we would grow.”