

SEPTEMBER 2016



INSIDE RUNNING

MESSAGE FROM JOHN



Kia ora koutou,

I recently visited a variety of locations around the country, from Auckland to Invercargill, to meet with you and to discuss a number of topics, all concerning the health of the Racing Industry. The conversations I participated in were hugely beneficial to me, and I'd like to think they were

equally beneficial to those who attended, so thank you to those that took the time to do so.

The messages I received were clear, and largely confirmed what I already understood. The industry needs more money through increased distributions. The NZRB needs to control costs, grow revenue, and engage in better communication, by getting out and talking to the industry. I hope the recent conversations went some way to addressing that last piece of feedback.

The discussion of these points was well timed, with our Statement of Intent having just been released and our annual report currently being prepared - this will be released in late November with our AGM. We have also published a summary of the industry session discussions on our NZRB website - [you can view it here](#).

We've delivered on our target of last year - our annual accounts are currently being finalised, but we already know we will be paying out above our budgeted distribution of \$134.9 million to the racing industry. Our funding model requires us to distribute this money to the three racing Codes, who then further disburse the funding to clubs.

Increasing distributions is a key objective of the NZRB, but to create long term growth, we must build infrastructure that will cater to the increased customer base we are attracting. Current projects like the Fixed Odds Betting platform, the Elite Portal on tab.co.nz, and the Identity Verification Pilot are vital for our future.

We are working with partners like Spark who have paid the capital costs to get us onto a modern technology platform through our Optimus project. Likewise, the Fixed Odds Betting platform, which you can read more about in this issue of Inside Running, is a vital project that is among the \$60-75 million we need to spend, that will deliver \$50-55 million per year of increased profit each year, as detailed in the Statement of Intent.

We have reduced both our property and people costs on an ongoing basis. However, cutting costs is not going to get us to where we need to be. It is not going to turn the dial far enough or quickly enough to generate the income that your and our industry needs. Strategic investment in revenue or margin generating projects is what this industry needs to grow.

Newspaper race form also came up in the conversations. Mainstream newspapers are a powerful way for us to gain new customers, if we provide content that is engaging and easy to understand. However, our research showed that a large number of our new customers did not understand newspaper race form. We have heard the feedback that the old format of newspaper form is missed, and are currently monitoring the impact of the changes to measure whether they have been successful. In the last edition of Inside Running we looked at the different types of form available and where they are found, which I hope was helpful (you can [view the issue here](#) if you missed it).

As always, I greatly enjoy talking with a wide variety of people about the opportunities that they see in their businesses, and it was no different in the recent conversations. The successes and the comparative advantages many in our country hold, through their skills and knowledge of racing, is incredible. It's time for us to put our weight behind initiatives that will provide the platform for these advantages and skills to grow even further.

No doubt I will see many more of you at the spring meetings coming up, NZ Cup and Show Week among them. I hope we can continue our conversations in person then, and work together towards making our industry successful both for current participants and the next generation of owners, breeders, trainers and jockeys/drivers who are looking for a future in racing.

Regards,

John Allen

TAB

NEW ZEALAND
RACING BOARD

The Races



DAFFODIL RACEDAY COLLABORATION RAISES \$60,000 FOR CANCER SOCIETY

The Daffodil Raceday initiative took massive strides this year, with a collaborative effort from a variety of industry teams enabling it to go nationwide.

Over the month of August, there were a series of 'High Tea' events at Saturday Thoroughbred meetings in Christchurch, Hamilton and Auckland, culminating with the Makfi Challenge Stakes Daffodil Raceday in Hawke's Bay on 27 August.

The High Tea events were for Cancer Society volunteers across the country. They are the people who work day in day out, 365 days a year to make life better for those touched by Cancer. The New Zealand Racing Board (NZRB) sponsored the costs of the High Tea events and made a donation to each division across the country. With the support of New Zealand Thoroughbred Racing (NZTR), jockeys and trainers came on-board to collect for the Cancer Society at these racing events throughout August.

A total of \$60,000 was raised through the Daffodil Racedays initiative this year, an amazing result for the Cancer Society, as well as those from around the country who pulled together to organise what is quickly becoming a hugely popular series of events.

NZRB CEO John Allen says he is immensely proud of the amount raised and how the racing industry pulled together for the initiative.

"From jockeys to trainers, owners, breeders and broadcasters we've had support from all corners of racing, it illustrates the generosity of our people and the contribution our industry makes to New Zealand communities," says Allen.

An increase in marketing and a focused approach to communication across TV, radio, print and social media, resulted in a significant growth of profile for the Daffodil Racedays with the mainstream public.

Social media coverage across NZRB channels - TAB, TAB Trackside and The Races NZ hit an impressive 12% engagement. To put that in perspective, a regular rate of engagement would be 4%, with good 6-8%. Much of this was driven by increased use of

video content highlighting the Daffodil Racedays on social media.

As well as that, #DaffodilRaceday was trending at #3 in NZ on social media on Saturday 27 August, a spot not often held by racing events in NZ (only larger Carnivals such as Cup and Show Week and Auckland Cup will have achieved this before).

