

Fifth Racing Congress

Thursday, February 5, 2009

9:30 a.m. - 10:15 a.m.

Win. Place and Show (A Profit)

• Dr. Marc Smith, Chief Social Scientist, Telligent Systems

Stan Bergstein: We're now turning to a totally different view on racing. Our speaker is a gentleman who represents academia; he was educated at the best schools in England and the United States. He is a native New Yorker who grew up in Philadelphia, and he was the head of social science research at Microsoft until he left to become the chief social scientist for an organization called Telligent. I'm very interested in hearing, and you will be, from Dr. Marc Smith.

Dr. Marc Smith: Morning all. Hi, I'm Marc, I'm a sociologist. I study social media. Social media is this new stuff. It's people talking to people on the Internet. What I'd like to talk about are some trends, some changes in technology that I think dovetail nicely with Greg Peck's discussion this morning about how to deal with traditional media. I'm here to talk about dealing with untraditional media. To deal with a new opportunity that I think may address some of the conflicts and crises and concerns that I've heard from the back of the room for the last day and a half. I must say you face some interesting challenges. It's a time-honored tradition that faces some new environments that may be solvable with technology, or at least addressable to a certain extent. So crisis is opportunity. What I'd like to talk about is the way that social media on the desktop, on the laptop, on the Internet is changing your business or could be used by your business to change your business, and then to talk also about mobile technology, about mobile phones.

To start with I'd like to do a quick census. If you don't have a mobile phone, raise your hand. Anybody not have a mobile phone? Ok, so that was no one. No one doesn't have a mobile phone. Have you never, ever sent a text message through your phone? If you've never, ever. That's one, two, three, four, five, six. So we have about five or six. If you've never, ever looked at a Web page on your phone, raise your hand. Ok, so now we're at about 30 or 40 percent. If you have your phone on you, could you hold it up? Could you take out your phone?

I have a phone. Two! That's good. Ok, if you could make it make a noise right now that would be great, or maybe about six minutes from now if you could program it to make a noise. How many of you have an iPhone? Any of you? Any of you have Windows Mobile devices in the house? Ok. And the rest of the phones out there are what we could call a feature phone, they basically do a couple of set things but they don't run software all that easily. How much do you want to bet that if I come back next year and I say how many of you have sent a text message or looked at a Web page, that the hands go up almost as much as the number of people that said they had a mobile phone? If we had gone back three or four years and asked how many people don't have a mobile phone, would we have had zero? My point is just that things are changing rapidly and these things are game changers. This is the Internet in your pocket. I'll note that phones are more than just having a desktop or a laptop computer in your pocket, these do more things. These notice when you move them. These notice where they are. These notice things like that you've spoken to them. They have cameras, not every laptop does. These things do more things.

So what I'd like to talk about is how these devices and these technologies—some of the laptops on the tables in front of us—have changed the nature of place and now you face a serious challenge as a result of the changing nature of place. Place doesn't matter the way it used to. Just a moment ago we heard someone say they drove several hours to get to a track. Well at this point you would have to get to your kitchen or your living room to get to a computer to place a bet at a track. Going there isn't the same thing. You no longer have that monopoly. Could that be a benefit? Yes, if your product is now available to a larger population. It's also a problem because I understand that this business is somewhat like the theatrical exhibition business, the movie business, which is to say you own a candy store next to a darkened room. Most people in the movie exhibition business are not making money showing the film, they make the money on the popcorn. I suspect that you are somewhat similar. If you do not have a human being at the track, you are making less money.

Now the problem is they're not coming to the track. So what are you going to do? I would argue that one of the challenges and opportunities is that at the moment you're not selling the sizzle, you're trying to sell the steak. There's a famous line that you should sell the sizzle, not the steak. You should give the feeling of being at the races more than the details of what actually happened. It's a product that has to do with experience.

