

Satellite Wagering
Marketing Test

Turlock
October 17 through November 12, 1990





This report prepared by
Christopher Korby

Document prepared by
Mona Goodwin



Henry Voss, Director
Robert Fox, Chief Deputy Director

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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 Stanislaus County Fairgrounds in Turlock from October 17 through November 12, 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 Turlock, seat of rapidly growing Stanislaus County in California's Central Valley, as the third test location. Our test lasted four weeks. Daily attendance during the test averaged 361 and the daily handle averaged \$35,753, for a per-capita of \$99. Survey information indicated a core patron base within a fifteen mile radius of Turlock; this informa-

tion appears in the Site Profile and Regional Map.

The Regional Operations Report charts trends at nearby satellite facilities before, during, and after the test period. The two nearest sites, San Joaquin County Fair (Stockton) and Fresno District Fair (Fresno), showed an upward trend in Average Daily Handle and Average Daily Attendance during the Turlock test.

Marketing and promotion relied on local media, primarily print. Our patron survey responses showed a close 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 sustained population growth in this market area over the last decade is notable.

The Revenue (Expense) Analysis shows income and expenses for the Turlock test. The net losses shown for the Fair/CARF and the Simulcast Operator included one-time set-up costs that were being paid down relatively quickly. The net gains to other beneficiaries of handle distribution were substantial enough to create a net revenue of \$83,934.23.

We concluded the attendance and handle at Turlock may justify installation of a satellite wagering facility. The primary considerations in this decision will be 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. The Average Daily Attendance (361), and per capita wagered (\$99), indicated probability for growth potential in this market.



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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 California Department of Food and Agriculture (CDFA), 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 pro-

ceeded as well as it did without the Stanislaus County Fair Board of Directors, Fair General Manager Robert Walker, the Turlock Chief of Police John Johnson, Police Sergeant Jim Howard, the California Horse Racing Board, the California Horsemen Benevolent and Protective Association, and Bay Meadows Racing Association.

Satellite Wagering Marketing Test



Turlock

Population

Turlock: 42,217 (5.6% increase over 1989)

Stanislaus County: 369,027 (5.2% increase over 1989)

Median age for the population of Stanislaus County is 31.4

Stanislaus County Fair, Turlock

1990 Fair Attendance: 258,127

Major Buildings: 5 containing 45,450 square feet

Parking: 4000 (surfaced) plus 3,600 (unsurfaced)

Dates of Fair: July 25 - August 1, 1991

Site Profile

Growth

Turlock is located in the heart of Central California on Interstate Highway 99, 15 miles east of Interstate Highway 5. Annual population growth of approximately 5% is projected into the next decade. The regional growth has occurred in Patterson, Sonora, Modesto, and Merced, cities which surround Turlock. Steady growth has created jobs in the construction, service, and manufacturing sectors.

Local Economy

Turlock is a regional, agricultural products processing center with increasing diverse industrial and commercial development. There are over 150 manufacturing plants in the Turlock area. Poultry processing is the leading endeavor in the area's agricultural economy. Stanislaus County cites a total labor force in September 1990 of 167,100 with an unemployment rate of 8.9%. Local unemployment is related to agriculture and varies seasonally.

Proximity to Other Satellite Wagering Markets

Turlock is located approximately 45 miles southeast of San Joaquin County Fair in Stockton and 80 miles northwest of the Fresno District Fair in Fresno.

County

Stanislaus County consists of 1,521 square miles, much of which is in agricultural production.

The county is located in Central California, bordering San Joaquin County on the North, Merced County on the South, Santa Clara County on the West, Tuolumne County on the Northeast, and Mariposa County on the Southeast.

