



# Rapid Changes in North American Markets

# Thoroughbred Idea Foundation

The Thoroughbred Idea Foundation is a think tank and advocacy group which aims to improve the sport of Thoroughbred racing for all stakeholders, especially its primary customers - horseplayers (punters) and horse owners.



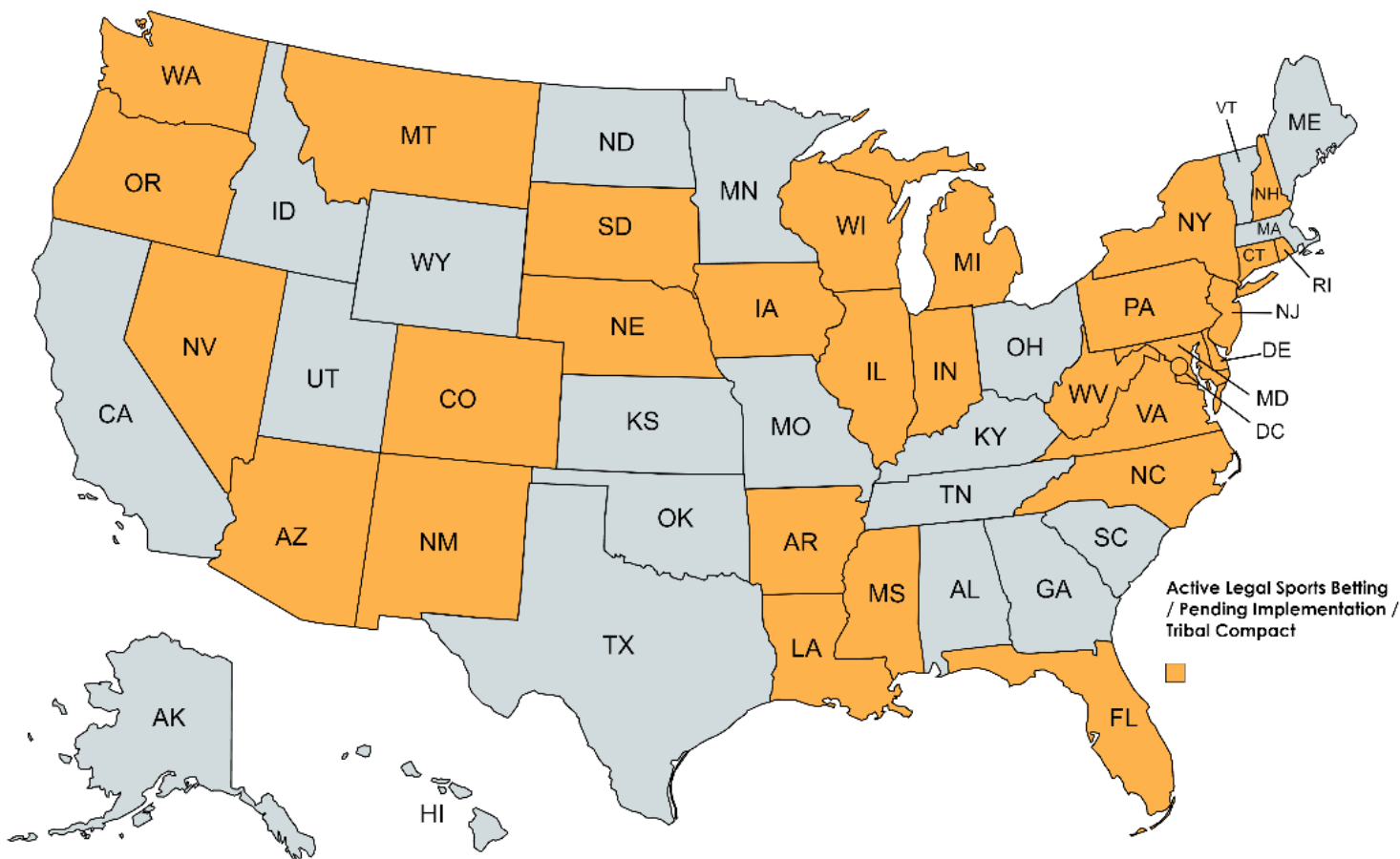
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# Rapid Changes in North American Markets

- Examining both the state of legal sports (fixed-odds) betting and racing pools betting over the last 20 years.
  - Big differences comparing U.S. and Canada
- Is the state of U.S. racing wagering (all pools betting) worse than it looks?
- Do we understand our customer base?
- WoTA Webinar Questions

# U.S. Sports Betting Growing Faster Than Expected



- **More than US\$57 billion** in turnover since federal law overturned allowing states to legalize “sports betting.”
- Over 65% of U.S. residents live in a state with currently legal, or soon-to-be implemented, fixed-odds sports betting of some type.
- Convenience and delivery of betting services, as well as the number of operators, varies widely by state.
- **As of now, New Jersey is only state really evolving fixed odds betting for racing (legislation passed 21 June 2021).**

# U.S. Racing - Pools Changes Since 2000

Year	U.S. Pools* Turnover (US\$bn)
2000	14.32
2005	14.56
2010	11.41
2015	10.68
2020	10.93
Since '00	-23.7%
Since '05	-24.9%
Since '10	-4.2%
Since '15	2.3%

*\*Thoroughbred Racing Only*

# U.S. Racing - Pools Changes Since 2000

Year	U.S. Pools* Turnover (US\$bn)	U.S. Pools* Inflation Adjusted** (US\$bn)
2000	14.32	21.89
2005	14.56	19.66
2010	11.41	13.93
2015	10.68	11.72
2020	10.93	10.93
Since '00	-23.7%	-50.1%
Since '05	-24.9%	-44.4%
Since '10	-4.2%	-21.5%
Since '15	2.3%	-6.7%

\*Thoroughbred Racing Only

\*\* CPI (U.S. Bureau of Labor Statistics)

# Canada "Optimistic" For Sports Betting in 2021



- Now legal following legislative action in summer 2021.
- Provinces to individually determine how to manage sports betting.
- C\$14 billion (US\$11.3b) estimated annual turnover on single game, fixed-odds betting via unregulated markets  
*(National Post - 14 June 2021)*
- Horse racing actively excluded. This was a necessity as revenue-sharing was not considered.

