

Fifth Annual Racing Congress

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Lessons From the NBA and Other Professional Sports

- **Dennis Robinson, New Jersey Sports and Exposition Authority**

Remarks Dennis R. Robinson

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■ Red marks indicate Power Point slides which can be found on the HTA Website at
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**WHAT THE RACING INDUSTRY CAN (MAKE THAT MUST) LEARN FROM THE NBA
AND OTHER PROFESSIONALLY MANAGED SPORTS INDUSTRIES**

Good morning. I want to thank Stan Bergstein for inviting me to address the Racing Congress. No one cares more deeply about our sport...and has done more to help educate its leaders than Stan so this is indeed truly a pleasure. ■(NJSEA)

As the CEO overseeing the entertainment businesses of the New Jersey Sports & Exposition Authority, including Meadowlands Racetrack and Monmouth Park, I have a front row seat to the on-going challenges facing the thoroughbred and standardbred industries.

This is my second stint at the Sports Authority... ■(NBA) I returned to the Authority after eight years as Senior Vice President of Business & League Operations for the National Basketball Association....I returned to take over an enterprise that had seen its racing business go from very profitable when I left to in the red for the bricks & mortar part of the business and this is despite seeing a rise in total handle last year for the total racing enterprise which includes internet wagering and our first Off-track wagering facility.

So I am either an executive who longed to take on a seemingly impossible challenge, i.e. restore racing to profitability in New Jersey or I'm a bit off my rocker...I'll let you decide but the honest answer is probably a little bit of both...

I will say this, I am not about to come here and lecture anyone about how they should implement the impossible.

but experience has taught me this....if we look at the great assets of our industry...including our instantly recognizable brands, we must be realistic..especially in the light of the national economy and the economic state of our industry, that no brand name no matter how historic or beloved is strong enough to prosper without adapting to changing realities....one thing I do know, is that business as usual is not the answer...

and perhaps, as we look for ways to position our industry for the long-term, absolute desperation may be the greatest motivator of all...to take action that is good for the industry and not just for a few that control our most recognizable brands... ■(?)

So what does this mean for racing? First, we can and should learn from the professional sports model...I believe they have learned a few things that can apply directly to racing.

1. They are clearly in the entertainment business...the competition goes well beyond other sports properties...and includes everything in which people spend their leisure time...How do we define our business? Racing, Sports, gaming, entertainment...perhaps all of the above
2. They are in the "big event" business...big events sell..and are important brand builders... but are only one small part of their business model...Professional sports are not simply defined by their big events... ■(Hambletonian) Is racing getting to the point that we are now simply defined by our big events? If so, we should rethink our direction.
3. Professional Sports are clearly in the star business...who are the world's most recognizable people? ■(Jordan, Woods, Phelps) Michael Jordan, Tiger Woods, Michael

Phelps, and then maybe the Pope, maybe Barack Obama? Professional sports stars have shelf life...they build an audience, they create fans...they drive stories...they create memories...I ask you, what do we do with our stars? Is what we do sustainable? Is what we do in the best long-term interests of the industry? I think not...

With these thoughts in mind, I have a simple marketing test for you:

When you go home, ask your 14 year old sports fan son, daughter, nephew or neighbor: who won the Indianapolis 500? I'll give you Super Bowl tickets next year if they know...has there been a more iconic event or brand in American sports than the 500?...**(Indy 500 winners)** and I bet the men in this room my age when they were 14 or 15 knew that AJ Foyt, Mario Andretti or Bobby Unser had won it..is it still a nationally televised event? Yes...is it still well attended...yes...is it iconic, memorable, sustainable and does it resonate in the market beyond the one day "big event"? **(Scott Dixon)** Absolutely not, as divisions of interests tore motor sports apart **(Boxing Logos)**

Want another example? Ask your kids who the heavyweight boxing champion of the world is...I don't know that one either...another sport where the warlords have crippled the nation...and as a result boxing has become a niche sport for those willing to cough up the money for pay-per-view? **(Boxing Champs)** Whatever happened to the days of Ali, Frazier, Norton, Spinks and Leonard, to name a few...The days when boxing received regular national television exposure...

okay so boxing survives...and auto racing survives..so racing will survive on some level...but is that our goal? To simply survive on the back of a few big events?

I would not take for granted that even our most iconic events will stay part of the fabric of American sport without more careful central planning...

