

**Satellite Wagering  
Marketing Test**

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***Chico***

**October 23 through November 11, 1991**



**California Authority  
of Racing Fairs**





*This report prepared by*  
**Christopher Korby**

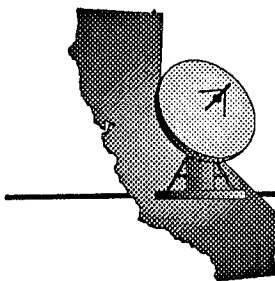
*Document prepared by*  
Mona Goodwin



**Henry Voss, Director**  
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# Satellite Wagering Marketing Test

**Chico**

## 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 Silver Dollar Fairgrounds in Chico from October 23 through November 11, 1991.

This study was designed as a market test under actual operating conditions for prospective future satellite wagering sites. Sites were selected after review of 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 Chico, seat of rapidly growing Butte County in California's Central Valley, as the seventh test location. Our test lasted three weeks. Daily attendance during the test averaged 125 and the daily handle averaged \$21,672.31, for a per-capita of \$172.77. Survey information indicated a core patron base within

a 15 mile radius of Chico. 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. Cal Expo (Sacramento) showed an upward trend in Average Daily Handle and Average Daily Attendance. Shasta District Fair (Anderson) showed a decrease in handle and an increase in attendance.

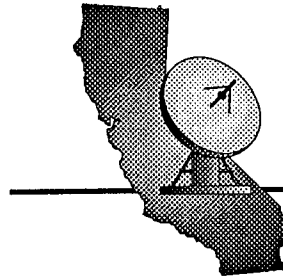
Marketing and promotion relied on local media, primarily print and radio. Our patron survey responses showed a parallel between media purchases and patron awareness of the event.

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. The results appear in the *Patron Survey Demographic Analysis*.

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

We concluded that the attendance and handle at Chico do not presently 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 the 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

*Chico*

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## 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) and the 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 under California statutes.

Several important considerations determined candidate sites

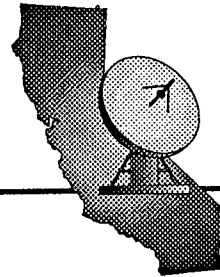
- Prospects for enhancement of wagering revenues with no deleterious impact on live racing
- Prospects for growth in area
- Demographic considerations
- Proximity to existing facilities

### *Special Thanks*

This marketing test could not have proceeded as well as it did without the Silver Dollar Fair Board of Directors, Fair General Manager Tom DiGrazia, Fair staff, Butte County Sheriffs Department, California Horse Racing Board, California Horsemen Benevolent and Protective Association, and Bay Meadows Race Course.

# Satellite Wagering Marketing Test

**Chico**



## **Population**

*Chico: 39,350 (8.5% increase over 1989)*

*Butte County: 182,100 (3.0% increase over 1989)*

*Median age for the population  
of Butte County is 32.35*

## **Silver Dollar Fair, Chico**

*1991 Fair Attendance: 90,932*

*Major Buildings: 4 containing 76,000 square feet*

*Parking: 1,500 (surfaced) plus 1,800 (unsurfaced)*

*Dates of Fair: May 22 - May 27, 1991*

## **Site Profile**

### **County**

Butte County consists of 1,665 square miles, ranging from areas of large urban growth, rich productive agricultural land, and recreational areas. Oroville is the county seat.

The county is located in the northern end of California's Central Valley. It is bordered by Tehama County on the northwest, Lassen County on the east, Yuba County on the south, and Glenn County on the west.

### **Growth**

Chico, incorporated on January 8, 1872, is located at the northern end of California's Central Valley. Chico is 110 miles north of Sacramento and 21 miles northwest of Oroville on State Highway 99. Population growth is projected at approximately 8.4% by 1995.