# Canadian Racing - Pools Changes Since 2000

<b>Year</b>	<b>CDN Pools* Turnover (C\$m)</b>
<b>2000</b>	<b>475</b>
<b>2005</b>	<b>568</b>
<b>2010</b>	<b>503</b>
<b>2015</b>	<b>517</b>
<b>2020</b>	<b>641</b>
<b>Since '00</b>	<b>34.9%</b>
<b>Since '05</b>	<b>12.9%</b>
<b>Since '10</b>	<b>27.4%</b>
<b>Since '15</b>	<b>19.3%</b>

*\*Thoroughbred Racing Only*



# Canadian Racing - Pools Changes Since 2000

<b>Year</b>	<b>CDN Pools* Turnover (C\$m)</b>	<b>CDN Pools* Inflation Adjusted** (C\$m)</b>
<b>2000</b>	<b>475</b>	<b>705</b>
<b>2005</b>	<b>568</b>	<b>750</b>
<b>2010</b>	<b>503</b>	<b>609</b>
<b>2015</b>	<b>517</b>	<b>626</b>
<b>2020</b>	<b>641</b>	<b>641</b>
<b>Since '00</b>	<b>34.9%</b>	<b>-9.1%</b>
<b>Since '05</b>	<b>12.9%</b>	<b>-14.5%</b>
<b>Since '10</b>	<b>27.4%</b>	<b>5.3%</b>
<b>Since '15</b>	<b>19.3%</b>	<b>2.4%</b>

*\*Thoroughbred Racing Only*

*\*\* CPI (Bank of Canada)*

# 2021 Considerations

- How competitive is North American racing tote betting?
- How has the composition of the pools changed?
- What percentage of the pools are high-volume, heavily-rebated syndicates?

# High-Volume Concentration A Growing Concern

- One legal betting outlet for high-volume customers accounted for massive portion of U.S. racing turnover in 2020.
- Examples from across America last year...
  - **Del Mar:** Pick five pools across full meet (42 days)
    - Pick 5: \$20.5m / \$60.6m = **34%**
  - **Golden Gate:** Jackpot pick six across full meet (120 days)
    - \$3.5m / \$8.4m = **41%**
  - **Gulfstream Park:** Total handle heavily concentrated on select days
    - Day 1 - **34.6%**, Day 2 - **36.6%**, Day 3 - **38.2%**

*Sources: California Horse Racing Board,  
Florida DBPR - Division of Pari-Mutuel Wagering,  
Thoroughbred Idea Foundation Research*

# Pools Betting Drawbacks

An uncomfortably large (and growing) portion of North American Thoroughbred pools is coming from a handful of customers/groups/syndicates.

Is it 25%, 30%, 35%+...???

# Pools Betting Drawbacks

- **Lack of price certainty**

- Technological access given to high-volume syndicates often have detrimental impact (late price plunges - visible in win pools, invisible in many exotic pools) on mainstream customers.
- All evolution in American (non-racing) wagering via fixed odds, where every bet has a set price.

- **Promotion of “low churn” bet types**

- “Jackpot” or “single-ticket” bet types promote customer losses
- Typically opposite of fixed-odds sports betting (win, place, yes/no props)

# "Jackpot" Bets Concentration

A US\$1.4m jackpot with mandatory payout on 4 July at Pimlico generated \$5.1 million in new betting.

Estimated **\$2.9 million (56%)** came from a handful of high-volume "scientific" betting groups.

# Additional Challenges

- **Rules harmonization**

- Interference rules philosophy (Category 1 - Most of world; Category 2 - US/Can)
- Non-runner rules (Royal Ascot 2018, 2021 examples)

- **Unequal approaches to transparency**

- No reporting of bleeders, lameness incidents, lost shoes, scratch reasons from North American states/provinces
- New Horseracing Integrity and Safety Authority (HISA) in U.S. could yield positive improvements (from July 2022 onwards)

# WoTA Webinar Questions (North American perspective)

- 1. Is pool betting more sustainable than fixed odds for racing?***
- 2. Has pool betting stagnated? Is there room for growth?***
- 3. Can fixed odds betting serve as a much-needed competitive correction to spur tote modernization?***



# WoTA Webinar Questions (North American perspective)

## ***1. Is pool betting more sustainable than fixed odds for racing?***

**Yes.** But without investment and modern upgrades, it falls flat as a competitive option in the North American market.

## ***2. Has pool betting stagnated? Is there room for growth?***

**Yes.** (Particularly to North American market)

## ***3. Can fixed odds betting serve as a much-needed competitive correction to spur tote modernization?***

**Yes.** Relinquishing a monopoly benefits racing's overall ecosystem, though not without short/intermediate-term "hardship" for operators who do not invest and adapt.

# Pools Betting Opportunity

- **Reasons to be optimistic about pools betting in North America**
  - Long-term lack of investment
  - New competitive pressures to innovate
  - Exotic wagering likely remains exclusively pari-mutuel
  - No limits

Pari-mutuel wagering still leads in North America...for now...



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