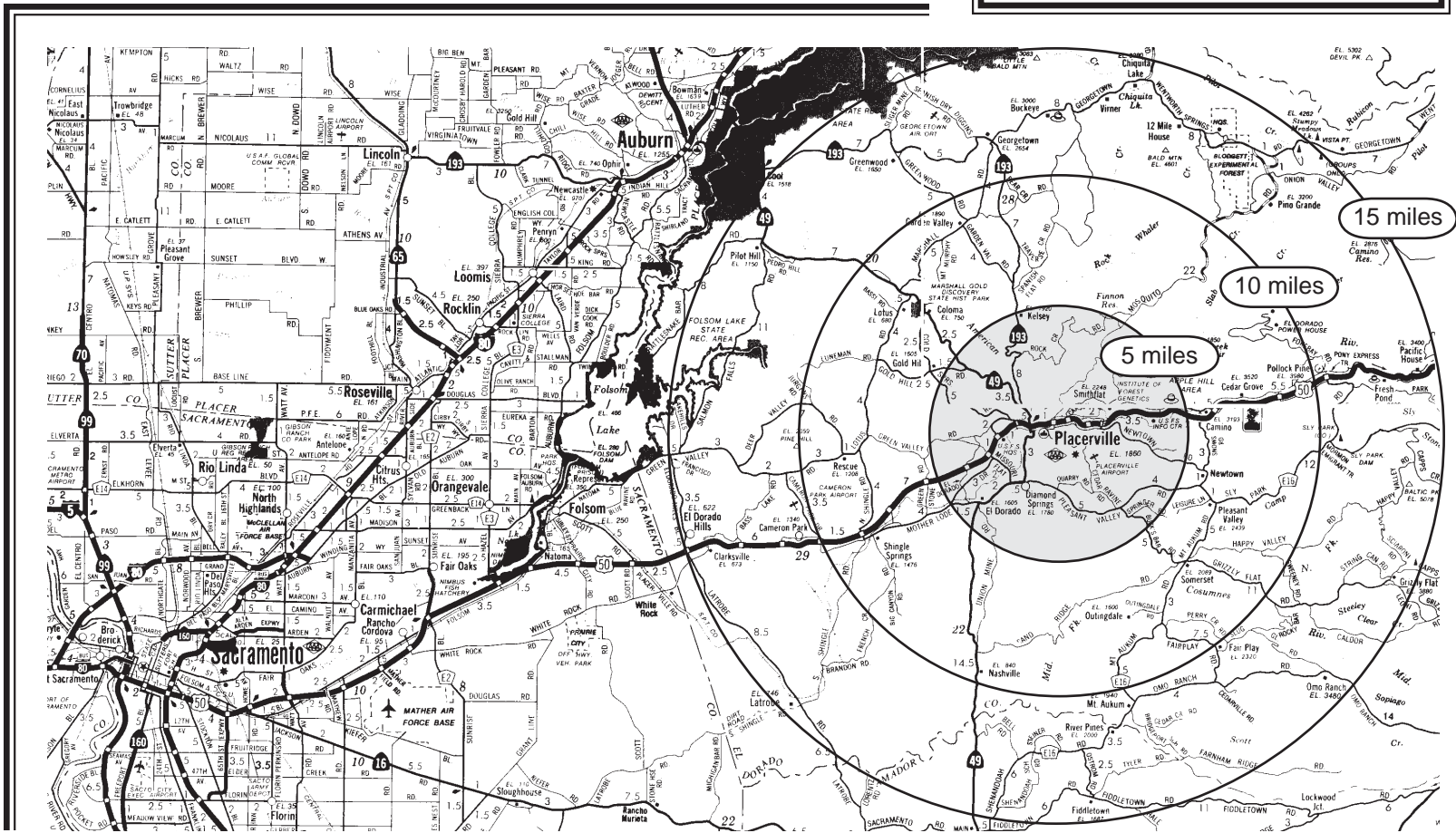


Satellite Wagering Marketing Test

Placerville

PATRON SURVEY RESPONSE	
Placerville.....	60.00%
Shingle Springs.....	9.53%
Cameron Park.....	8.14%
Auburn.....	6.98%
El Dorado Hills.....	3.72%
Coloma.....	2.79%
Georgetown.....	2.09%

R
E
M





Satellite Wagering Marketing Test

Turlock

Dates of Test: Oct. 17 - Nov. 12, 1990
 Days of Test: 21 Racing Days
 Race Meet: Bay Meadows
 Average Daily Handle: \$35,753
 Average Daily Attendance: 361
 Per Capita: \$99

