

# Inside RUNNING

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## Solid results at the half-year

The New Zealand Racing Board is pleased to report a solid first half financial performance for the 2005/06 season.

In this reporting period the industry has enjoyed turnover growth of approximately 4% through increasing interest in Sport and Fixed Odds Racing wagering as well as modest Totalisator growth. Total domestic is similar to the previous season with timing changes of the re-scheduling of the Auckland Cup yet to be realised at the time of reporting.

Total expenses for the period are in line with that expected for this point in the season. The Board had anticipated increased costs over the previous season through improved services such as the introduction of Radio Trackside as well as general inflationary and timing impacts on staff and property costs.

Pre-distribution earnings at this point of the season are in line with the same period last season. However, the Board is targeting a full season performance greater than the 2004/2005 season.

The Board is also very encouraged by progress on a number of key industry initiatives.

The launch of the NZ Still Destination Summer Holiday Racing programme was an excellent example of the industry working

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together to offer a consistent entertainment package on-course. Further to this, the Board supported the provision of Big Screens to 32 on-course events.

The Thoroughbred Maiden Starter Incentive was paid to 6,689 starters. This category of races had improved starter numbers of approximately 0.8% over last season while all other classes have seen a 3.3% decline.

### Summary of Interim Period Results

	Unaudited Interim 2005/2006 \$'000	Unaudited Interim 2004/2005 \$'000
Turnover	\$701,963	\$673,990
Total Operating Revenue	\$102,385	\$99,285
Operating Expenses	\$58,196	\$54,997
Interest Income	\$2,930	\$2,657
Net Return before Industry Expenditure and Retentions	\$47,119	\$46,945

### **STOP PRESS:** *Racing tax change is a milestone*

The New Zealand Racing Board welcomes announcements on racing tax reform from Minister of Racing Winston Peters. The legislation, when passed, will give the industry further impetus to achieve our goals. Board member Dr Alan Jackson has said that any additional funds generated by the reduction in totalisator duty will be channelled into increasing returns to wagering and to animal owners, and injection of capital funds for facilities.

We will make further comment on the impact of the new racing tax landscape in the next issue of *Inside Running*.

# Harnessing the Power of Information

Transparency and commercial reality are watchwords for the racing industry.

Every part of the industry, collectively and as individual units, must conduct its business so that it can stand, grow and prosper. This quest for sustainability is an underlying objective for the New Zealand Racing Board in leading and facilitating improvement in the industry.

Financial information that is accurate, fully detailed and right up to date is the basis of planning for and achieving that sustainability.

The Transparency Project outlined in this issue of *Inside Running* will make more knowledge available to more key industry participants.

It will facilitate the provision of valuable data for use by the industry. It will assist the quality of decision-making and the level of understanding as to what can be done to drive change and improvement. It will give access to usable information about how the industry operates – something which has previously been obscure – hence its name. It brings a transparency to the whole process of the way the industry works and how we can improve it.

The first place we have turned to in this exercise is our own operations. The NZ Racing Board is using the Transparency Project to scrutinise our own behaviour, and how we contribute to services for our customers, returns to our industry, and the costs incurred along the way.

## **A look through the Transparency Project**

The NZ Racing Board is introducing the use of its new Transparency Project to assist with business planning and budget forecasting.

For many years now we have monitored turnover figures for all New Zealand racing and all the wagering products of the TAB.

The Transparency Project is a new financial tool that progresses this further. It tracks turnover as before – but it also identifies the individual costs associated with generating that turnover, giving the industry far more financial information and enabling better decision-making about how we plan and run our business.

The NZ Racing Board has engaged closely with the Codes' management in this process to keep them fully informed of the cost and revenue drivers of the industry, especially in the areas of our business where Codes can influence costs incurred by the Board.

## **Commercial best practice**

Using modelling tools to evaluate how a business performs by product or region is common business practice. Airlines assess route profitability, food companies review brand performance, manufacturers monitor production performance. These are the types of disciplines the NZ Racing Board is attempting to replicate in this project.

It enables us to ask questions such as: how much does it cost to provide services to the 800 race meetings held in New Zealand every year? What is the contribution of domestic racing compared to overseas racing? How do NZ Racing Board costs compare to other wagering operations internationally?

For our racing industry to put itself on a financially secure footing and achieve growth, it must fall into step with businesses everywhere, tapping into this information and working with it pragmatically, and shaping our practices and culture to yield the best bottom line for the whole industry.

## **Stage one – Reviewing our current structure**

The first stage of the Transparency Project has focussed on the breakdown of NZ Racing Board operating divisions. It is a multi dimensional view covering wagering, channels, broadcasting and field services.

The latest domestic calendar can be loaded into the model to deliver an estimate of the full year forecast down to an industry distribution level. It estimates turnover and field services costs by club for every race day.

Wagering is then assessed by selling channel (retail, telephone and electronic), giving an estimate of each channel's contribution.

Finally the model assigns costs across the Codes based on a number of allocation rules. These include broadcasting and marketing expenses.

