

**Satellite Wagering
Marketing Test**

Auburn
September 6 through September 23, 1990





This report prepared by
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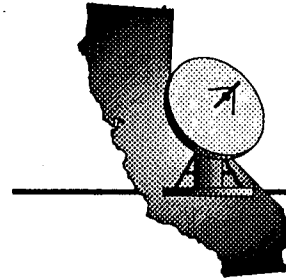
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Table of Contents

Executive Summary /	1
Purpose of Study /	2
Site Profile /	3
Regional Map /	4
Regional Operations Report /	5
Marketing and Promotion /	6
Demographic Analysis /	7
Revenue (Expense) Analysis /	8
Conclusion /	9



Satellite Wagering Marketing Test

Auburn

Executive Summary

The California Authority of Racing Fairs (CARF), on behalf of the California Department of Food and Agriculture (CDFA), Division of Fairs and Expositions (F&E), conducted a temporary test of satellite wagering on horseracing at the Gold Country Fairgrounds in Auburn from September 6 through September 23, 1990.

This study was designed as a market test under actual operating conditions for prospective future satellite wagering sites. Sites were selected after review against predetermined criteria, including 1) possible impact on live racing, 2) area growth, 3) demographic considerations, and 4) proximity to existing satellite wagering sites.

We selected Auburn, seat of rapidly growing Placer County, as the second test location. Our test lasted three weeks, beginning with the four-day run of the Gold Country Fair. Daily attendance during the test averaged seventy (70) and the daily handle averaged \$7,691, for a per-capita of \$110. Patron survey information indicated a core patron

base within a ten mile radius of Auburn. This information appears in the *Site Profile* and *Regional Map*.

The *Regional Operations Report* charts trends at the nearest satellite facilities before, during, and after the test period. The two nearest sites, Cal Expo and Stockton, showed an upward trend in Average Daily Handle and Average Daily Attendance during the Auburn test.

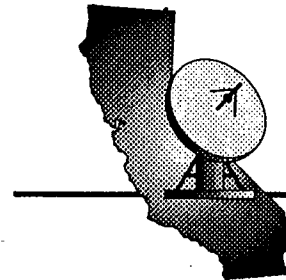
Marketing and promotion relied on local media, primarily print. Our patron survey responses showed a close parallel to media purchases.

We conducted daily prize giveaways for which our patrons submitted a completed survey questionnaire. These responses yielded basic patron data. We created a database for this information and cross-referenced it with demographic analysis compiled from U.S. Census data by Western Economic Research of Panorama City, California. The results appear in the *Patron Survey Demographic*

Analysis. The sustained population growth in this market area over the last decade is notable.

The *Revenue (Expense) Analysis* details income and expenses for the Auburn test. (These figures do not include a \$33,228 loss from an armed robbery on September 23.) Although several statutory beneficiaries of handle distribution show net gains, the larger net losses sustained by CARF, on behalf of the Fair, and by the Simulcast Operator, create a total net loss of \$19,727.85.

We concluded the attendance and handle at Auburn did not justify a satellite wagering site under present circumstances. Future developments in automated systems, and in personnel requirements may allow reconsideration of this conclusion.



Satellite Wagering Marketing Test

Auburn

Purpose of Study

Technology is changing the face of horseracing. Advances in telecommunications, satellite communications, high speed data lines, and computer processing have expanded opportunities for parimutuel wagering far beyond the traditional racetrack venues.

Legislation has followed technological progress. After successful 1986 technical test results, laws were revised to allow satellite wagering at Northern California off-track locations. By means of the new technical advances, patrons could watch races and wager just as if they were at the racetrack. Further legislation in 1987 allowed a similar expansion to Southern California.

California statutes permit satellite wagering at existing racetracks and California Fairs. Legislative intent mandating participation of the Fairs reflected a long-standing application of horseracing revenue toward support of Fair agricultural activities. These California statutes recognized the agricultural foundations of horse

breeding, training, and racing when they tied the conduct of parimutuel wagering to the support of agriculture.

By 1989, there were twenty-one Fair and six racetrack satellite wagering locations. These sites represented penetration into most of the State's major market areas.

The California Authority of Racing Fairs (CARF) and California Department of Food and Agriculture (CDFA), Division of Fairs and Expositions (F&E) wished to explore the possibility of further network expansion into new Fair locations. Consequently CDFA funded, and CARF implemented, a transportable satellite wagering operation designed as a market test of prospective satellite wagering sites.

Under the terms of the Marketing Test Agreement between CARF and the Fair, CARF paid all expenses and received all distributions normally assigned to the Fair.

