

Horsemen should be properly compensated for content.



Racing wagering, a major source of funding for the sport and its stakeholders, is in jeopardy.

Horsemen have been pawns in the operation of racing for decades, not receiving their fair share of compensation for the content that their horses provide. The effects of the global pandemic have only made this clearer.

Through the first six months of 2020, wagering on American races is down nearly 11%. Purses, however, are down 40%. The situation is worse when only considering Q2 2020 (see graph).

When the doors to casinos closed, and racing was put on hold, horsemen suffered. The owners and operators of advanced deposit wagering outlets like TwinSpires and Xpressbet did not. In fact, profits from Churchill Downs Incorporated's online wagering business **rose 39%** in Q2 from the previous year despite not hosting its flagship event!

These two entities, among other ADWs, were pressed into service like never before because of the pandemic's impact which effectively closed on-track betting. While undoubtedly helpful, the customers forced to switch online may never return to betting through the sport's most lucrative channels - on-track wagering. This will hasten the imbalance in contributions to purses.

As most horsemen realize, online, out-of-state bets on racing are often the least valuable to purses. Now, ADW betting is the vast majority of wagering and unlikely to change soon. Even worse, the ADWs continue to retain an outsized portion of the commissions from wagering takeout. Without racing, the ADWs have little to offer customers. **They should not take advantage of the horsemen who enable their very existence.**

In its latest publication, the Thoroughbred Idea Foundation (TIF) calls on horsemen, and their representative groups, to begin asking critical questions about the composition of wagering on its races, increasing attentiveness to approvals of wagering contracts and to better understand the delicate balance needed to continue sustaining racing purses. **Racing operators act purely from a position of self-interest. Horsepeople need to start doing the same.**

Q2 2020 Declines

HANDLE DOWN

19%

PURSES DOWN

62%

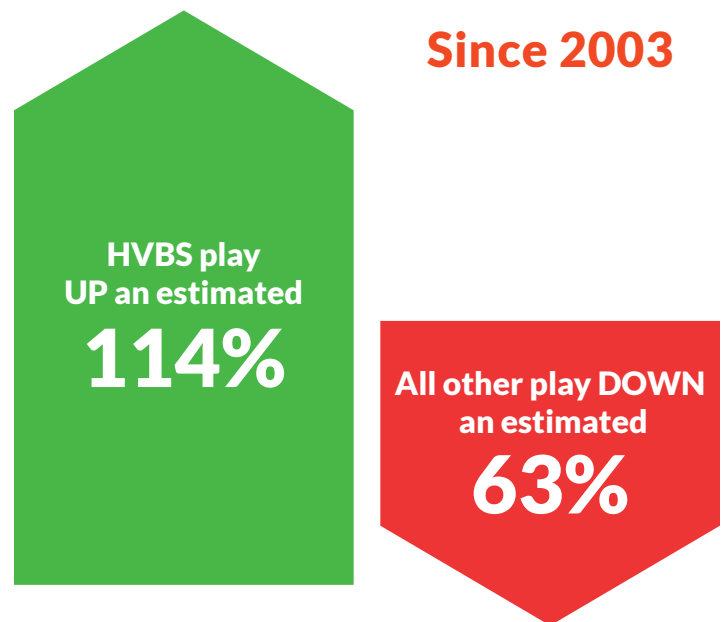
THE TIME TO FIX THE BROKEN MODEL IS NOW

Roughly 65% of all wagering on racing in Q2 2020 came from the major ADWs, like TVG, TwinSpire, Xpressbet and NYRA Bets. So if doors were closed to tracks, where did the rest originate? TIF estimates that approximately one-third of all wagering on American racing comes from entities we characterize as “high-volume betting shops,” or HVBS, which are the equivalent of private, high-end wagering platforms which do not need separate ADWs. As HVBS wagering increases, a series of disadvantages are created, increasing costs on all other bettors, and having the effect of reducing participation from, or outright eliminating, non-HVBS players.

The impact for all racing stakeholders, particularly horsemen, will be felt over time because HVBS players (which number in the dozens) are often the least profitable towards purses. HVBS wagering has increased over time, from only 8% of U.S. betting in 2003 to the estimated 30 to 35% now. When you adjust for inflation, racing’s least valuable customers (relative to their contribution to purses) have increased by 114% in the last 16 years.

HVBS players are the least profitable source of revenue for purses.

Meanwhile, participation from racing’s **most valuable customers** – recreational players wagering under \$100,000 annually – is declining at alarming rates. Make no mistake – **our sport needs ALL of its customers**, both from HVBS and non-HVBS sources. TIF estimates that **all non-HVBS play has declined by a staggering 63%, adjusted for inflation, since 2003**. This situation threatens purse levels in the intermediate and long-term across all racing jurisdictions, but particularly in light of the evolution of competitive wagering products – legal sports betting, daily fantasy sports and the growth of online casinos, which do not contribute revenue to purses even if the online license is granted to a track operator.



As racing faces declining contributions from casino-related revenues towards purses, or worse – loses all casino-based contributions to purses – along with a steady rise in wagering competition, horsemen must get involved in these contracts and start asking questions, increasing attention on the racing wagering business.

If you would like more information, please reach out to [TIF Executive Director Patrick Cummings](#) or one of the [TIF board members](#).

LET’S ACT BEFORE THE SITUATION GETS WORSE