### **Local Economy**

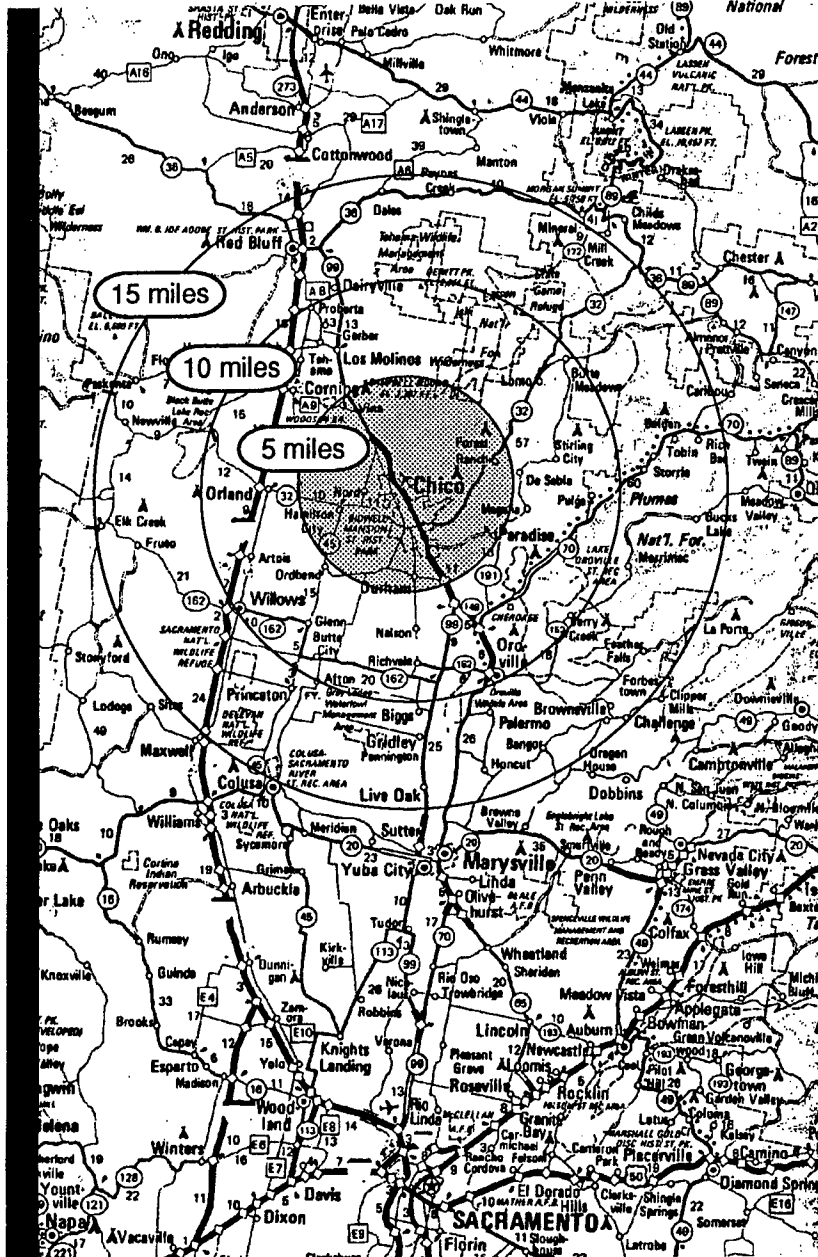
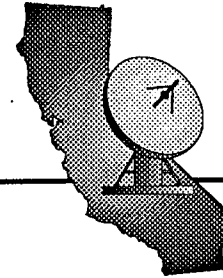
Historically, agriculture has been the largest economic base for Butte County. At present, agriculture encompasses about 44% of the land area. However, the current economic trend and population migration has been towards the urban areas where residential construction, services, and retail trade are a growing force. California State University at Chico is the largest employer in the County. Recreation and tourism is also a major source of income with over 1.5 million acres of Federal, State, and County Parks, as well as 22,000 acres of lakes and reservoirs available for fishing and boating.