And are we talking about an industry than can prosper...an industry than can adapt to a changing paradigm. For example, last year, in New Jersey, overall handle grew... **(Woodbrigde)** our new

off-track wagering facility and has proven to be very profitable and our internet platform is still growing and in the black, but our tracks themselves are bleeding...as a result...**■(Woodbridge again)** we now look at the live product as our loss leader and we look to increase our product distribution to offset the costs of putting on the live product...unfortunately, pricing practices in the industry do not want to treat live product supplier's OTW and Account wagering businesses differently.. we believe we should not be treated as if we are simply a distributor...but a provider of live product responsible for bricks & mortar...this is a perfect example of eating our own...

Complicating racing in New Jersey is the fact that we are surrounded by states with gaming options at their tracks,...which is a boon to their bottom lines, a boon to their purses but are racinos helping create the next generation of racing fans?

Don't get me wrong on this point... I am not being disingenuous. Just last year we negotiated a good faith - three year purse supplement agreement with our state's casino industry in return for the racing industry agreeing not to operate additional games of chance during the 3 year period...

Hindsight being 20-20, one of the most fundamental mistakes the nj racing industry made 30 years ago was not seeing its business as competing in the gaming industry when NJ started down the casino path...back then there were no slots within 2.5 hours of the meadowlands and now there are over 66,000 with more to come...It is getting more and more difficult to compete in the gaming business with only one game of chance....I'd like you take a minute to think about the following example...

How would the Coca Cola Corporation have fared if they had defined themselves as simply competing in the Cola business rather than the beverage business? **■(2,800)** How would Coke be doing if all they offered was coke? **■ ■(Coca-Cola)** Where would the company be without Minute Maid OJ, Desani water and PowerAid sports drink to name just some of their 2800 products? **■ ■(Bottles)** Yet they are still in Atlanta investing a lot of time, money and marketing knowhow promoting their core product...Coca-Cola.

And so must we with racing...while the racino is certainly a purse and bottom line stabilizer it is not a singular strategy to grow our sport. The one thing professional sports has done is they have never lost sight of or stopped investing in the game...the core product...while the live game is an important revenue producer, it is far from the largest revenue producer...they have never lost sight of the importance of the core product...the live game itself...nor should we...

So where do we start...or maybe more precisely re-start since much has been tried with the best of intentions.. where can we look for renewed inspiration....Professional sports leagues may help us...

How can many disparate racing businesses, owned by separate entities, spread across a continent with differing revenue streams, corporate cultures, business interests and regulatory bodies, find a common purpose?

I think these conferences have been asking that question for the past twenty years.. We may just have to face the fact that we are approaching the greatest motivation there can be for taking ,heretofore impossible action...our very survival... ■(Hialeah) some of racing's most recognizable brand names have already gone extinct and more may be following...(Hialeah...Hollywood Park) and many have and continue to be looking down the barrel of a gun..

So what is it that works for the NBA and other sports leagues and allows thirty plus owners and operators from different markets, with different philosophies, resources, personalities and styles to co-exist? ■(NBA Map)

Scary as it may sound to you...for the good of the business enterprise they cede significant control to a centralized power...It is written in their constitution & laws and franchise agreements and is the price of admission into a limited, tightly controlled, strategically planned and aggressively marketed organization, without which, I can guarantee you, chaos would prevail, with the major market teams praying on the smaller market teams.

These owners, some of the most independent, and successful people on the planet understand that their own economic survival would be at risk if they were all to go it alone.. And that is what is at stake for racing.

So I am going to spend a few minutes talking about those things racing should take from other major professional sports...and I am going to ask you to suspend the thought of “we can never do that...or we tried that and it didn’t work”....because despite what some may think or write I think our instinct to survive might actually prevail..

Let’s talk about some of the specific attributes that are at the core of successful professional sports leagues...attributes that create a competitive advantage in the market place thereby allowing the leagues to maximize their profit potential...

First, they have a legal/organizational structure that centralizes control of critical elements:

1. The leagues control the season, the schedule, the championships and often even game times...scheduling control is absolutely vital to the sensible presentation of any product as it attempts to maximize the value of its product distribution...in our case a nationwide network of simulcasting and internet wagering...that is absolutely vital to our survival
2. Professional sports leagues have centralized control and serve two masters, the sales & marketing of the brand and the regulation and enforcement of league rules.