What you could do is to engage a little bit more with the technology of the day. There is some good news on this topic. Internet social media is cheap, so long as your time is low cost. Put it this way, if you were involved in a large-scale media buy, you would need a full-time media manager and you would need money to pay the networks for advertising time. Social media has an interesting twist, it's essentially free. All it takes is your time. You have to be online, and you have to develop a kind of relationship with an audience.

I was surprised to see how few of the practices of social media have made it to this industry. But that's an opportunity. That means there's a lot that you could reach out to do right now in front of you on your laptop—or if you upgrade some of your cell phones—to deliver some of this experience to a larger audience. I

'll mention that there's a transition from broadcast to what has been thought of as narrowcast, which is sort of like the pay-per-view model. I'm not broadcasting the Super Bowl to 130 million people, I'm broadcasting a race or a fight to a particular set of people that said they wanted it. That's narrowcast. But there is now something else that is emerging and we would call it broadcatch which means you throw stuff out there and people pluck what they want out of it.

This is an opportunity to meet your customer who is interested, curious, would like to know more, perhaps is never going to come to the track but is willing to make a bet and maybe eventually will understand why they would go to a track. So there is this phenomena out there. Two years ago it must have peaked because *Time Magazine* took some note of it. This was the year that the "Person of the Year" was you. What did they mean by that? First of all I take issue with this because I think they used the wrong pronoun. The word "you" is ambiguous in English, it means the singular and the plural. The good news is I grew up in Philly where that ambiguity is gone, we say "yous" in Philadelphia. The reality is that social media is about y'all, for those who prefer that. It's about a group of people out there engaging in a conversation with each other and perhaps with you, and your challenge is to participate in the conversation, not to broadcast but to converse.

What is social media? Well there are many definitions of the word social media; one is from Clay Shirky, a professor at New York University, who says it's anything that can get spammed. I think that there's some insight there. It's anything that is a place of aggregation of human attention. It's the place where other people are looking and if you are in a place where

other people are looking, you could put inappropriate messages there, spam. On the other hand, the idea of social media Danielle Fisher uses is that it's anything that's made out of people. It's not an advertising message pushed to a billboard, it's a conversation, it's a group of humans talking about their own passions.

So social cyberspaces—a fancy term for social media—are undergoing a kind of evolutionary explosion. Every time you turn around there's a new form of social media. While we were all just getting used to e-mail and does anybody not use e-mail? Kind of telling. That was a 100 percent compliance with e-mail. E-mail is something that maybe a few years ago we would have said, well what do I need it for? Now we're at 100 percent compliance with e-mail. How much longer before we get 100 percent compliance with mobile social software?

Each of these things is a framework for human beings to come together and talk about what they care about: An e-mail list, a Web board, a blog, a wiki, a newsgroup, some of these names may be familiar; some of them sound like Monty Python routines. The newest of them is something called Twitter, has anybody heard of Twitter? A couple of people. Twitter's got to be the lowest cost way for you to build an audience and I would give you a bit of a homework assignment. Go home, get a Twitter account and write a Twitter message. And what should that message be? It should be something about your passion in this business. "Just saw a horse, made my heart pound." "Just saw a new facility, really liked it." "Just saw a new product, find it interesting." Whatever it is that you might talk to somebody else about at this meeting and say, I think this is exciting, let me tell you about it. And don't we all have that motivation? At some point we want to tell somebody something that we're excited about. Well that opportunity is limited. You've come here at great expense of time and money and effort to share this knowledge amongst the people in this room, which is wonderful, but your customers are out there.

So I wonder, and this is a question for you all, what happened in the 70s? What happened to this business in the 70s? Whose dad didn't take their kids to the track? Where did the chain break? Because what I think you have is what, as a sociologist, I would call a socialization problem. "I didn't know I should bother." "I never heard of you guys." "I didn't know about your product." And who got you into this business? Who brought you here? Who brought you to the track for the first time? Who made it seem normal, comfortable, attractive, interesting to you? And I suspect, somewhere in the 70s, somebody didn't do their job.