Regional Operations Report

	Host Track	ADA	ADA Trend	ADH	ADH Trend	Per Capita
San Joaquin County Fair, Stockton						
08/29/90 - 10/14/90	Bay Meadows	518		79,935.15		154.31
10/17/90 - 11/12/90 (Test Period)	Bay Meadows	530	2.33%	94,037.00	17.64%	177.40
11/14/90 - 12/02/90	Bay Meadows	539	1.59%	89,288.14	-5.05%	165.80
08/29/90 - 01/21/91 (Entire Meeting)	Bay Meadows	552	2.53%	92,992.36	4.15%	168.43
Fresno District Fair, Fresno						
08/29/90 - 10/14/90	Bay Meadows	418		60,507.45		144.89
10/17/90 - 11/12/90 (Test Period)	Bay Meadows	462	10.74%	77,480.71	28.05%	167.53
11/14/90 - 12/02/90	Bay Meadows	438	-5.40%	68,413.59	-11.70%	156.37
08/29/90 - 01/21/91 (Entire Meeting)	Bay Meadows	445	1.79%	70,116.31	2.49%	157.45

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 Turlock, we examined figures for San Joaquin County Fair (Stockton) and Fresno

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

sites during the test period, which included the Breeders Cup. For comparison, we also show ADA and ADH at Fresno and Stockton during the entire Bay Meadows meeting.



Satellite Wagering Marketing Test

Turlock

BUDGET.....	\$5,000.00
Newspaper Ads	\$5,019.90
Flyers/Poster	\$104.56
Other Promotion	\$251.62
Total Expenditure.....	\$5,376.08

Marketing and Promotion

Medium	Circulation	Quantity	Frequency	% Total \$\$ Spent	% Patron \$\$ Spent	Response
Flyers	300	300 copies		\$104.56	1.94%	1.78%
Newspapers						
Modesto Bee	81,044	20 column-inches	3 x week for 22 days	\$3,746.31	93.37%	55.27%
Turlock Journal	11,000	12 column-inches	1 x week for 15 days	\$250.20		
Merced Sun Star	80,000	12 column-inches	1 x week for 15 days	\$865.44		
CSU Stanislaus Signal	14,000	12 column-inches	1 x week for 14 days	\$157.95		
Other Promotion						
Breeders Cup Posters Giveaway		50 Posters		\$126.82	2.36%	0.00%
Racing Form Giveaway		60 Racing Forms		\$124.80	2.32%	0.00%
Word of Mouth/Friends					0.00%	36.14%
Radio/Television					0.00%	4.05%
Miscellaneous					0.00%	2.76%

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 represented our primary focus for advertising in Turlock.

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 close parallel to the proportions of media purchases.

Press relations were excellent. The local Turlock Journal and the Modesto Bee both featured several prominent stories.



Satellite Wagering Marketing Test

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MARKET AREA POPULATION GROWTH	1995	
	1980-89	Projected
Modesto.....	36.61%.....	233,764
Turlock.....	44.50%.....	62,486
Ceres.....	48.61%.....	31,402
Oakdale.....	22.22%.....	22,164
Denair.....	11.28%.....	5,629
Hughson.....	11.11%.....	6,642
Atwater.....	29.37%.....	30,498

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
95380	Turlock	53,569	44.50%	19,868	31.9	\$25,857	5,874	3,725	62,486	29.22%
95351	Modesto	58,263	39.91%	19,940	29.5	\$20,333	7,813	2,002	66,969	15.10%
95355	Modesto	42,903	34.37%	15,257	32.7	\$35,325	2,420	4,291	47,832	8.77%
95350	Modesto	57,255	32.42%	21,403	34.2	\$32,616	4,319	5,679	63,932	8.77%
95354	Modesto	30,426	32.65%	12,927	34.1	\$23,550	4,340	1,814	34,346	6.33%
95307	Ceres	26,927	48.61%	9,492	31.1	\$24,975	2,684	1,350	31,402	6.17%
95361	Oakdale	20,463	22.22%	7,520	34.1	\$27,648	1,909	1,469	22,164	4.06%
95356	Modesto	18,091	43.69%	6,636	32.3	\$35,804	1,039	2,119	20,685	3.41%
95316	Denair	5,498	11.28%	1,769	30.1	\$31,933	287	338	5,629	2.76%
95326	Hughson	6,475	11.11%	2,111	30.2	\$28,539	516	381	6,642	2.27%
95301	Atwater	27,702	29.37%	9,167	28.4	\$26,594	1,906	1,564	30,498	1.62%
95340	Merced	57,386	37.17%	20,539	30.0	\$24,911	6,219	3,973	65,162	1.14%

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. Census projections show no slowdown, as the 1995 population estimate indicates.

