

# THE FUTURE OF HORSE RACING AND THE HORSE-RACING WAGERING PRODUCT

BILL SHANKLIN

“In business, I look for economic castles protected by unbreachable moats.”

Warren Buffett

Buffett was referring to barriers to entry.

Racing's moat around its economic castle was a government-protected quasi-monopoly.

# Why racing's moat was breached:

1. Failure to embrace TV in its early years.
2. Poor racetrack marketing.
3. Alternative forms of gaming and entertainment.
4. Chronic unemployment among adult men, racing's core market for pari-mutuel handle.

Racetrack management's answer has been diversification into alternative gaming and other types of entertainment.

Don't assume that the interests of racetracks are aligned with racehorse owners and breeders. Racetracks' overriding objective is shareholder wealth maximization.

The end game is that racing's reliance on alternative gaming to subsidize purses is unsustainable because racino owners and state governments will stop the largesse.

Multiple steps to revitalize pari-mutuel handle:

1. Sell racing as a gambling product, especially online.

The Woodbine experiment.

2. Go hard after the right target markets.

Fantasy Sports.



3. Craft pari-mutuel products for people who know little or nothing about racing.

Instant Racing

The Swedish experience.

4. Experiment with drastically reduced takeout and embrace betting exchanges.

5. Hold racing cards more at night.

The future of racing.