A whole generation drifted away from your product, and I'm not sure how that happened. I would like to hear from you all how you think that happened, but I think there is an opportunity to forge a link in that chain again and now that opportunity is probably going to go through one or more of these kinds of technologies.

The good news is it only costs time. It only requires the amount of effort it takes to learn about them, to use them, and then I have to be frank, it eats time like it was going out of business. All of a sudden you have an audience and they're waiting for you. And remember, they're not just an audience; they're part of a conversation. They have something to say to you and they want you to reply. So this is not totally free, it's just free in a different sense of the word. You're not going to be charged by Twitter. Facebook is not going to charge you. Google will not charge you. If anything, you're actually participating in their business model. But learning some of these words and learning how to use them for your business is probably important.

These are just a few of the social media things out there. Somebody must have a rule that you're not allowed to use vowels. Somebody must have a rule that says you have to make it sound like a preschooler has named it: Google, Twitter, blog, wiki. I mean are these silly words or what? But the reality is that this is the future.

This is like what would have happened if you had just discovered radio. Imagine what radio did for your business. I'm sure radio had a big impact on this business. But television seems to have left you by, and television, I have to say, is probably not the future. Television is itself facing its challenges and the Super Bowl and 130 million viewers notwithstanding, the reality is that television is atomizing, dissolving and turning into YouTube, turning into Hulu, another silly word, anybody heard of Hulu? Any Hulu watchers out there? Great site. Free TV on the Web. Is TV the same thing when it gets to the Web? I'd actually argue, it isn't. So if you have a challenge working with the TV folks, well I'm sure it's important to continue, but I suspect that their day is also coming to an end. The time of television having massive power is coming to an end. People want to watch what they want to watch and they want to watch it now, when they want to watch it, and they want to watch what they think their friends want to watch, and they want to tell their friends what to watch. These are the tools for building those things.

I'll note, in the spirit of social media, that I stole the slide. The nature of social media is that all of this stuff is out on the Web and I encourage you to consider the ways that you could be

putting your content out there in a way that encourages reuse, in a way that encourages people to quote “steal” your material. Let’s get rid of the word “steal” and just talk about the reality of repurposing content on the Web. If it’s on the Web, they’re going to take it anyway; you might as well encourage them. There is a model for doing this. Professor Larry Lessig, formerly of Stanford, founded an organization known as the Creative Commons. Creative Commons is a way of doing copyright that is different from the way we do it today. You’ve all seen the logo at the bottom of a document, it has a little c in a circle and it says “all rights reserved.” All rights. You can’t do anything with this without my permission. The Creative Commons license, what does it say? It’s two c’s, by the way, in a circle. It says some rights reserved. Some, not all. You don’t need a lawyer, you don’t need permission, you just go and grab it. I’ve done this myself. I take a lot of photographs, I enjoy photography, there’s a site called Flickr, I think it’s up there somewhere. Flickr’s the place you put your photographs. I wonder how many horseracing photographs there are up there? I wonder what license terms they’re under? If there were tons of free licensed photos, you might find them on blogs and wikis, on other people’s content. Essentially, you need to prime the pump and put content into the Web that other people want to use. One of the rules of some rights reserved, is they have to give you attribution. They don’t have to pay you, they just have to give you attribution. They have to make that image know where it came from, it has to link back to you and that means traffic and traffic means eyeballs and eyeballs mean consciousness and the ability to actually sell your product to a new market. This is another view of it, you are at the center and it is a complex world out there. Every time I turn around there’s another one of these things. This is my job and I’m behind.

The good news is being a late adopter to this means, on a global scale, you’re still ahead of the curve. There’s still a lot of upside left in mining your way into each of these tools. For example, why don’t horses have Facebook pages? Why can’t I be their friends? Can I be their friend? Yeah. And why don’t jockeys, and why can’t I be their friends, and can I see the friends of the friends of these horses? These are tools for generating collective goods, things that are useful to many people: wiki pages that describe your tracks, blog posts that describe events there, things that you don’t need to go to the local TV station, where frankly the news at 10 isn’t being watched anyway, and certainly not by the demographic you need, the 18-24 year old, or maybe the 21 and over, depending on the legislation in the municipality. But you need the younger

folks to come and where are they? They're looking at their iPhone right now. Are you there to be seen?

