North American horse racing is facing a momentous threat to its business: the rapid expansion of legal sports betting. The Supreme Court’s decision overturning the Professional and Amateur Sports Protection Act has led to what ESPN writer David Purdum described as “the American sports betting gold rush.”

While sports betting has long existed in an unorganized fashion, its legalization will swiftly lead to a massive development of supporting infrastructure – including marketing, data services and customer management – that will transform the competitive landscape of the gaming industry. The sports leagues, themselves long-time opponents of widespread sports betting legalization, have acted without delay to prepare for this rush.

Racing’s existing customers will be wooed by fabulously funded sports betting agencies, while future generations of potential customers will be avalanche by customized fixed-odds betting products. The opportunities will be endless. Adding to this competition for bettors, the cost of a sports bet is significantly lower than horse racing’s takeout, typically about three times cheaper.

Over roughly the next two to three years, racing must adapt to these new market conditions – accepting fixed-odds and exchange wagering on its product; developing a new funding model to support the sport in light of this disruptive, well-financed and aggressive competition; significantly boosting and improving our marketing efforts; and innovating to create new types of bets for customers who will soon be taken by agile, forward-thinking sports betting outlets.

Racetracks are seeking to be involved in the sports betting business. But the sport, as a whole, should have some concern. Deals for sports betting are far more likely to benefit racetrack owners than horsemen. Sports betting will do little for the sustainability of racing unless the horsemen’s groups are proactive in their states. They must ensure that any sports betting bill their jurisdiction considers clearly identifies horse racing as one of the sports upon whose outcomes sports betting licensees can offer wagering products.

Separately, for racing’s existing tote business to remain competitive in this environment, the industry must analyze if its betting menu is appropriately priced at its current levels. If racing gets it right, the current cost of wagering should go the way of Blockbuster and of $35 commissions per stock trade.

The clock is ticking – racing’s actions on these matters must occur before sports betting takes off and leaves its relatively single-minded pari-mutuel brethren at the gate. Horsemen – now is the time to lead and preserve your future by embracing the unassailable change that is sweeping the land. Take the reins and start now. The future of the sport depends on it.

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