### **Proximity to Other Satellite Wagering Markets**

Chico is located approximately 45 miles southeast of Shasta District Fair in Anderson and 110 miles north of Cal Expo in Sacramento.

# Satellite Wagering Marketing Test

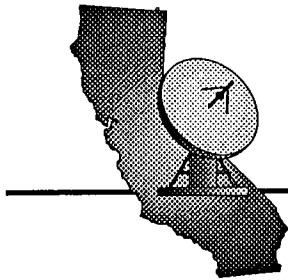
*Chico*



## PATRON SURVEY RESPONSE

Chico .....	42.79%
Paradise .....	19.35%
Magalia .....	15.82%
Yuba City .....	3.67%
Hamilton City .....	3.39%
Oroville .....	3.11%
Colusa .....	1.41%
Berry Creek .....	1.13%
Marysville .....	0.85%
Durham .....	0.85%
Butte City .....	0.85%
Orland .....	0.71%

## REGIONAL MAP



# Satellite Wagering Marketing Test

**Chico**

Dates of Test: Oct. 23 - Nov. 11, 1991  
 Days of Test: 16 Racing Days  
 Race Meet: Bay Meadows  
 Average Daily Handle: \$21,672  
 Average Daily Attendance: 125  
 Per Capita: \$172.77

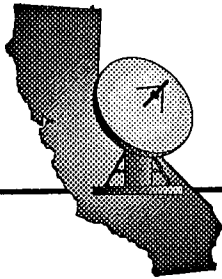
## Regional Operations Report

	Host Track	ADA	ADA Trend	ADH	ADH Trend	Per Capita
<b>Cal Expo, Sacramento</b>						
10/02/91 - 10/20/91 (Baseline)	Bay Meadows	777		135,496		174.46
10/23/91 - 11/11/91 (Test Period)	Bay Meadows	860	10.75%	165,543	22.18%	192.46
11/13/91 - 12/01/91 (Post Test Period)	Bay Meadows	793	2.08%	156,081	15.19%	196.87
08/21/91 - 01/27/92 (Entire Meeting)	Bay Meadows	780	0.49%	146,006	7.76%	187.07
<b>Shasta District Fair, Anderson</b>						
10/02/91 - 10/20/91 (Baseline)	Bay Meadows	107		17,139		159.78
10/23/91 - 11/11/91 (Test Period)	Bay Meadows	110	2.49%	15,632	-8.79%	142.19
11/13/91 - 12/01/91 (Post Test Period)	Bay Meadows	115	7.27%	15,677	-8.53%	136.25
08/21/91 - 01/27/92 (Entire Meeting)	Bay Meadows	117	8.79%	16,587	-3.22%	142.14

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 Chico, we examined figures for Cal Expo (Sacramento) and Shasta

District Fair (Anderson). Using as a baseline reference the figures for three weeks prior to the test period, the chart reveals an upward trend in Average Daily Attendance, both at Sacramento and Anderson, during the test. Average Daily Handle figures show an increase

at Cal Expo (Sacramento) and a decrease at Shasta District Fair (Anderson) during the test period. For comparison, we also show ADA and ADH during the entire Bay Meadows meeting.



# Satellite Wagering Marketing Test

**Chico**

BUDGET .....	\$5,000
Newspaper Ads .....	\$3,165.72
Radio .....	\$1,310.00
Giveaways .....	\$140.00
Other Promotion .....	\$7.50
Total Expenditure .....	\$4,623.22