This is a site called Orkut, I have friends on Orkut. This is the Google version of Facebook and it's very popular everywhere but America, very popular in Brazil and in Pakistan and in India. I believe the Indian word for Internet is Orkut. It's a very popular way of putting your social capital out there. This is my page on Facebook. You could be my friend. And when you are, you're giving me permission to whisper in your ear, to tell you, Marc's in Las Vegas, Marc's in Philadelphia, Marc is reading a book, Marc is going to the track.

Now one of the things that we know in sociology is that we humans are not unlike horses in the sense that we are herd animals. We pretty much go whichever way everybody else is going. There are some of us who are mavericks, but not all. What we need to do is know what everybody else is doing and I have to say in the last 10 or 20 years of my life when I was probably in your prime demographic, I never heard of you guys. It just wasn't part of the public consciousness that was in my world. In fact, that's Bay Meadows before they blew it up. It disappeared at the end of August. I had just moved to Silicon Valley and Bay Meadows is in San Mateo and a cousin of mine who actually had the habit of going to the track said, "you know, they're going to blow up Bay Meadows, why don't you come with me, we'll go to the track." These are a few pictures of my, pretty much one and only, visit to the track. One of the things I wondered was what's it like when you're not there? What presence does this place have when you're on the other side of the barbed wire? What can I know about what's happening at the track in a form that I want to consume or, for that matter, when I'm in the stands? You have an enormous amount of information technology pushing game stats at me and I have to tell you I'm reasonably educated and I had not a clue what those numbers meant. I couldn't figure it out. We even placed a bet. We didn't know if we had won. We couldn't figure out what we won. I'm sorry. I'm sure my math skills are poor, but I was overwhelmed. You know, I think it's a mistake to assume that what everybody in the stands wants to know is what is happening on the track. I understand the horses are important, they're beautiful animals, but what people want to know is what else other people are doing in the stands. The technology is here now, or about to be here, to make sitting in the stands a very different phenomenon.

It will be a very different thing even to come to a conference. Just being with other people is going to change, and it's going to change because these phones in our pockets still lack

one feature but that feature is coming and it's coming really fast, and that feature is that my phone doesn't notice your phone and your phone doesn't notice his phone. We're all in this room for an hour, two, five a day, our phones walk out with us and they have no idea that they've been near other people. That's going to change.

This is a product that you can hire for conferences, it's called SpotMe. With SpotMe you go to a conference, they hand you a little tiny computer and when you walk around the conference with the computer it tells you about the people around you. It says there's somebody near you who wants to talk about the topic you want to talk about. There's somebody nearby who shares an interest. Granted, you all came here because you have a common interest, that's true, but there are many sub-topics in this room. The people who care about the very many aspects of the business, how will you find each other? I know there are breakouts. That will help. But imagine, especially if this was a conference of 10,000 people, could you easily find the others? Can you, using this device, do that more easily? Yes. You can use these devices to find the people near you who want to be found by you. Now how is that going to change sitting in the stands?

There's a cheaper version of this that's available for conferences, you wear it around your neck, it's the smart nametag and it's called EnTag. EnTag does the same thing only it actually starts saying things like that we have things in common. Why don't we talk about this? We both like sailing. We both work for the same company. How does it know? Well, let's face it, computers know everything about you. They know everything; they just don't share that information at the right time with the right person. They share it with the wrong person at the wrong time. These technologies attempt to make all that information that computers know about you show up at the right time in the right place. Let's face it, have you ever had a conversation with somebody that went just fine, nice person, but you didn't know that you grew up in the same hometown, didn't know that you went to the same school, don't know that you have the same brother in law, that would be a stretch, but this is the kind of tool that brings common interests to the surface with the efficiency of information technology.

