

**Satellite Wagering
Marketing Test**

Blythe
January 30 through February 18, 1991





This report prepared by
Christopher Korby

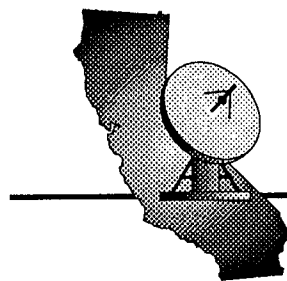
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Satellite Wagering Marketing Test

Blythe

Executive Summary

The California Authority of Racing Fairs (CARF), on behalf of the California Department of Food and Agriculture (CDFA) and the Division of Fairs and Expositions (F&E), conducted a temporary test of satellite wagering on horseracing at the Colorado River Country Fairgrounds in Blythe from January 30 through February 18, 1991.

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 Blythe, seat of rapidly growing Riverside County in California's Colorado River region, as the fourth test location. Our test lasted three weeks. Daily attendance during the test averaged 45 and the daily handle averaged \$5,429, for a per-capita of \$120.64. Survey information indicated a core patron

base within a 50 mile radius of Blythe. 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, the Desert ExpoCentre and the Cabazon Indian Gaming and Bingo Palace, both in Indio, showed no significant impact on Average Daily Handle and Average Daily Attendance during the Blythe test.

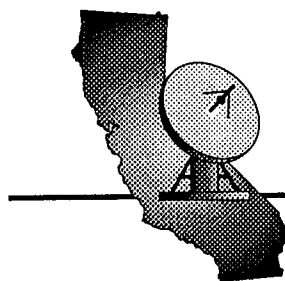
Marketing and promotion relied on local media, primarily print and radio. Our patron survey responses showed a parallel between media purchases and patron awareness of the event.

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 and the Arizona Chamber of Commerce. The results appear in the *Patron Survey Demographic Analysis*.

The *Revenue (Expense) Analysis* shows revenue and expenses for the Blythe test. The net losses shown for the Fair/CARF and the Simulcast Operator included a one-time set-up cost.

We concluded the attendance and handle at Blythe do not justify installation of a satellite wagering facility. The primary considerations in this decision are 1) net profitability to the Fair, including operating expenses and debt service, 2) coverage of expenses to Simulcast Organization, 3) revenue to the State of California, horsemen, and racing associations, and 4) the desire of the Fair and local community for such an enterprise. Future developments in automated systems, and in personnel requirements may allow reconsideration of this conclusion.



Satellite Wagering Marketing Test

Blythe

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 use of horseracing revenue in support of Fair agricultural activities. California law recognizes the agricultural foundations of horse breeding,

training, and racing when it ties 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), the California Department of Food and Agriculture (CDFA), and the Department 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 under California statutes.

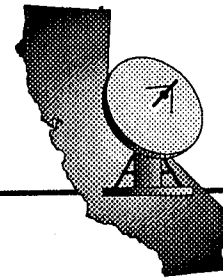
Several important considerations determined candidate sites.

- 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 Colorado River Country Fair Board of Directors, Fair General Manager Jay L. Abbs, Fair staff, Riverside County Sheriffs Department, California Horse Racing Board, California Horsemen Benevolent and Protective Association, and the Los Angeles Turf Club.

Satellite Wagering Marketing Test



Blythe

Population

Blythe: 16,969 (31.6% increase over 1980)

Riverside County: 1,144,350 (11.68% increase over 1989)

Median age for the population of Riverside County is 31

Colorado River Country Fair, Blythe

1991 Fair Attendance: 13,572

Major Buildings: 1 containing 10,000 square feet

Parking: 198 (surfaced) plus 1,000 (unsurfaced)

Dates of Fair: April 9 - April 12, 1992

Site Profile

Growth

Blythe, incorporated on July 21, 1916, is located on the California/Arizona border. Blythe is in the Palo Verde Valley along the Colorado River, 227 miles east of Los Angeles, 626 miles southeast of San Francisco, and 150 miles west of Phoenix, Arizona. Population growth is projected at approximately 14% by 1995, primarily as a result of the personnel needed to operate the new state prison north of Blythe.