Other supporters included Westbury Stud, who donated a service from one of their champion stallions, while Waikato Stud generously donated half of their stake money from a win at the Waikato event.

The connections of Kawi pledged \$2,000 after he sealed back to back wins at the Makfi Challenge Stakes carrying the Cancer Society colours - taking the total raised for Hawke's Bay Cancer Society to more than \$30,000.

Cancer Society NZ CEO Claire Austin says she is delighted with the Daffodil Racedays partnership.

"Not only have the Racing Board donated directly and collected on course, the high tea's are a wonderful way to thank volunteers for the hours that they contribute. The \$60,000 raised will go directly back to the local communities so we can continue to research and provide services to those who need it," says Austin.

Thank you to everyone who helped make it such a success, we're looking forward to it again next year.



RACEFIELD CONSULTATION CONCLUDES

Progress toward racefield legislation continues with the completion of the Government's consultation on the proposals. Officials at the Department of Internal Affairs have worked their way through the submissions.

Racing Minister Nathan Guy recently noted that "We got very good submissions ... and the Racing Industry was largely supportive of the discussion document and the proposed changes, particularly implementing a fee regime for offshore gambling operators".

He also noted that "The submissions have brought to light some complicated international law issues which [Department] officials are working through with the help of the New Zealand Racing Board".

Mr Guy said that while these issues have caused a delay he reassured the industry that racefields "Remains my top priority". The Minister further detailed that "The reality is we are trying to create a legislative which has extraterritorial reach, which is by no means simple. My desire is to ensure that what we ultimately enact is enforceable, effective and achieves real gains for the industry".

As the Minister noted, the NZRB's team have been assisting officials to work through issues raised in the submissions, and are confident none of the issues are insurmountable. While this has caused a minor delay, the team are still expecting the legislation to progress.



That said, there are still significant hurdles the legislation needs to clear before it becomes law. The proposals still require Cabinet approval and then will have to go through the legislative and select committee processes.

All three of these milestones will require united and strong representation from the Racing Industry. So while significant progress has been made, the process is by no means finished. Information will be provided to keep you updated as progress is made.



TWENTY YEARS OF TAB SPORTS BETTING



Above: Colin Meads placing his bet at the Courtenay Place TAB with the agent Richard Newman.

Earlier this year NZRB celebrated 20 years of sports betting. That first event, on 6 July 1996, was the year's first Bledisloe Cup Test, where the All Blacks beat Australia 43-6 at Athletic Park. This was also the first All Blacks Tri-Nations test match, as well as being the first Bledisloe Cup test of the professional era.

Tens of thousands of New Zealanders had earlier followed in the footsteps of All Black legend Colin Meads, who took the first sports bet at our Courtenay Place branch in Wellington on 24 June 1996.

Pinetree had a successful punt on the All Blacks to win 13+, and also took First Try Scorer selections of Josh Kronfeld (\$14) and Robin Brooke (\$800). Intriguingly, both came very close to scoring.

After David Campese put a trysaving tackle on Jeff Wilson in the corner, the ball was batted out by Australia in the corner. Robin Brooke then took the following lineout and looked like he'd be driven over, however he had Kronfeld in direct support, but the ball made its way back to Michael Jones who scored the try off the back of the driving maul.

New Zealanders bet \$1.15 million on that first match, with \$200,000 coming on in the last hour before kick-off. Although not massive when compared to major racing events of the time, the Bledisloe Cup was Australasia's largest single sports betting event ever at the time.

There have been many other Sports Betting milestones in the past 20 years, including:

Biggest Event: Rugby World Cup Final 2011, New Zealand v France - \$3,466,755.72

Biggest Payout: \$249,600.00 from a \$13 Sports Multi

Biggest Bet: \$396,000 on New Zealand to beat Australia in the RWC 2015 Final at \$1.35

1996/97 Sports Betting Turnover: \$33.8m

2014/15 Sports Betting Turnover: \$405.0m



Also of note is our Annual Report from 1996, which heralded sports betting on the front page of its newspaper style.

FIXED ODDS UPGRADE ON THE HORIZON

Work is continuing on the Automated Fixed Odds Betting (FOB) project, which is looking at upgrading NZRB's aging FOB infrastructure.

The TAB have offered FOB since 1995, initially on Racing, with sports Fixed Odds Betting introduced in 1996.

In the 21 years since the first Fixed Odds Bet, the betting world has drastically changed. Competition offshore, particularly from the UK and more recently Australia, coupled with advances in technology has driven a huge amount of innovation. To remain competitive, NZRB must upgrade its betting systems.

Customers now demand a greater range of options than our systems are able to provide. Where we currently offer 2,500 options per day, our competitors provide upwards of 50,000. We currently perform most tasks manually, and therefore more options would require a similar increase in headcount.

New technology will enable us to not only offer more options, but to do so in a way that ensures we are comfortable that our pricing and risk management processes are robust and are able to deliver the margins that we are looking to achieve.