Your customers are going to come to the stands with this in their pocket in 18 months. You can do it even more cheaply. I know that the technology is there to track the horse, but how about the customer going back for the beer? These are tools that are at much lower cost that shows you how people at a conference have interacted with each other. For \$5 you can build one

of these tags, put it on your lapel and it simply beeps out information about you and receives information other people who are also wearing lapel pins with these computers on them send back. You can actually map who's associating with whom. This is coming to a pocket near you.

This is actually somewhat out of date. When we started doing research in this area, we were interested in what happens when your phone knows where you are, knows how you're moving, knows who's near you, and knows something about you. Maybe it knows your heart rate. So we built a box. Most of the features in this box, about the size of a small pack of cards, are now in an iPhone. They're just part of the default.

The technology's moving fast enough that prototypes move to consumer products in less than 36 months, often 18 months. So what's going to happen 18 months from now? When you use these things, all of a sudden you have a trail. This is me driving to the park in Redmond, Washington, and getting out of my car and putting on my rollerblades and going for a skate. You can see the dots are far apart, I'm driving, the dots are close together, I'm skating. These are interesting images. You can imagine using them. Maybe you're a runner, you're a jogger, you bicycle, you want to keep track of these things.

Of course you're probably doing the same thing for the horses. I'm not sure where the data resides and if I could look at it, but this kind of thing is going to allow people to notice people. It's not just about me and my data. It's the fact that you go to the same Starbucks I go to, every day, at a different hour, but we never meet. Now it's possible to notice that we could meet. This is now a feature of the iPhone. For \$0.99, if you've got an iPhone, while you're sitting here you could download Path Tracks from the app store and it will know where you're going. Why would you want to know where people are going? Are they going to the track? Do they need a ride? Do they need transportation? Do they need to get home? How could you get more people there? When they're there, do they meet anybody they like? Are their friends there? How do they find their friends there? How do you make this a place where relationships are born, rather than where individuals go to be solitary? I suspect your product is best enjoyed in a group.

So here, I took it with my son, we went on a bicycle ride around San Francisco Bay, there's my trail. The interesting thing is if there's a giant database of it I could figure out who else does that trail and does it like me. Maybe they want to go for a ride with me. So there is a kind of event loop, I would argue, for all existence. These are the two things we do all the time.

We want to know who has what we want and we want to know who wants what we have. Then we do it again. Computers are going to make answering both questions much easier. Who has a ride to the track? Who has a good tip? Who do I want to spend time with? Which horses are interesting? Which stories are compelling? These are all the kinds of things that computers are going to bring, and not just to the desktop, not just to the laptop, but to the pocket, to your hand. So when I'm in the stands next, I want to know things like, who do I know here? Am I alone? And what is going on? Honestly, I'm not too sure. And, you know, could we carpool? These kinds of questions are not easy to solve without mobile technology.

Would you want your public announcer saying, "would all the people who would like a lift across the Bay to come to this area?" Probably not. But if you could build relationships that center on the track, the track becomes the place to have the relationship. It becomes a nexus for that relationship, and I'm not sure that you're building relationships in your facilities. It's a little dark, but here's a picture of a jockey on horse with cell phone. You need to think about why he's on the phone. Why isn't what he wants right there with him and, of course, why doesn't the horse have a Facebook page? I'm sure some do.

So when you're in the stands the thing that you need to realize is that somebody could conceivably be blogging it. There's nothing to stop anybody with a laptop, a mobile phone, an iPhone, a text-enabled mobile device, to be sending information about what just happened at the track out to the world. Interesting things happen the minute that happens. It gets Googled, for example. And when you get Googled, you are suddenly part of a global namespace. You're findable. You're one click away from wherever anybody who's interested in you wants to be. You're easy to find. The more content you are pumping into cyberspace, the easier it is for people to find you and to understand the nature of the product, because it is a culture, you have one.