## So where to from here?

The progress over the last four months is a starting point from which future decisions can be assessed for financial opportunity.

Development to date has been in full consultation with the Racing Codes' management. The NZ Racing Board and Code management will now take this information and use it to help identify ways of improving industry performance going forward.

To date most of the work has looked at the NZ Racing Board performance. This needs to widen to Code and club levels so that the whole industry "value chain" can be understood in order to deliver better returns to all our stakeholders – staff, owners, trainers, and club administrators, to name a few.

## Decision-making industry wide

The Transparency Project is being led by the NZ Racing Board's Chief Financial Officer, David Walsh.

He comments, "We have undertaken this exercise to give greater financial visibility and to provide more timely information. Its purpose is to provide information so people can

understand the costs and benefits of providing services and generating revenue.

"The decision-making will then be a multi-lateral process. The industry is looking to us for leadership. What are our options? As it rolls out through the industry, the Transparency Project will enable us to assess what our options are, and how those options and choices can affect us all."

## What will it mean to industry participants?

We expect the information we have shared with the Codes to be made available to a club level. The Managers and Executive Members of New Zealand's 162 racing clubs will have more useful information to draw on to plan and run the racing entertainment, and administer club business.

The information from another NZ Racing Board initiative – the Club Profitability Database – will soon add its flow to the picture, putting further knowledge at club disposal.

The downstream benefit for trainers, owners, jockeys, racegoers and punters should be a sounder industry that delivers better results overall.



Left: Trackside Editor Shane Devitt at work on an episode of The Racing Show



Right: Customers at Taupo's New Year meeting sample the new POD self service terminals, another betting choice provided by field services.



Left: At Wellington Phonebet, Ezra Fakafo, Sam Boyd, Clara Gabriel and Karen Whiting take customer calls on a busy afternoon.



Right: As part of the NZ Racing Board's field services, Sue Gandy is usually an on-course Jetbet Operator at Central Region racecourses – but the Otaki-Maori late-February meeting found her staffing the totes.

# Sports betting on a roll

Australia is a sports mad nation; Melbourne is a sports mad city; and there will be even more sports action than usual in Melbourne in March.

And the TAB is taking bets on events such as the rugby 7's, netball, triathlon, cycling, athletics, swimming, hockey, basketball, badminton, squash, table tennis and lawn bowls.

Some of these sports are new to our portfolio of betting options, but all those sports' governing bodies will benefit directly as a result (as noted in more detail below).

From March 15-26, betting on Melbourne will be available through TAB agencies and social outlets, on our website [www.tab.co.nz](http://www.tab.co.nz), through Phonebet's sports number 0800 10 20 31, and selected options will be available on SKYbet.

## TAB Sports – “We All Win”

The extra activity in Melbourne in March – like all our sports betting – will bring benefits to New Zealand sporting codes.

Whether the bets are on New Zealand competitors or not, every sports bet placed makes a contribution to the relevant New Zealand sporting code. The funding comes without ties or directives, and they are free to use it as they wish towards sports development.

National Sporting Organisations receive a minimum of 1% of turnover and 5% of gross profit from every bet placed. When the sports events are held overseas, their associated local organisations receive the funding. So the NZ Rugby Union will benefit from a bet placed on the South Africans to beat

Australia in the Tri-Nations; and the New Zealand American Football Association received the benefit from bets on February's Super Bowl.

## Promotions drive a rise in turnover

Turnover is ahead of projections so far for the year, and up 22% on the same time last year. The main drawcard betting event of the year, the World Cup Soccer championships, is still to come in June, and the expanded Rebel Sport Super 14 rugby competition is just beginning.

The healthy increase results from strategies to develop sports betting, focussing in particular on Internet betting on the TAB website, and the appeal of the Multi bet product.

## Sports and the TAB website

Sports betting currently has the strongest appeal for our younger customers – who are also among the highest users of the TAB website for Internet betting.

Marketing of sports betting aims to bring new customers to trial the website, and sample its speed, simplicity and convenience. Online, they also have access to new unique site-only products and promotions.

Promoting the TAB website, [www.tab.co.nz](http://www.tab.co.nz), has involved both low-profile and centre-stage advertising. The website address is an integral part of the recently released TAB Sports logo. And leading up to the Australian Tennis Open, a poster campaign hit the main centres, visually and verbally exploiting the pun, “Bet on the net”.



## The power of Multi

The Multi wagering product has also been the subject of successful promotion. Advertising campaigns targeted last year's Rebel Sport Super 12 with TV and radio commercials, posters and press. With the expansion of the code in 2006, the "Even bigger with a bet on" strapline has been continued, with a travel poster-style look.

Multi betting has grown significantly, particularly among small bettors. It's an ideal product for the lower-spending punter, as it offers significantly greater returns.