Local Economy

Agriculture is currently the largest sector of employment in the Blythe economy with approximately 93,000 acres currently under cultivation, irrigated by the Colorado River. The second largest sector is the service industry which includes motels, restaurants, and campgrounds. Blythe is the second largest port of entry in California with well over one million motor vehicles entering the portal annually. Blythe is located on the Colorado River and facilities are available for water sports, a major tourist attraction. The Chuckawalla State Prison is the largest single employer in the Palo Verde Valley. Riverside County cites a total labor force as of February 1991 of 492,100 with an unemployment rate of 11.0%. Local unemployment is related to agriculture and varies seasonally.

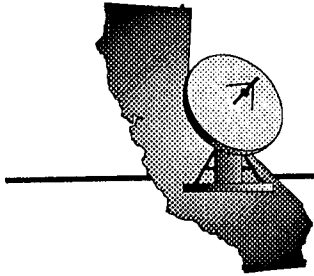
Proximity to Other Satellite Wagering Markets

Blythe is located approximately 120 miles east of the Desert ExpoCentre and the Cabazon Indian Gaming and Bingo Palace, both in Indio.

County

Riverside County consists of 7,243 square miles, ranging from areas of large urban growth, rich productive agricultural land, and rural desert.

The county is located in Southern California, bordering San Bernardino County on the North, San Diego and Imperial Counties on the South, Orange County on the West, and the State of Arizona on the East.