Culture is a funny word because it's something that you all understand and other people don't. The horseracing business is a relatively closed culture and you need to bring some kind of bridge to the uninitiated to let us walk across it, to enjoy your product as much as you do. So people could Twitter this, and the costs are low, and when you Tweet and Twitter, and I admit the words are silly, even blog sounds like a foolish word, but the reality is that content starts being generated. An important quality to that content is its authenticity. It is not your media director putting a public interest story in the local paper. These are your customers expressing

themselves as honestly as they can. And you know what? If it's not honest, somebody's going to reply and they're going to get called out.

So much of your action is not local. I appreciate that. I heard the number just an hour ago, 80 percent of your business is now not local. Is that 80 percent of the business the profitable end of the business? It doesn't sound like it. It sounds like the 20 percent of the business on the track is where the action is. You've got to get people to the venue. To get them to the venue in some ways is going to require augmenting the venue with more information. What I really wanted to know was, who's that guy? What's his story? Who do I know who knows him? What happened that was interesting and compelling enough that other people commented about it? How could I have a personal relationship with that animal, the rider, the company? Who else is friends with that animal? And can I use this as an indication of my interest? Where should I direct my interest? They also want to know, and maybe they could be friends. When you get the data, it turns into something like this and I admit that this is a somewhat confusing diagram, but what you can do when you pump your data out into cyberspace is that you can pull data back out.

I'll give you a few URLs, things that you should be thinking about. All of them are free. How many of you have used Google Alerts? A couple, that's great. This is absolutely free, I would recommend that no one go to sleep tonight without creating a Google Alert for the name of your track, or maybe the horse you care about, or maybe the event coming up that you are planning. Every mention of that word will be sent to you within seconds. I do this a lot. I have about 30 of these keywords that I track and I have tested Google. I've had the occasion of posting a message that has one of my favorite words in it, 11 minutes later, Google has told me that I posted. It noticed because it went and Hoovered up all the Internet, grabbed that piece of information and said, hey, Marc, you want that, there you go. That means that every mention of your track, your product can be tracked in near-real time for nothing, except the cost of your time and attention.

So when you do that, you can also go to search.twitter.com, do the same thing and in fact when you do that you can then create what are known as standing queries, queries that are always operating. And you do the same thing that you do with Google Alerts, you do it with [search.twitter](http://search.twitter.com). What do you do with that? Well then you actually have to roam back over to a product called [reader.google](http://reader.google.com), they're all linked together, Reader is a way of creating a place to

put these standing searches. So by going to things like Twitter, by going to places like Google Alerts, or for that matter, to Facebook or even to Flickr, where are the photos of your track on Flickr? They are out there. You could have more of them, you could highlight them, you could encourage it.

Eventually you're going to get a picture that somewhat resembles this. It's going to be the set of connections between the people who you care about. You're going to start to realize, there are clumps, there are clusters, there are isolates, you can begin to target your market in a much more effective way in part because your customer begins to make themselves visible to you rather than you making yourself visible to your customer. They start to show up and tell you about themselves. They tell you about how they enjoyed your product last night. If there are no Tweets and no blog posts about your product, it was not notable enough to even mention. So we've given away a tool. You can find it if you Google for it, just type in NodeXL. You can have this for free. It's on the Web and it will draw you nice patterns like this, it's a way of analyzing your data.

I'll also note that I do work for a company called Telligent, we sell some of this stuff. We'll sell you a blog, a wiki, a message board, a newsgroup, an e-mail list, a Website and the like, but the reality is, especially just to start, it doesn't take money, it takes time and attention and the willingness to stop thinking about it as an advertising process and more of a relationship building process. I'll wrap up with that.

I'll just point you to one last Website because I have an eight-year-old girl, and eight-year-old girls have a thing for horses and I'm surprised that some connection between my eight-year-old and your business is not more obvious to me. Have any of you seen this thing called Bella Sera? Little girls spending money, daddy's money, on horses. Now if that isn't your target market waiting to grow up, I appreciate you waiting 10 or 12 years before you ask her to bet, that's the kind of place I encourage you to be. Be in the places where the next generation is forming its habits and ideas and you can be part of that. I'd love to see the coloring books. I'd love to see the pictures of horses that they can download and they can do whatever they want with. I encourage you to consider working with the Bella Sera people and seeing if you can make them race. That would be interesting. So there is an opportunity out there.