Several important considerations determined candidate sites

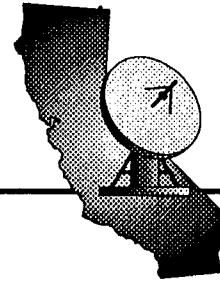
- Prospects for enhancement of wagering revenues with no deleterious impact on live racing
- Prospects for growth in area
- Demographic considerations
- Proximity to existing facilities

Special Thanks

This marketing test could not have proceeded as well as it did without the Gold Country Fair Board of Directors, Fair General Manager Robert Fox, Auburn Chief of Police Dan Boone, the California Horse Racing Board, the California Horsemen Benevolent and Protective Association, and Bay Meadows Racing Association.

Satellite Wagering Marketing Test

Auburn



Population

Auburn: 8,900 (4.4% increase over 1987)

Placer County: 172,796

*Median age for the population
of Placer County is 39.1*

Gold Country Fair, Auburn

1990 Fair Attendance: 45,860

Major Buildings: 6 containing 43,320 square feet

Parking: 1,000 (paved) plus 500 (unsurfaced)

Dates of Fair: September 5 - September 8, 1990

Site Profile

Local Economy

Historically, agriculture, mining, timber harvest, and transportation form the economic base. The current economic trend is towards light industry, electronics, tourism, services, and retail trade. Government services in the state capitol (Sacramento) and military bases located in Sacramento County also have a direct effect on the economy of Placer County.

Growth

Annual population growth of approximately 2.2% is projected into the next decade, making Placer County one of the four rapidly-growing counties in the Sacramento Metropolitan Statistical Area. The majority of growth has occurred in the Roseville, Rocklin, and Lincoln area, which is located 20 minutes southwest of Auburn and 25 minutes northeast of Downtown Sacramento; population in this area is expected to double by the year 2000. Steady growth has created jobs in the construction, retail, and service industries.

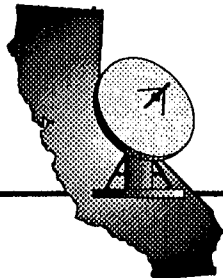
Proximity to Other Satellite Wagering Markets

Auburn is located approximately 40 miles northeast of California Exposition & State Fair.

County

Placer County consists of 1,431 square miles, much of which is in public ownership as national forests, parks, and recreation areas. These public lands, along with privately held timberlands, parks, campgrounds, and recreation areas support the county's tourism sector.

The county is located in Northern California, bordering Sutter County on the West, the State of Nevada on the East, Nevada County on the North, and El Dorado County on the South.