Here’s one for you... ■(NJ Capitol) Can you imagine the New Jersey State Legislature mandating that the NBA’s New Jersey Nets play 141 home games? While Albany, NY and Harrisburg, PA come up with a different season and schedule for the NY Knicks and 76ers?

■(Chamber)

Unfortunately, not only do we not have central scheduling, we do not let the marketplace determine the amount of racing product available...whatever group has the influence in the state capital determines the amount of racing product we produce, whether or not those that produce the live product can afford it, with what, at times seems like little or no consideration as to its quality...(so much for protecting the integrity of the core product)

If you could start over and create a national schedule for racing, that would maximize the value and quality of our product, I would wager a guess that you wouldn't create what we have today...

■ ■ (Event Logos) Some of our predicament is the result of thinking that goes along the lines of... "this is the way that we have always done it"...the thoroughbred sport peaks in May and attempts to re-peak in November...the standardbred season peaks in August and attempts to peak again at the end of the year.. Those in charge of the various events are different from season to season and event to event...creating little synergy across the various events and times of year...resulting in very little continual presence in the media. As a result, our product does not resonate with the general public on an on-going basis.

By way of example, can you imagine different groups being responsible for the ■ NBA regular season, ■ All-Star Game, ■ the playoffs and ■ the NBA Championship?

■ (MLB Logo) Or two different entities responsible for ■ the major league all-star game and ■ the World Series....that would of course seem silly, yet this is precisely what we do and this is how we have evolved in both standardbred and thoroughbred racing...

So where the NBA and other successful league enterprises think in terms of broad scheduling , marketing programs and corporate sponsorship, and most importantly the aggregating of content to maximize their exposure and revenue over multiple platforms from broadcast television to the internet, we, on the other hand, bifurcate, trifurcate and at times suffocate our own best interests..

Very often we are left with a disjointed and often competitive calendar, where we compete for horses, dates, tv exposure and customers. We end up with our strongest members preying upon the weaker.

This is equivalent to the large market teams in the NBA charging a fee to small market ones in order to allow them to participate in the playoffs or for having their games televised...it sounds

insane, but our survival is based on the broad and sensible distribution of our product and that those responsible for putting on the product (the racetracks themselves) receive a fair price for their product so that racetracks regain profitability. We seem to forget, without the tracks, we have no business. This is no different than franchises not paying their fair share for the use of NBA arenas..without the bricks & mortar...there is no game.

Speaking of bricks & mortar, professional sports leagues have control over their facilities determining and ensuring quality control over the technology, equipment and even the playing surface itself. ■(Dirt) On a more basic level, in racing, very often there is little or no uniformity of product presentation... ■ ■(Tracks) no quality control if you will

In professional sports, it is hard to imagine that States' would determine a league's drug policies...allowing certain substances in some States and not in others. How would a team prepare itself for competition? Could some players participate in some states and not others? How would fairness be assured? I know many of you have and continue to work tirelessly on these subjects, but we must keep at it.. It is hard to imagine we could make things much more difficult on ourselves than we do in this regard.. ...

And nowhere is our lack of consistency felt more than in marketing...racing cannot wait to get it stars off the stage....from Broadway to Hollywood, there is no parallel in the sports and entertainment business for this phenomenon... I understand owners taking the money, when a dominant three year old emerges from their barn..but the entire industry pays the long-term price for our one season wonders. Remember, we are no longer the only game in town...we in NJ know this as our market share of legalized gaming went from a whopping 80% in 1977 to 1% today...if this doesn't tell you we better find a better way, nothing does.

Of course I also understand that ■(Jordan, Bird, Johnson) Michael Jordan was more valuable to himself while playing than while retired...But the point is the NBA was able to use the Bird, Magic, Jordan trio to bring the overall industry to new heights, ■ ■(Team Logos) and many will argue the three of them saved the league along with the leadership of David Stern who took

aggressive control of the leagues' assets...however, this did not keep the Celtics, Lakers and Bulls from their own marketing of their marquee players or the three men themselves from cashing in on their own deals...it worked on all levels...personalities, rivalries, fan engagement and name recognition... to what is now considered to be the world's most internationalized sports league.

The key to their success was the league's ability to aggregate the intellectual property rights for the entire league...including the trademarks, logos, likenesses, content distribution rights, the statistics and records, and the live game video library...as a result they created competitive bidding for tv content, negotiate national and international corporate sponsorship across various marketing platforms, negotiate league-wide licensing deals and as a result, create more value for the league than could 30 teams could create on their own.