The media landscape has changed dramatically and the mobile technology space is moving so rapidly, I find my head spinning. So if you're not spending all your time paying

attention to it, it is no wonder that it is bewildering; however, there are simple and basic things that you can do from your keyboard right now that could build your business and I think it's important for you to recognize that three to five years from now your customers are going to show up in the stands and they're going to be packing more heat, more CPU, more bandwidth, more memory, more storage, more cameras, more microphones than the NBC crew that showed up at the track to record. You're going to have thousands of people packing this kind of hardware. It's going to change the business. I hope that was somewhat useful. I appreciate your time and very much appreciate being here. Thank you. Questions?

Stan Bergstein: I have a mic here, anyone who'd like to comment or ask any questions, I'll bring the mic right to you.

T.J. Burkett: Hi Marc, I'm T.J. Burkett from the U.S. Trotting Association, the breed registry for the standardbred horse. In September we launched our own social networking site, harnessfear.ustrotting.com, we have 1,500 members. We have a message board, they can share videos, audio tracks and media with each other. In fact, I'm shooting footage for it now to post to our social networking site and I found that I post these videos and these audio tracks and I now have an audience and they're ravenous. Like you said, it takes so much time to continue to create media for this audience and they interact with me and they comment on what I'm doing and tell me what I'm doing right and what I'm doing wrong. I love that instant interaction.

My question for you is, they interact with me, but we're having problems getting our members of our social networking site to interact with each other. So what can we do to get them to use the features of this social networking site, which runs on a KickApps platform, and what can we do to get them to become more of a community instead of just being an audience of what me and our staff at the USTA is doing?

Dr. Marc Smith: First of all, aren't you happy with what you have at the moment? I mean, isn't that amazing?

T.J. Burkett: Oh, we love it.

Dr. Marc Smith: For the cost of an additional camera, a laptop, a couple of microphones, you have an audience and they're paying attention, and as you say, it costs you time, it didn't cost you money other than of course the money value of your time. How do you get them to interact with each other? It's a challenge and frankly, it's not clear that that is necessarily your goal. You want their attention. You want their feedback to the extent that you can make their

feedback public, they may actually start to talk to each other. But people will talk to each other when they have mutual interests and when they can find mutual benefit. It's not clear exactly what mutual benefit of your customers have with one another except that they share knowledge and they may have resources to share in the forms of, I gotta get there, I gotta get home, I'd like to do something or be with people when I'm there. But one of the ways I would argue to help foment connection is to actually point the spotlight at individuals in your network, to take the camera, turn it around, point it at them, and talk about them and that will attract attention to them. So you now have control over this spotlight. You know, it may be a fairly small spotlight, it may not be the brightest one, but for the people who are interested, they're looking at what you're pointing at. Now if you want them to look at each other, point your spotlight at them.

T.J. Burkett: Thank you.

Stan Bergstein: Anyone else that would like to benefit from the remarkable intelligence of Dr. Smith?

Jeff True: Marc, that was pretty fascinating stuff. I'm impressed with the depth that you talked about it. My question is sort of two part, by the way my name is Jeff True, I'm with a tote company, technology company. This whole social networking phenomenon seems to me to be related to the evolution and the development of the Internet itself. At first we thought the Internet was going to be this great tool and everybody's going to start making money on it and we had the bubble and the bust and all that biz. Question number one is how do we make money on this? Is there a commerce component that's currently being used by some other industries or some other companies? How do we make money on it? Secondly, is it all handheld device-based, in your opinion and, thinking about horseracing, is the handheld device infrastructure in the United States at a stage where we can do the things that we need to do on that infrastructure vis-à-vis horseracing, meaning delivering wagering, delivering videos, delivering information products? I'm really looking to how to make money on this and how to capitalize on the infrastructure or the lack of it.