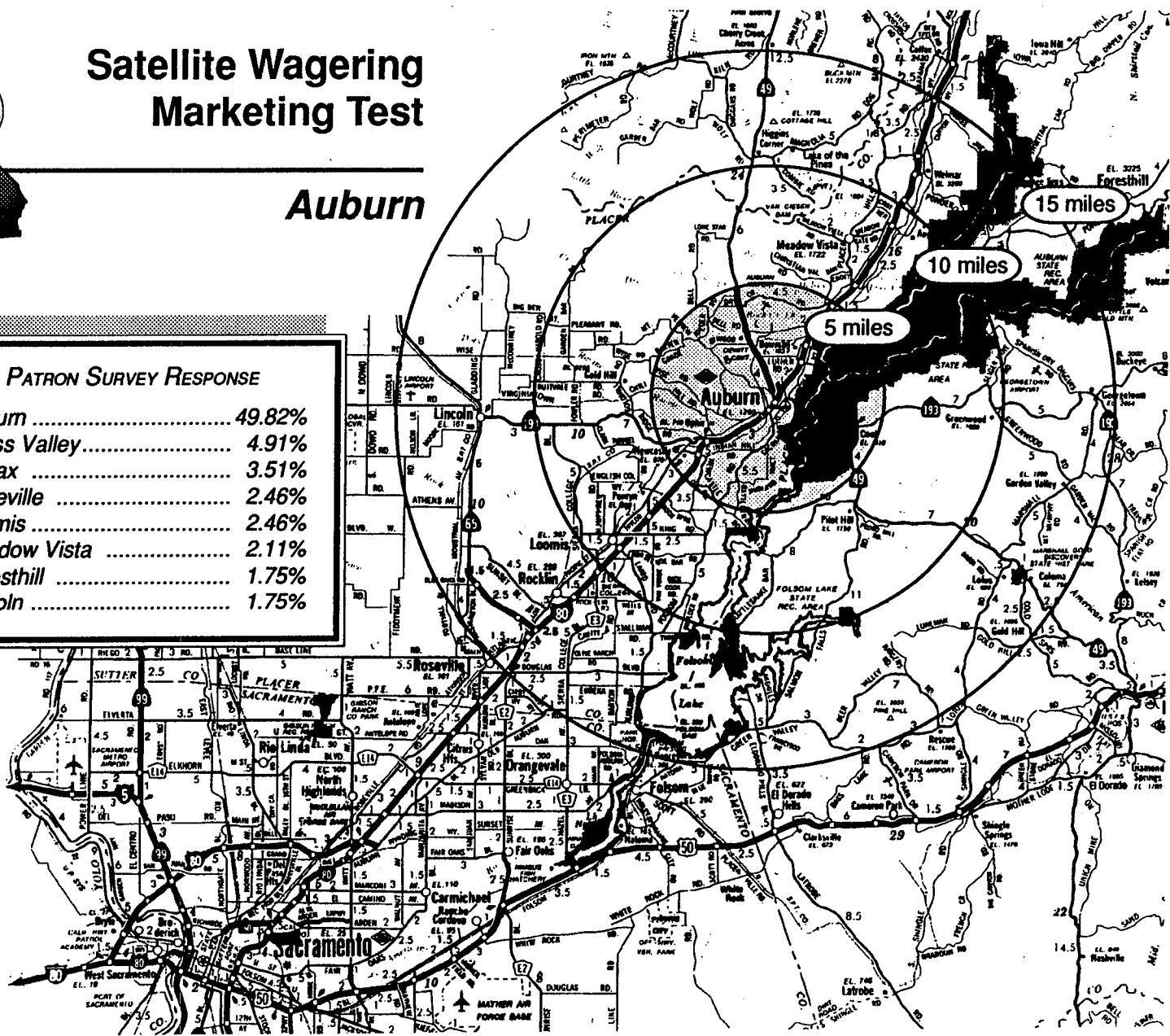
Satellite Wagering Marketing Test

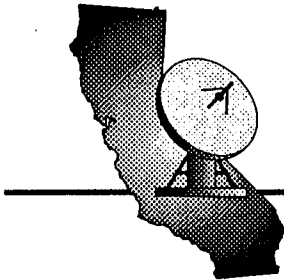
Auburn

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PATRON SURVEY RESPONSE	
Auburn	49.82%
Grass Valley	4.91%
Colfax	3.51%
Roseville	2.46%
Loomis	2.46%
Meadow Vista	2.11%
Foresthill	1.75%
Lincoln	1.75%





Satellite Wagering Marketing Test

Auburn

Dates of Test: Sept. 6 - Sept. 23, 1990
 Days of Test: 15 Racing Days
 Race Meet: Bay Meadows
 Average Daily Handle: \$7,691
 Average Daily Attendance: 70
 Per Capita: \$110

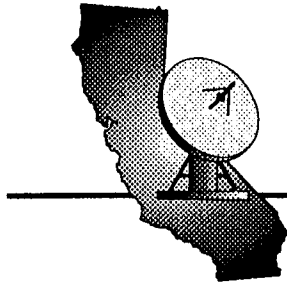
Regional Operations Report

	Host Track	ADA	ADA Trend	ADH	ADH Trend	Per Capita
San Joaquin County Fair, Stockton						
08/07/90 - 08/19/90	San Mateo Fair	571		104,231		182.57
08/21/90 - 09/03/90	Cal Expo	472	-17.27%	76,120	-26.97%	161.17
09/06/90 - 09/23/90 (Test Period)	Bay Meadows	548	+16.06%	87,352	+14.76%	159.36
09/26/90 - 10/15/90	Bay Meadows	569	+3.81%	83,635	-4.26%	146.99
Cal Expo, Sacramento						
08/07/90 - 08/19/90	San Mateo Fair	571		104,231		182.57
08/21/90 - 09/03/90 (No Satellite)	Live Racing					
09/06/90 - 09/23/90 (Test Period)	Bay Meadows	690	+20.85%	120,295	+15.41%	174.36
09/26/90 - 10/15/90	Bay Meadows	712	+3.22%	122,756	+2.05%	172.38

This spreadsheet charts 1990 Average Daily Attendance (ADA) and Average Daily Handle (ADH) trends at the nearest existing satellite facilities before, during, and after the test period. In the case of Auburn, we examined figures for Cal Expo (Sacramento) and San

Joaquin County Fair (Stockton). Using as a baseline reference the figures for San Mateo County Fair August 7-19, the chart reveals an upward trend in Average Daily Attendance, both at Sacramento and Stockton, during and after the test period. Average Daily Handle

figures show an increase at both sites during the test period; during the two-week period after the test, Average Daily Handle continued an upward trend at Sacramento but tapered off 4.26% at Stockton.