What is racing left with? A conglomeration of owners, breeders, tracks and regulatory jurisdictions that very often compete against one another.

In my mind, the very survival of our sport as a business may well depend on our ceding some of our individual control ...some of our historical prerogatives....any American history buff knows that our new nation was on the verge of failure until the Articles of Confederation were tossed out and the Constitution created a federal system that trumped 13 different ways of doing business...

To illustrate, there is no greater marketing success story than the National Football League...

■(NFL Logo) in an era of, more choice, and shrinking television ratings, their product simply stands head and shoulders above the rest...why you may ask? ■(NFL Circle)

1. Given their 1 game per week schedule, every game is a big event. (Remember, we are big event culture)
2. They control their schedule and build toward what has become a huge international event.
3. Their stars often play for years...
4. They aggregate their intellectual property rights
5. They create competition for their rights

6. They use the power of their corporate partners to promote their game...who doesn't remember the Under Armour...commercials starring Reggie Bush and the "click clack" of his spikes? Under Armour and the other sponsors help build their brand.

For example, the NFL benefits from the marketing boost of a lifetime with the invention of video and computer games....Not only do they receive millions in licensing revenue, ■(Madden) but video game licensing helps create the next generation of fans...by deeply engaging and educating their fans on the finer points of the game... ■(Fantasy Sports) fantasy football and basketball leagues do the same thing...the actively engage their fans by creating an emotional bond with the sport...

If racing could capture the imagination and the busy fingers of our 14 year-olds in one of these games the question is who would they want to be or relate too?... ■(Lebron James) which one of our stars has been on the stage long enough to resonate on an emotional? ■(Peyton Manning) Where is the competition...the rivalry? ■(Derek Jeter) We know horses can create followers just as surely as sports stars can drive jersey sales.. and we know the stars of our sport can drive attendance and handle...we proved it twice last year with Big Brown.

But if we were to be so lucky to get to the point to gain this generation's attention because of a new star ... ■(TIME Mag) a new Secretariat...who would license the horses, the drivers or the jocks to the video gaming industry? Who is in charge?

No one single entity controls our intellectual property, so our marketing is necessarily fragmented, competitive and often counterproductive.

Every NBA franchise is fundamentally an independent business. They have their franchise ownership, their own local television and radio agreements, their own local sponsorship agreements ...

Yet the NBA controls the schedule of the season, the overriding marketing partnerships and national and international television deals, and even determines who can own a franchise...

■(Maloo Bros.) billionaires, many who made their fortune creating their own corporations, willingly submit to a central office control, why? Because, while not perfect, it is the only system that works.

You may be thinking, hey Robinson, this isn't an industry that is a new enterprise starting out...Who is going to give something up when we are all just holding on?

But I ask you, perhaps the question should be...Are you willing to give something up now to potentially gain much into the future? Or should we simply resign ourselves to continue to watch our business slowly erode?

An example of sacrificing for the good of the whole is one that is near and dear to my heart on a personal level. In the 1940's & 50's, the National Football League had been around for some years....usually functioning in the shadow of college football...baseball and other sports...almost by chance, a providential; confluence of events brought them to a seminal moment.... ■(Colts v. Giants) the famous 1958 Colts-Giants overtime game that thrilled a national tv audience..

A brilliant marketing and pr man, ■ ■(Rozelle) Pete Rozelle had become Commissioner, and Pete Rozelle was the first to understand that network television was beginning to see the profitable possibilities of more sports on TV...it was real-life, real-time drama...

When the first major network television deal came to the NFL owners...the biggest market owner of them all...the late Wellington Mara of the New York Giants broke the position of the large city owners that the money should be shared equally...Wellington could see that for the greater good of the sport dividing the money equally...whether it was the New York market or Green Bay...was in all their interests.. ■(NJSEA)

The Maras had been in the League since the beginning and knew the League and the value of their own franchise would grow when the league as a group did... ■(Haskell)

We can get there....our individual needs can co-exist with central authority...Larry Bird and Michael Jordan both got rich...the Celtics and the Bulls both prospered mightily and the League grew enormously....those things were not mutually exclusive...there is a market for our product... there is a glorious past, a unique beauty in it and there is a future for it...

■(Monmouth Granstand)

It is simply time, albeit out of necessity, for the Maras to emerge and the egos to be put aside..and for cooperation and inclusiveness to triumph...because it must!

Thank you. I would be happy to take a couple of questions if we have time.