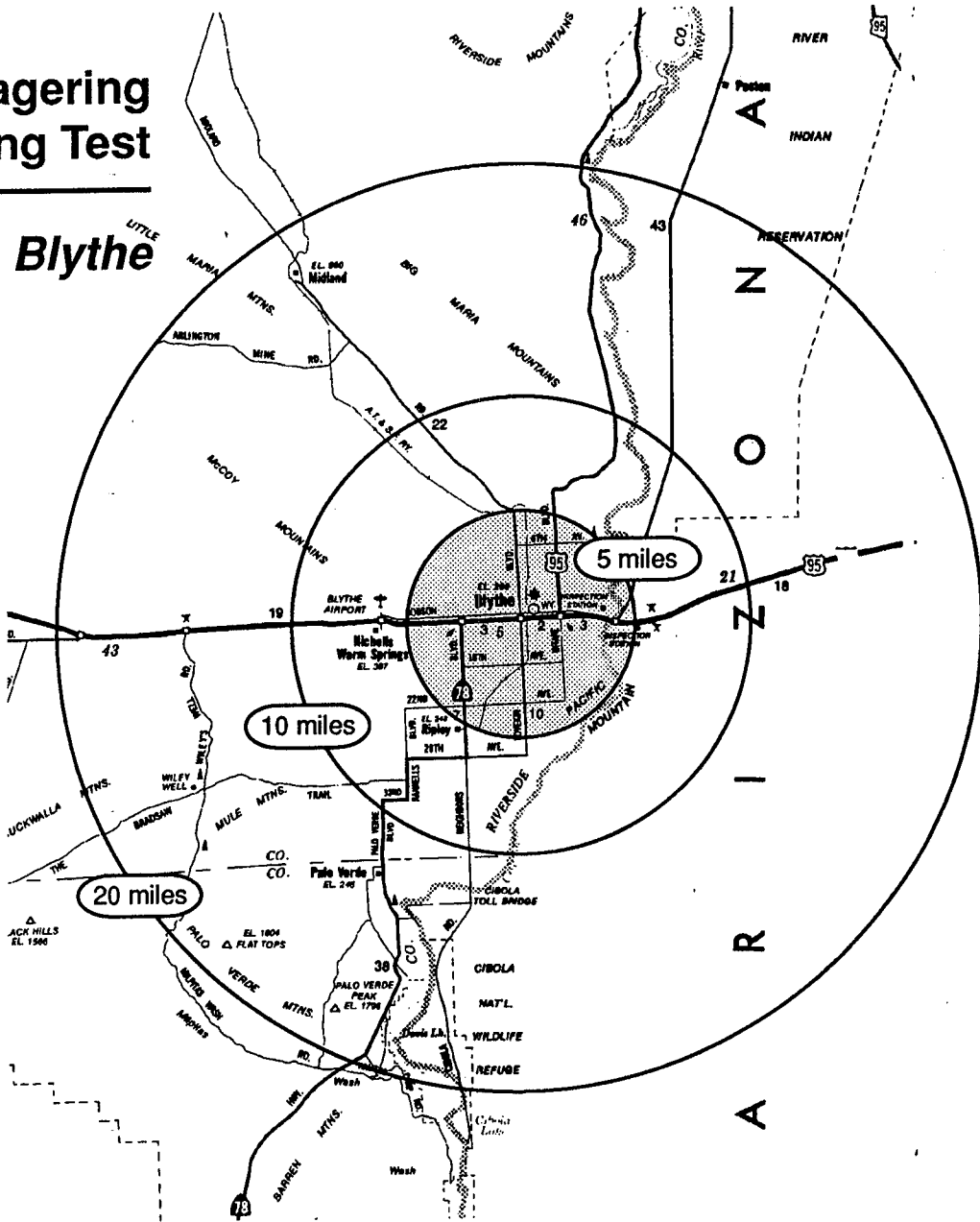


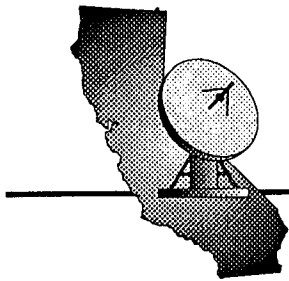
Satellite Wagering Marketing Test

PATRON SURVEY RESPONSE

Blythe, California	78.82%
Earp/Big River, California	3.28%
Ehrenberg, Arizona	2.40%
Lake Havasu, Arizona	2.18%
Ripley, California	1.75%
Quartzsite, Arizona	1.75%
San Bernardino, California	1.31%
Sedona, Arizona	1.09%
Phoenix, Arizona	1.09%
La Mesa, California	0.87%

REGIONAL MAP





Satellite Wagering Marketing Test

Blythe

Dates of Test: Jan. 30 - Feb. 18, 1991
Days of Test: 16 Racing Days
Race Meet: LA Turf Club @ Santa Anita
Average Daily Handle: \$5,429
Average Daily Attendance: 45
Per Capita: \$120.64

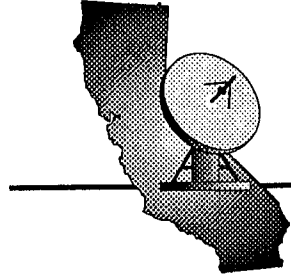
Regional Operations Report

	Host Track	ADA	ADA Trend	ADH	ADH Trend	Per Capita
Desert Expocentre, Indio						
12/26/90 - 01/27/91 (Baseline)	Santa Anita	313		83,188		266.14
01/30/91 - 02/18/91 (Test Period)	Santa Anita	328	4.93%	92,859	11.63%	283.11
02/20/91 - 03/17/91	Santa Anita	348	6.10%	99,234	6.87%	285.16
12/26/90 - 04/22/91 (Entire Meeting)	Santa Anita	328		95,241		290.80
Cabazon Indian Gaming & Bingo Palace, Indio						
12/26/90 - 01/27/91 (Baseline)	Santa Anita	139		28,546		205.36
01/30/91 - 02/18/91 (Test Period)	Santa Anita	192	38.13%	42,188	47.79%	219.73
02/20/91 - 03/17/91	Santa Anita	193	0.52%	38,250	-9.33%	198.19
12/26/90 - 04/22/91 (Entire Meeting)	Santa Anita	175		36,346		207.36

This spreadsheet charts 1991 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 Blythe, we examined figures for the Desert ExpoCentre (Indio) and

the Cabazon Indian Gaming and Bingo Palace (Cabazon). Using as a baseline reference the figures for four weeks prior to the test period, the chart reveals an upward trend in Average Daily Attendance, both at Indio and Cabazon, during the test. Average Daily Handle figures

also show an increase at both sites during the test period. For comparison, we also show ADA and ADH during the entire Santa Anita meeting.