Satellite Wagering Marketing Test

Auburn

BUDGET	\$5,000.00
Newspaper Ads	\$4,770.52
Flyers/Poster	\$158.78
Other Promotion	\$123.20
Total Expenditure	\$5,052.50

Marketing and Promotion

Medium	Circulation	Quantity	Frequency	\$\$ Spent	% Total \$\$ Spent	% Patron Response
<i>Flyers</i>	500	500 copies		\$158.78	3.14%	11.58%
<i>Newspapers</i>						
Auburn Journal	50,000	24 column-inches	3 x week for 28 days	\$3,559.30	70.45%	50.88%
Grass Valley Union	27,000	24 column-inches	3 x week for 7 days	\$406.08	8.04%	1.75%
Roseville Press Tribune	14,500	12 column-inches	2 x week for 11 days	\$805.14	15.94%	3.86%
Folsom Telegraph	10,500	12 column-inches	1 x week for 8 days			
Citrus Heights Bulletin	14,000	12 column-inches	1 x week for 8 days			
<i>Other</i>						
Racing Form Giveaway		40 Forms @ \$2.08 each		\$83.20	1.65%	0.00%
Fair Passes Giveaway		20 Passes @ \$2.00 each		\$40.00	0.79%	0.00%
Word of Mouth/Friends						20.00%
Fair Attendees						4.56%
Radio/Television						3.16%
Miscellaneous						4.21%

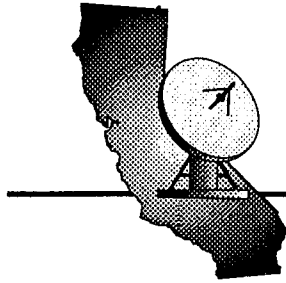
This chart summarizes our expenditures for promotional advertising. We apportioned our media buys in consultation with a local consultant for best impact and distribution in the market area. Readers may note that we purchased no radio time; since our test commenced with the

opening of the Fair, we promoted satellite wagering in the Fair's radio spots.

We conducted daily giveaway drawings, for which our patrons submitted a short questionnaire. Among other questions, we asked how patrons had heard about satellite

wagering. The response percentages revealed that print media, particularly flyers, were effective in this market.

Press relations were excellent and the local *Auburn Journal* featured several front-page stories.



Satellite Wagering Marketing Test

Auburn

	MARKET AREA POPULATION GROWTH	
	1980-89	1995 Projected
Auburn	36.90%	43,303
Colfax	59.29%	7,885
Grass Valley	85.31%	20,113
Roseville	46.14%	27,002
Loomis	34.93%	9,631
Meadow Vista	24.65%	4,117
Foresthill	104.81%	6,341

Patron Survey Demographic Analysis

Zip	City	Total Population	% Change 1980-89	House-holds	Median Age	Median Income	Income \$15-50K	Income \$50K+	1995 Proj. Population	Survey Response
95603	Auburn	38,142	36.90%	14,932	37.3	\$30,387	3,424	3,558	43,303	49.82%
95713	Colfax	6,736	59.29%	2,710	37.2	\$26,018	797	505	7,855	3.51%
95949	Grass Valley	15,977	85.31%	6,008	38.7	\$33,158	1,176	1,489	20,113	3.16%
95678	Roseville	23,444	46.14%	9,765	35.4	\$26,175	2,802	1,713	27,002	2.46%
95650	Loomis	8,557	34.93%	2,833	35.5	\$35,950	593	944	9,631	2.46%
95722	Meadow Vista	3,809	24.65%	1,380	37.5	\$35,473	248	415	4,117	2.11%
95945	Grass Valley	21,607	38.09%	9,058	38.1	\$22,239	3,007	1,232	25,253	1.75%
95703	Applegate	1,256	24.48%	456	37.6	\$23,555	150	59	1,356	1.75%
95631	Foresthill	5,370	104.81%	2,073	36.1	\$30,311	471	427	6,341	1.75%
95648	Lincoln	11,130	38.61%	3,924	31.6	\$26,830	1,135	634	12,793	1.75%
95663	Penryn	2,740	34.52%	934	35.3	\$40,253	156	340	3,081	1.40%
95634	Georgetown	3,072	68.70%	1,169	37.5	\$25,205	324	323	3,686	1.40%

We conducted daily prize drawings, for which our patrons filled out a short questionnaire. These completed questionnaires not only yielded basic analytical data, but created the foundation for a future, core patron mailing list.

We entered questionnaire responses into a database and sorted patron addresses by zip code. We then cross-referenced that information with a demographic analysis compiled from U.S. Census Data by Western Economic Research in Panorama City, California.