## Marketing and Promotion

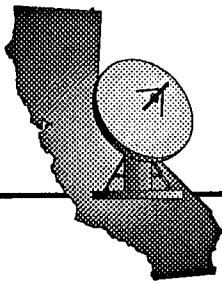
Medium	Circulation	Quantity	Frequency	\$\$ Spent	% Total \$\$ Spent	% Patron Response
<i>Flyers/Poster</i>						
Facility Handout	300	300 copies		\$7.50	0.16%	9.73%
<i>Newspapers</i>						
Chico Enterprise Record	30,180	11 column-inches	2 x week for 15 days	\$1,306.80	68.47%	50.00%
Yuba Sutter Democrat	25,613	11 column-inches	1 x week for 15 days	\$554.85		
Oroville Mercury Register	9,070	11 column-inches	1 x week for 15 days	\$391.34		
Paradise Post	8,363	11 column-inches	1 x week for 15 days	\$381.05		
Colusa Sun Herald	3,038	11 column-inches	1 x week for 15 days	\$203.68		
Chico State Orion	21,000	11 column-inches	1 x week for 15 days	\$161.76		
Daily Racing Form	24,000	11 column-inches	1 x week for 1 day	\$166.24		
<i>Radio &amp; Television</i>						
KFMF (FM), Chico		1 :30 second spot	2 x day for 10 days	\$450.00	28.34%	10.10%
KPAY (AM), Chico		1 :30 second spot	2 x day for 10 days	\$360.00		
KUBA (AM), Yuba City		1 :30 second spot	3 x day for 10 days	\$300.00		
KHSL (AM), Chico		1 :30 second spot	3 x day for 6 days	\$200.00		
<i>Other</i>						
Voucher Giveaways / Word of Mouth		1 \$10 drawing	1 x day for 14 days	\$140.00	3.03%	30.17%

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.

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 Chico Enterprise Record featured several prominent stories about the project.





# Satellite Wagering Marketing Test

**Chico**

## MARKET AREA POPULATION GROWTH

	1980-89	1995 Projected
Chico .....	23.50%	56,578
Paradise .....	19.50%	28,742
Magalia .....	25.75%	7,985
Chico .....	36.32%	28,798
Hamilton City .....	13.16%	2,113
Oroville .....	27.28%	31,228
Yuba City .....	26.70%	33,189

## 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
95926	Chico	52,151	23.50%	21,657	33.0	\$26,400	6,379	4,442	56,578	27.54%
95969	Paradise	26,956	19.50%	11,610	41.2	\$21,800	3,761	1,355	28,742	19.35%
95954	Magalia	7,268	25.75%	3,144	53.8	\$23,619	797	325	7,985	15.82%
95928	Chico	25,350	36.32%	10,074	27.3	\$22,723	3,513	1,525	28,798	15.25%
95951	Hamilton City	1,987	13.16%	702	31.5	\$18,260	290	30	2,113	3.39%
95966	Oroville	28,453	27.28%	11,172	36.3	\$23,164	3,632	1,717	31,228	3.11%
95993	Yuba City	17,742	17.88%	6,504	33.3	\$34,002	1,217	1,869	18,773	1.98%
95991	Yuba City	30,041	26.70%	12,381	32.5	\$24,561	3,791	2,320	33,189	1.69%
95932	Colusa	7,385	26.50%	2,810	33.2	\$27,723	776	555	8,148	1.41%
95916	Berry Creek	935	26.53%	371	38.5	\$19,736	149	39	1,019	1.13%
95901	Marysville	36,760	19.08%	14,682	31.8	\$21,753	5,256	2,079	39,653	0.85%
95938	Durham	3,527	26.06%	1,291	35.8	\$29,514	236	297	3,841	0.85%

We conducted daily prize drawings, for which our patrons filled out a short questionnaire. When completed, these questionnaires yielded basic analytical data, and 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 resulting table, above, charts a demographic profile of our patrons in this market area. Most notable is the sustained rate of population growth. Census projections show no slowdown, as the 1995 population estimate indicates.