Dr. Marc Smith: Two questions there. So one, how do you make money on it? If I knew that, would I be here? No. So let me draw a distinction between direct transaction revenue and using technology to build your market. I think my story here this morning was all about the second one. You're going to use technology to build your market. I think you all have been innovators in technology in the sense that you can place a bet and not be at the track. My understanding is

that that might work well for whoever is the network owner and that it's not working so well for you. If you're the track owner and the bet is not originated locally, is it not the case that that bet is worth less in revenue to you? So building local traffic seems to be important and of course that's a challenge because you have a geographic range and you can only draw from that range.

So question number one, how do you make money from it? Certainly there is this whole tier of, you sell some services on the device, you place the bet on the device, you buy or sell things through the device, that's a possibility. My main focus I think would actually be on a sort of indirect revenue building approach which is the idea that what I've heard listening to you all is, you need humans. Your desperate issue is a socialization issue. People don't know that the product is as good as you know the product is. And maybe, like a lot of things, it's an acquired taste.

So I'm going to suggest that the main path to revenue for you is more people come through the gates. And they came there because they knew that there was something on the other side of them that they wanted, and the way they got that, having never been there before, was they bumped into it on the net. Now, could you, going back to category one, find something that you can sell or buy through the device that would be profitable? Probably, but it would probably be profitable for whoever is the network managing cross-track betting. Your second major category of question was, what about the technology? Is my typical customer coming through the gate with enough hardware today to do something useful? Yes, and I think almost everybody can now receive or send a text message.

It's worth noting that this Twitter thing and man, it's about three-years-old but it's really hitting what we call in the technology business, the hockey stick moment where it sort of goes along like this and then goes pop like that. Right now Twitter's on this astronomical rise where everybody knows what this thing is all of a sudden. So Twitter, it's worth noting, works perfectly fine on the oldest phone in the room. 140 characters of letters and numbers are the only thing that Twitter allows you to do. And yet, that very backwards kind of thing is the hottest new thing on the Internet. Interesting.

So can you deliver video to the phone? How many iPhones are in the room? Those are pretty much the only video-enabled phones, there's a couple of Windows Mobile phones that are video-enabled. Is video on the phone really the kicker? Probably not. At the track, perhaps, I can see it. Now it is true, I just saw an interesting article saying that people who really love

football don't want to go to the stands. The show's not as good. The show was designed for television, people want to watch it on a TV, they want to watch it on the biggest TV they can get, but they want to watch it on TV. So I'm not sure that the capacity of the handsets is really your blocker. Text is enough for a lot. Text is enough for the hottest thing on the Internet today, so I'm not sure that video is your gating factor.

Having said that, everybody in the technology industry has a god, its name is Gordon Moore, and Moore has a law. He was an engineer at Intel and Moore's law has held for the last 20-some years. Moore's law says, that machine is going to be half the cost it was this year, next year, and it will be twice as powerful. So that phone in your pocket that doesn't do anything, well, let's face it, it actually does a lot more than it did five years ago, and next time your contract ends, you're going to upgrade and the next phone you get is likely to be a smart phone. If it's not that one, it's certainly the one after that. 36 months from now, I'll come back, hopefully, and I'll ask how many people have a smart phone-class device. How much do you want to bet it's 60 percent of the audience? So I would argue that you already have customers who have enough hardware in their pocket to leverage, that they can send a message, they can receive a message, that's enough, and that in the not too distant future you're going to see significant increases in the computing power of these devices. One of the only things not slumping really hard is personal consumer electronics because people want it, they use it and it's about building relationships with the people they care about when you buy one of these things.

Stan Bergstein: Marc, the next panel is called Beyond the Promise: Are Web 2.0 and Social Networking Social Phenomena, Profit Models or Both? I hope that you'll be able to stay with us because I'm sure that there will be things that you need to respond to. I want to thank Dr. Marc Smith for his presentation and his views on where we're headed technologically. Thanks very much.