The table above charts a demographic profile of our patrons in this market area. Most notable is the sustained rate of population growth. Projections show no slowdown, as the 1995 population estimate indicates.

Revenue (Expense) Analysis

Auburn

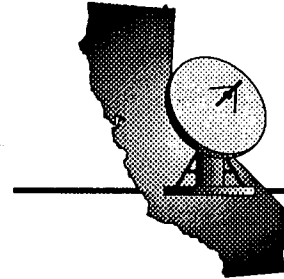
	Fair/CARF ¹	Simulcast	State	Assoc.	Horsemen	Local Govt.	UC Davis	Totals
Handle Revenue								
Commissions/Fees/Purses	2,153.36	2,691.70	3,583.33	4,465.14	4,465.14	355.30	107.67	17,821.65
Promotion	646.01							646.01
Stable/Van/Brdrs Awards				430.67	430.67			861.34
Total Handle Revenues								19,329.00
Other Revenue								
Parking/Admissions								0.00
Concessions								0.00
Programs/Racing Forms	957.50							957.50
Total Other Revenues								957.50
Total Revenues	3,756.87	2,691.70	3,583.33	4,895.81	4,895.81	355.30	107.67	20,286.50
Expenses								
Administration								
Salaries/Clerical	(3,333.00)	(22.17)						(3,355.17)
Shipping & Supplies	(229.94)							(229.94)
Travel	(499.20)							(499.20)
Capitalization								
Building	(5,314.00)							(5,314.00)
Furniture	(137.16)							(137.16)
TV/Downlink Equipment	(1,668.00)							(1,668.00)
Operations								
Installation/Janitorial	(733.00)							(733.00)
Security	(7,857.05)							(7,857.05)
Utilities	(1,409.88)							(1,409.88)
Programs/Racing Forms								
Seller	(1,050.00)							(1,050.00)
Program Cost	(825.00)							(825.00)
Racing Form	(1,506.00)							(1,506.00)
Promotion/Marketing	(5,052.50)							(5,052.50)
Parimutuels								
Clerks' Wages/Benefits		(6,631.33)						(6,631.33)
Data Lines/Telephone	(845.09)	(1,290.56)						(2,135.65)
Totalisator		(1,349.24)						(1,349.24)
Armored Car		(90.00)						(90.00)
Uplink/Encryption		(171.23)						(171.23)
Total Expenses	(30,459.82)	(9,554.53)	0.00	0.00	0.00	0.00	0.00	(40,014.35)
Net Revenue (Loss)	(26,702.95)	(6,862.83)	3,583.33	4,895.81	4,895.81	355.30	107.67	(19,727.85)

Net Revenue (Expense) Summary

Fair	(26,702.95)	(26,702.95)
Simulcast Operator	(6,862.83)	(6,862.83)
State	3,583.33	(3,583.33)
Association	4,895.81	(4,895.81)
Horsemen	4,895.81	(4,895.81)
Local Government	355.30	(355.30)
UC Davis	107.67	(107.67)
Net Revenue (Loss)	(19,727.85)	(19,727.85)

This analysis details income and costs for the Auburn test. Although several statutory beneficiaries of handle distribution show net gains, the larger net losses sustained by the Fair/CARF and Simulcast Operator create a total net loss of \$19,727.85.

¹ During this test, CARF paid all expenses and received distributions that would normally accrue to the Fair.



Satellite Wagering Marketing Test

Auburn

Conclusion

Operations

We appreciated the excellent cooperation from AutoTote and Parimutuels Guild Local 280. Gold Country Fair Directors, Management, and Staff also made valuable contributions. An armed robbery on closing night marred an otherwise routine record of operations.

Regional Market Effect

We found no significant effect on existing satellite wagering operations in the region. Analysis of Average Daily Handle and Attendance figures at Cal Expo, Sacramento, and San Joaquin County Fair, Stockton, during and after the Auburn test, revealed little variation from the baseline reference.

Effect on Live Racing

We considered the Auburn site too geographically distant from existing tracks to have a deleterious effect on live racing.

Evaluation

The attendance and handle do not justify a satellite wagering site at Auburn under present circumstances. Even before consideration of the initial capital investments required, projected revenues would not exceed projected operating expenses. If overall profitability is considered the criterion, conditions at Auburn do not presently warrant further development.

Three factors, however, will support future reconsideration of this conclusion.

- Steady growth in attendance over the test period indicate community interest and presence of a core patron base.
- Developments in automated systems and personnel requirements could permit a self-sustaining operation of this size.
- Population in this market area is growing at a very high rate.