Satellite Wagering Marketing Test

Blythe

BUDGET	\$10,000.00
Newspaper Ads	\$5,912.62
Flyers/Poster	\$461.44
Radio	\$2,615.25
Total Expenditure	\$8,989.31

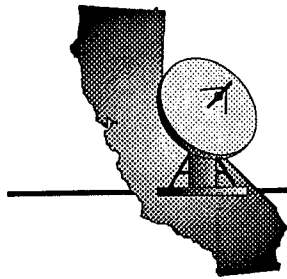
Marketing and Promotion

Medium	Circulation	Quantity	Frequency	\$ \$ Spent	% Total \$ \$ Spent	% Patron Response
<i>Flyers</i>						
SWF & Snowbird Info Ctr	300	10,300 copies		\$461.44	5.13%	10.92%
<i>Newspapers</i>						
Imperial Valley Press	20,500	22 column-inches	2 x week for 21 days	\$1,543.30	65.77%	44.64%
Palo Verde Valley Times	4,500	22 column-inches	2 x week for 17 days	\$1,078.79		
Yuma Daily Sun	30,000	22 column-inches	1 x week for 16 days	\$961.62		
White Sheets	41,500	22 column-inches	5 x week for 20 days	\$951.49		
Quartzsite Gem	5,000	22 column-inches	1 x week for 22 days	\$874.72		
Parker Pioneer	5,500	27 column-inches	1 x week for 23 days	\$502.70		
<i>Radio</i>						
KROP, Imperial Valley	25,000	64 :30 second spot	2 x day for 32 days	\$724.80	29.09%	22.03%
KJMB & KBUX, Blythe	35,000	288 :30 second spot	9 x day for 32 days	\$1,292.60		
KLPZ, Parker	10,000	96 :30 second spot	3 x day for 32 days	\$597.85		
<i>Word of Mouth / Misc</i>					0.00%	22.41%

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. Print media and radio represented our primary focus for advertising in the Blythe area.

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 a parallel to the proportions of media purchases.

Press relations were excellent. The local *Palo Verde Valley Times* featured several prominent stories.



Satellite Wagering Marketing Test

Blythe

MARKET AREA POPULATION GROWTH

	1980-89	1995 Projected
Blythe, California	31.60%	19,415
Earp/Big River, California.....	43.69%	1,263
Ehrenberg, Arizona		
Lake Havasu, Arizona	53.10%	26,275
Ripley, California	39.42%	1,924
Quartzsite, Arizona		
San Bernardino, California	14.50%	211,771

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
92225	Blythe, Ca	16,969	31.60%	5,713	28.9	\$24,882	1,683	958	19,415	78.82%
92242	Earp/Big River, Ca	1,069	43.69%	481	51.3	\$18,825	183	28	1,263	3.28%
85334	Ehrenberg, Az	1,226		471	32.7					2.40%
86403	Lake Havasu, Az	24,363	53.10%	9,919	44.8	\$17,371	3,295	206	26,275	2.18%
92272	Ripley, Ca	1,666	39.42%	520	27.6	\$16,632	243	83	1,924	1.75%
85359	Quartzsite, Az	1,876	57.30%	968	63.1					1.75%
92404	San Bernardino, Ca	51,561	14.50%	19,930	35.0	\$33,798	3,674	5,503	55,033	1.31%
86336	Sedona, Az	7,720	45.10%	3,821	51.9	\$14,012	1,127	96	10,070	1.09%
85021	Phoenix, Az	983,403	24.50%	369,921	31.1	\$17,419	152,072	12,825	1,069,900	1.09%
92041	La Mesa, Ca	46,174	26.69%	18,682	37.7	\$36,433	3,437	6,323	49,041	0.87%

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 and the Arizona Chamber of Commerce.

The table above charts a demographic profile of our patrons in this market area. Most notable is the rate of population growth. Census projections show little slowdown, as the 1995 population estimate indicates.