Multi is the "all-up bet" of fixed odds wagering. The product mechanic is that the customer places fixed odds bets on a series of events – anything from two events (known as legs) to 10. They can be in any mixture of sports and fixed odds racing, on a single day or over an extended period. For the customer to collect, each leg must win. The winnings on the first leg are invested in the second and so on, ratcheting up the excitement for the customers as they plot the progress of their wager. The collects can be tremendous.

One customer spent \$10 on a Multi taken on Round 2 of the Rebel Sports Super 14:

- Highlanders to beat the Blues by 12 points or less ("Highlanders 12 and under") – \$3.50
- Cats to beat the Chiefs, 12 and under – \$3.60
- Brumbies to beat the Bulls, 12 and under – \$3.65
- Hurricanes to beat Western Force – \$1.05
- Crusaders to beat the Reds, by 13 points or more ("13 and over") – \$1.75
- Cheetahs to beat the Sharks, 12 and under – \$3.40
- Waratahs to beat the Stormers, 12 and under – \$2.90.

If that customer had placed these bets as seven \$10 'single bets', the collect would have been \$634.50, for \$70 wagered.

As a Multi, their \$10 wager returned \$8,332 – that's \$10 x \$3.50 x \$3.60 x \$3.65 x \$1.05 x \$1.75 x \$3.40 x \$2.90. The winnings of the first leg are multiplied by the next – hence the Multi name.

However, the risks stack up alongside the excitement. If one leg fails on a Multi bet, the customer receives no payout.

With higher odds, potential winnings increase exponentially.



One of the largest wins seen to date was a return of \$39,930 on a \$5 wager.

## Super 14, NRL, NPC and the Soccer World Cup

Internet betting, Rebel Sport Super 14 and Multi work together with an easy synergy.

The website offers a unique Multi product, an "easybet" style option that creates a Multi from the day's top six or top 10 favourites with a click of the mouse.

A Multi news zone has also been added to the TAB website, with regular updates on big wins.

And a website-only promotion gives customers automatic entry into a draw for one of four \$4,000 Philips home entertainment systems, and one of 16 Rebel Sport Super 14 replica jerseys, with an entry for every \$10 Multi placed via the net.

The coming NRL season, Air New Zealand NPC and the Soccer World Cup are further opportunities to broaden the reach of Multi and sports betting on the net.

## Sports betting reaches to new markets and the grass roots

Sports betting provides a relatively small component of our total betting turnover, in the region of 10% of the total. But its growth is significant, and it extends the reach of the TAB wagering brand to a new and growing market.

In December, that reach extended to new fields, bringing racing to Wellington's Westpac Stadium in a unique cross-promotion during the one-day Black Caps v Australia match.

It coincided with the Auckland Racing Club's first twilight race meeting at Ellerslie – and race 3 from Ellerslie appeared on the Westpac Stadium Big Screen, live, at the break between innings. NZ Racing Board staff handed out 500 easybets on the race to cricket spectators, to give them a real taste of the excitement of racing action. Meanwhile at Ellerslie, the on-course Big Screen carried live cricket after the racing.

## The new website goes online – [www.nzracingboard.co.nz](http://www.nzracingboard.co.nz)

The NZ Racing Board has a new virtual presence. The website rolled out last month, and will grow and develop to become a key industry information point.

It covers the basics of the industry's structure, history, and racing and wagering functions. It links to the sites of other key industry organisations. It provides contact information for the NZ Racing Board's offices throughout the country, an online message service, and the names and faces of Members of the Board and the senior management team.

The current site is a starting point, with services in development. Listings and details for all racing clubs and racecourses are on their way, along with a sponsorship portal, and contacts and information on training and ownership.

Annual Reports are available, along with issues of *Inside Running*.

We invite you to surf the site, appreciating it is in its early stages, and look forward to your feedback, which you can provide online, or to our postal address.

## Join the *Inside Running* mailing list – or read it online

Would you like to receive more issues of the *Inside Running*, perhaps to provide to your Committee members, or to member organisations? Are there other organisations you would like *Inside Running* sent to who are not now receiving it?

Or would you like to print issues out, or email them on to colleagues?

To join the mailing list, send a note or an email to the address at the bottom of this page.

And all issues are online, at [www.nzracingboard.co.nz](http://www.nzracingboard.co.nz). Each issue is in pdf format, ready for you to open onscreen, print or pass on by email.



The screenshot shows the homepage of the New Zealand Racing Board website. The browser address bar displays <http://www.nzracingboard.co.nz/>. The page features a dark blue header with the NZRB logo and a background image of a horse race. A left-hand navigation menu includes sections for 'THE HORSE BOARD', 'RACING INFORMATION', and 'SPORTS BETTING'. The main content area is titled 'About the New Zealand Racing Board' and includes sub-sections for 'Introducing the New Zealand Racing Board', 'The NZ Racing Board is the co-ordination point for:', 'The TAB - which runs all betting on racing and sport in new Zealand', 'The three racing codes -', and 'The Judicial Control Authority'. A right-hand sidebar contains a yellow box with the text 'New website for NZ Racing Board' and a small image of a crowd.