Revenue (Expense) Analysis

Turlock

	Fair/CARF ¹	Simulcast	State	Assoc.	Horsemen	Local Govt.	UC Davis	Totals
Handle Revenue								
Commissions/Fees/Purses	14,700.24	17,218.35	24,809.98	30,181.77	29,914.29	2,465.98	720.33	120,010.94
Promotion	4,322.01							4,322.01
Stable/Van/Brdrs Awards				2,881.35	2,846.50			5,727.85
Total Handle Revenues								130,060.80
Other Revenue								
Parking/Admissions								0.00
Concessions	6,511.25							6,511.25
Programs/Racing Forms	3,837.50							3,837.50
Total Other Revenues								10,348.75
Total Revenues	29,371.00	17,218.35	24,809.98	33,063.12	32,760.79	2,465.98	720.33	140,409.55
(Revenue figures unaudited)								
Expenses								
Administration								
Salaries/Clerical	(3,333.00)	(182.72)						(3,515.72)
Shipping & Supplies	(372.92)							(372.92)
Travel/Meals/Lodging	(2,157.07)							(2,157.07)
Capitalization								
Building	(2,470.13)							(2,470.13)
Furniture	(278.56)							(278.56)
TV/Downlink Equipment	(2,387.65)							(2,387.65)
Operations								
Installation/Janitorial	(3,394.00)							(3,394.00)
Security	(7,161.24)							(7,161.24)
Utilities	(1,158.13)							(1,158.13)
Programs/Racing Forms								
Seller	(1,575.00)							(1,575.00)
Program Cost	(3,767.50)							(3,767.50)
Racing Form	(3,640.00)							(3,640.00)
Promotion/Marketing	(5,376.08)							(5,376.08)
Parimutuels								
Clerks' Wages/Benefits		(12,947.49)						(12,947.49)
Data Lines/Telephone		(1,504.71)						(1,504.71)
Totalisator		(3,696.72)						(3,696.72)
Armored Car		(45.00)						(45.00)
Uplink/Encryption		(1,027.40)						(1,027.40)
Total Expenses	(37,071.28)	(19,404.04)	0.00	0.00	0.00	0.00	0.00	(56,475.32)
Net Revenue (Loss)	(7,700.28)	(2,185.69)	24,809.98	33,063.12	32,760.79	2,465.98	720.33	83,934.23

Net Revenue (Expense) Summary

Fair/CARF.....	(7,700.28)	
Simulcast Operator.....	(2,185.69)	
State	24,809.98	
Association	33,063.12	
Horsemen	32,760.79	
Local Government	2,465.98	
UC Davis	720.33	
Net Revenue (Loss).....	83,934.23	

This analysis details income and costs for the Turlock test. The net losses shown for the Fair/CARF and Simulcast Operator included one-time set-up costs that were being paid down quickly. Net gains to other recipients of handle distribution were substantial enough to create a net revenue of \$83,934.23.

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



Satellite Wagering Marketing Test

Turlock

Conclusion

Operations

Test operations at Turlock proceeded smoothly and without incident. Excellent cooperation from AutoTote and Parimutuels Guild Local 280 assisted in this success. Stanislaus County 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 San Joaquin County Fair in Stockton and Fresno District Fair in Fresno, during and after the Turlock test, revealed little variation from the baseline reference.

Effect on Live Racing

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

Evaluation

Attendance and handle during our test period justify consideration of a satellite wagering facility at Turlock. Several primary issues must be 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 361 indicates good community interest and the presence of a core patron base. Daily per capita wagered at Turlock (\$99) compared with the overall network per capita (\$195)