# Revenue (Expense) Analysis

**Chico**

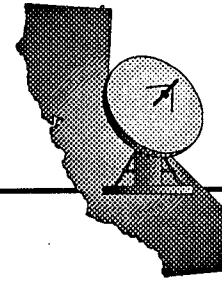
	Fair/CARF <sup>1</sup>	Simulcast	State	Assoc.	Horsemen	Local Govt.	UC Davis	Totals
<b>Handle Revenue</b>								
Commissions/Fees/Purses	6,660.97	7,436.50	12,031.28	13,603.07	13,213.22	1,135.55	322.92	54,403.51
Promotion	1,937.62							1,937.62
Stable/Van/Brdrs Awards				1,291.78	1,607.44			2,899.22
<b>Total Handle Revenues</b>								<b>59,240.34</b>
<b>Other Revenue</b>								
Parking/Admissions	0.00							0.00
Concessions	2,125.00							2,125.00
Programs/Racing Forms	4,476.25							4,476.25
<b>Total Other Revenues</b>								<b>6,601.25</b>
<b>Total Revenues</b>	<b>15,199.84</b>	<b>7,436.50</b>	<b>12,031.28</b>	<b>14,894.85</b>	<b>14,820.66</b>	<b>1,135.55</b>	<b>322.92</b>	<b>65,841.59</b>
(Revenue figures unaudited)								
<b>Expenses</b>								
<b>Administration</b>								
Salaries/Clerical	(4,333.00)	(34.55)						(4,367.55)
Shipping & Supplies	(12.87)							(12.87)
Travel/Meals/Lodging	(2,784.00)							(2,784.00)
<b>Capitalization</b>								
Building	(1,772.92)							(1,772.92)
Furniture	0.00							0.00
TV/Downlink Equipment	(2,468.98)							(2,468.98)
<b>Operations</b>								
Installation/Janitorial	(115.50)							(115.50)
Security	(3,473.46)							(3,473.46)
Utilities	(1,553.51)							(1,553.51)
<b>Programs/Racing Forms</b>								
Seller	(1,010.00)							(1,010.00)
Program Cost	(2,500.00)							(2,500.00)
Racing Form	(2,584.85)							(2,584.85)
Promotion/Marketing	(4,623.22)							(4,623.22)
<b>Parimutuels</b>								
Clerks' Wages/Benefits		(9,287.62)						(9,287.62)
Data Lines/Telephone		(1,447.34)						(1,447.34)
Totalisator		(1,265.66)						(1,265.66)
Armored Car		0.00						0.00
Uplink/Encryption		(509.12)						(509.12)
<b>Total Expenses</b>	<b>(27,232.31)</b>	<b>(12,544.29)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(39,776.60)</b>
<b>Net Revenue (Loss)</b>	<b>(12,032.47)</b>	<b>(5,107.80)</b>	<b>12,031.28</b>	<b>14,894.85</b>	<b>14,820.66</b>	<b>1,135.55</b>	<b>322.92</b>	<b>26,064.99</b>

**Net Revenue (Expense) Summary**

Fair/CARF	(12,032.47)	(12,032.47)
Simulcast Operator	(5,107.80)	(5,107.80)
State	12,031.28	12,031.28
Association	14,894.85	14,894.85
Horsemen	14,820.66	14,820.66
Local Government	1,135.55	1,135.55
UC Davis	322.92	322.92
<b>Net Revenue (Loss)</b>	<b>26,064.99</b>	<b>(1,553.51)</b>

This analysis details income and costs for the Chico test. Although several statutory beneficiaries of handle distribution show net gains, the Fair/CARF and Simulcast Operator show net losses.

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



# Satellite Wagering Marketing Test

*Chico*

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## Conclusion

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### *Operations*

Test operations at Chico proceeded smoothly and without incident. Excellent cooperation from AutoTote and Parimutuels Guild Local 280 assisted in this success. Silver Dollar 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 Cal Expo in Sacramento and Shasta District Fair in Anderson, during and after the Chico test, revealed little variation from normal fluctuations.

### *Effect on Live Racing*

We considered the Chico 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 Chico under present circumstances. Even before consideration of the capital investments required, projected revenues would not exceed projected operating expenses. If overall profitability is considered the

criterion, conditions at Chico 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 the 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 125 indicates insufficient community interest and the current presence of a sufficient core patron base. Daily per capita wagered at Chico (\$172.77) compared with the overall network per capita (\$187.66) reinforces this conclusion.

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

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