Automated FOB is how we have referred to the project, but the scope is wider than just automation. There are a number of benefits including, but not limited to:

Greater breadth, depth and availability of options
= *better product*

Improved liability and customer management tools
= *greater control of margin*

Partnerships with global industry leaders
= *access to future innovations and knowledge sharing*

The provision of more options will be largely enabled by utilizing sophisticated algorithms that generate odds for virtually every possible stage of a match from a few key inputs.

In Racing we will have the option to introduce fixed odds exotics such as quinellas and trifectas and also more futures and special options. We also hope to provide Multi cash-out functionality and have an enhanced ability to offer more targeted and exciting promotions.

The team are currently engaging in high level discussions with three different potential partners, evaluating the costs and benefits. We are looking to begin a detailed design process with the chosen partner/vendors later this year. This will likely be a two to three month process after which time frames for delivery will be clearer.

We expect this project to create a significant amount of value and we are focused on securing a long term solution that will deliver the best possible return to the New Zealand Racing Industry.



INSIDE NZRB - GARY WOODHAM

As the General Manager Customer, Gary Woodham is responsible for NZRB's customer-facing touchpoints, including Marketing, Retail, Elite Services, On-course, and the Voice channels (e.g. Customer Contact Centre, Touch Tone). Having been with the business for just over a year, we sat down with him for a quick chat about his background, his passion for New Zealand Racing, and where he sees NZRB going.



How did you first get involved with the Racing Industry?

I was apprenticed, if you will, through my father and his transistor radio. He loved putting Doubles on the trots and I would take a read through the Friday Flash that he picked up every week to see what it was all about. Then from the age of 13 he would take me to the Trotting Cup at Addington every November - I've only missed perhaps 10 of them in the last 40 years.

Backed any winners recently?

Like everyone else, Kawi at the Makfi - I thought it was paying overs so got into it on the nose. Otherwise my bet of choice is a Roving Banker First4, it's a fun bet and I'll usually look for a few of those at a meeting rather than Place or Win bets, particularly when there's a Jackpot going.

What do you like about racing?

I've always loved the competition, just like any other sport. The craftsmanship of the trainers and the drivers/jockeys and the science of it always appealed, as did the champions it produced like Robalan and Lord Module. There are a lot of factors involved which make it hugely exciting.

Aside from your role at NZRB, how else are you involved in the Racing Industry?

Yes, I own 11 horses, who are with a variety of trainers including Mark Purdon, Natalie Rasmussen, Nigel McGrath and Robert Dunn. I bought five colts in a syndicate with a variety of others, including Jim & Ian Gibbes, Ken & Karen Breckon and Phil & Glenys Kennard, who are now two years old, broken in and in training so I'm excited for the future with them.

What area of NZRB's business has been a focus for you recently?

The customer and channel strategy. We need to better understand who our customers are and what their unmet needs are. Concentrating on customer insight and working out the optimum channel content that we need to create to attract people to both racing and sport is vital. Sports and racing bettors are different, and we need to present ourselves to them in different ways. We've been sending them content in one flavour, and this is something I think we need to change.

What has been the biggest change in your area of the business?

Probably the building of the NZRB Executive Team under John. I've been around executive teams for 30 years, and this is the most skilled team that I've worked with across the various roles. It's collaborative; we work with each other for the customers and the industry. Every week around the table there are two focuses - how to apply our knowledge and capability to our customers, and to the industry. There's also a good amount of racing knowledge, with four of us being animal owners which helps.

Within my own Customer Leadership team I'm also looking for people who can have tough collaborative conversations with leaders across every part of business and the codes.

What has been a recent challenge for you?

Addressing historic misunderstandings about the NZRB and TAB. From the conversations I've had as well as observed recently, we have a way to go with bringing everyone up to speed with who we are and what we do, telling our story better.

The facts aren't complicated, but they need to be repeated; we don't set the stakes. We distribute our profit to the three racing Codes, who in turn distribute that money to the clubs. Every single bet with us supports the New Zealand economy. Betting with offshore bookmakers deprives the New Zealand racing industry of much needed funds. The communication of these facts is definitely a challenge that we need to tackle.

Spring racing is here - what are you looking forward to?

I'm really looking forward to New Zealand Cup and Show Week this year. I'll be looking very closely at the meetings that build up to it, such as the Hannon Memorial and Kaikoura Cup which I see is across two days this year.

Last year I had Cash n Flow in the 3YO Sires on Cup Day running for fourth, and then on Show Day on Friday winning in the last race, which was a massive highlight. He's injured this year unfortunately, but I've got a four year old mare called Lovetodream who is recovering well from a broken pasdon bone, so I'm looking forward to her having a run.

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Inside Running is emailed to Codes, Clubs, and other recognised industry bodies, along with other industry partners.

This may be freely circulated to respective committees, members or other interested persons.

A copy will also be placed on the NZ Racing Board website (www.nzrb.co.nz).

If you wish to be added to the initial circulation list, please provide your email address to insiderunning@nzrb.co.nz

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