Revenue (Expense) Analysis

Blythe

	Fair/CARF ¹	SCOTWInc ²	State	Assoc.	Horsemen	Local Govt.	UC Davis	Totals
Handle Revenue								
Commissions/Fees/Purses	1,737.36	2,171.70	2,669.57	3,023.78	3,023.78	286.66	86.87	12,999.71
Promotion		868.68						868.68
Stable/Van/Brdrs Awards				677.57	347.47			1,025.04
Total Handle Revenues								14,893.44
Other Revenue								
Concessions	698.00							698.00
Programs/Racing Forms	1,202.00							1,202.00
SCOTW Inc Promo Contribution	5,000.00							5,000.00
Total Other Revenues								6,900.00
Total Revenues	8,637.36	3,040.38	2,669.57	3,701.35	3,371.25	286.66	86.87	21,793.44
(Revenue figures unaudited)								
Expenses								
Administration								
Salaries/Clerical	(4,333.00)							(4,333.00)
Shipping & Supplies	(45.74)							(45.74)
Travel/Meals/Lodging	(3,647.42)							(3,647.42)
Capitalization								
Building	(5,431.61)							(5,431.61)
Furniture	(135.00)							(135.00)
TV/Downlink Equipment	(2,387.65)							(2,387.65)
Operations								
Installation/Janitorial	(120.45)							(120.45)
Security	(10,097.91)							(10,097.91)
Utilities	(1,548.30)							(1,548.30)
Programs/Racing Forms								
Seller	(1,110.00)							(1,110.00)
Program Cost	(404.00)							(404.00)
Racing Form	(1,664.00)							(1,664.00)
Promotion/Marketing	(3,989.31)	(5,000.00)						(8,989.31)
Parimutuels								
Clerks' Wages/Benefits		(11,027.00)						(11,027.00)
Data Lines/Telephone		(1,237.00)						(1,237.00)
Totalisator		(278.00)						(278.00)
Armored Car								0.00
Uplink/Encryption		(1,696.00)						(1,696.00)
Total Expenses	(34,914.39)	(19,238.00)	0.00	0.00	0.00	0.00	0.00	(54,152.39)
Net Revenue (Loss)	(26,277.03)	(16,197.62)	2,669.57	3,701.35	3,371.25	286.66	86.87	(32,358.95)

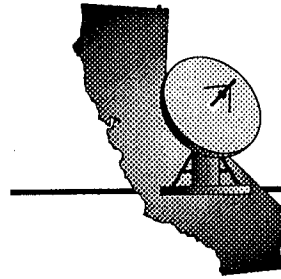
Net Revenue (Expense) Summary

Fair/CARF	(26,277.03)	(45.74)
SCOTW Inc.	(16,197.62)	(3,647.42)
State	2,669.57	(5,431.61)
Association	3,701.35	(135.00)
Horsemen	3,371.25	(2,387.65)
Local Government	286.66	
UC Davis	86.87	(120.45)
Net Revenue (Loss)	(32,358.95)	(10,097.91)
		(1,548.30)

This analysis details income and costs for the Blythe 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 \$32,358.95.

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

² Southern California Off-Track Wagering, Inc.



Satellite Wagering Marketing Test

Blythe

Conclusion

Operations

Test operations at Blythe proceeded smoothly and without incident. Excellent cooperation from AmTote and Parimutuels Guild Local 280 assisted in this success. Colorado River Country Fair Directors, Management, and Staff made valuable contributions to the effort.

Regional Market Effect

We found little significant effect on existing satellite wagering operations in the region. Analysis of Average Daily Handle and Attendance figures at the Desert ExpoCentre in Indio and the Cabazon Indian Gaming and Bingo Palace, also in Indio, during and after the Blythe test, revealed little variation from the baseline reference.

Effect on Live Racing

We considered the Blythe site too geographically distant from existing tracks to have any deleterious effects on live racing.

Evaluation

The attendance and handle do not justify a satellite wagering site at Blythe 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 Blythe do not presently warrant further development. Several primary issues were considered in this decision.

- Net profitability to the Fair, including operating expenses and debt service
- Coverage of expenses to Simulcast Organization
- Revenue to the State of California, horsemen, and racing associations
- Desire of the Fair and local community for such an enterprise

The Average Daily Attendance of 45 does not indicate community interest and the presence of a sufficient core patron base. Daily per capita wagered at Blythe (\$120.64) compared with the overall network per capita (\$195.50) reinforces this conclusion.

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

- Population in this market area is growing rapidly at a steady rate.
- Developments in automated systems and personnel requirements might permit a self-sustaining operation of this size.