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Afternoon Session 2

WHAT IS THE ROI FROM YOUR PLAYER TRACKING INVESTMENT?

Moderator:
Jim Altrichter, President, Smart Button Associates, Inc.

Speakers:
Margo Flynn, Director of Public Relations, Tampa Bay Downs
Mike Malo, Senior Director of Marketing, Arizona Diamondbacks
Mark Midland, Vice President, Marketing, Churchill Downs, Inc.

MS. WENDY DAVIS: This panel session, "What Is the ROI From Your Player Tracking Investment," should be a really interesting panel. You have a wonderful group up here.

Your moderator today, and the person who was really instrumental in putting all these professionals together, is Jim Altrichter, he's the president of Smart Button Associates. And Smart Button is certainly a major player in customer loyalty programs with racetracks, professional sports, universities and a number of different organizations. You're in great hands.

I'm going to, like I said, keep this very brief and I'm going to turn this right over to Jim, who's going to lead the discussion today.

Jim, thanks so much for putting this together.

(Applause)

MR. JIM ALTRICHTER: Thanks so much. Being that we're, quote, last session before happy hour I'll be sure to keep my comments brief as well, and get down to the details with our good speakers at hand.

Having spent the better part of the last decade working in the racing industry, I'm pleased to now note to everyone here that loyalty marketing, or as we better or more commonly refer to it, player tracking within racing has now hit wide spread acceptance within the industry and is moving along to its next phase.

While I'm pleased to announce this, I'm also a realist. There is still a long way to go in the world of loyalty marketing within the industry. We are continuing to find new ways and will continue to discuss them here, ways to turn loyalty marketing into revenue-driving devices for your racing operation.

The goal of today's panel is really to discuss loyalty marketing, and there's many ways in which loyalty marketing can be applied to that very purpose. I'm especially pleased that we were able to produce such a high powered and diverse team of professionals to come and share their success stories with loyalty marketing with you today.

Mark, Margo and Mike each bring a unique perspective from facilities both within and outside of the racing industry, and a different way of approaching loyalty marketing, but all of them share the common goal in that they produce successful results for their facility.

So to set the background for the stories I'd like to briefly go over a couple of statistics regarding player tracking and its current use in the racing industry today.

Today loyalty marketing enjoys widespread acceptance. In getting ready to make that statement to you I did a little research of just how wide that acceptance was.

Using industry accepted sources, the NTRA, TRA, HTA, AQHA, track Web sites and our own customer relationships we were able to piece together 161 facilities in 43 jurisdictions throughout the United States and Canada of which, as you can see, 33 of those jurisdictions currently participate and offer player tracking.

One jurisdiction is currently evaluating it and there are still only nine jurisdictions that are not currently having at least one facility whereby player tracking is offered within that state.

A brief note about the statistics. Mark Twain was right, there are three types of lies, and the last one is statistics. Not included in these numbers are fair meets with less than 10 days, not offering simulcasting in the off season, so thereby really only having a limited number of opportunities to present player tracking; jurisdictions for which I could not find resources on the Internet.

I estimate there are, between, the U.S. and Canada, another five jurisdictions which I know are out there, we just could not find any referenceable information about their sites and their services to qualify that; and for purposes of simplification, I counted Nevada as one entity. No one will deny what Nevada means to our industry and its participation, but as we all know they don't have racing in Nevada.

As a percentage of a market, the results are even more compelling. If you look at the numbers here, the tracks that account for 85.3 percent of North American handle are actually offering player tracking at their facilities right now. And it's really only 15 percent that's out there that are currently not offering it. So you can really see it has become something of a widespread opportunity.

Breaking it down by category, you can see thoroughbred racing at the bottom is well above 65 percent, 44 of 62 facilities currently offer player tracking at their site; of harness tracks, 19 of 34, which is closing in on 50, and of quarter horses, 20 of 39. Obviously, for those who have multiple facilities they're included twice in these numbers in each one of their industry segments.

Greyhounds are starting to penetrate. Twelve of the 47 Greyhound tracks throughout North America currently have it, and jai alai's, of the five jai alais there's one currently offering player tracking services.

I think it's pretty clear that from these numbers, especially at the larger sites, loyalty marketing and specific player tracking has become integrated into the operations of daily racing. So with any widespread product, to hit widespread adoption, there must have been a point of pain whereby the product got so widely adopted. There's something that triggered that behavioral change.

We've been out in racing for a long time; why was it that in the last five years, the last 10 years really we've evolved from a state where very few of you in the room had player tracking — in fact, just as a survey how many — is there anyone in the audience who had a player tracking system here 10 years ago? I see a lot of track people out there.

(Show of hands)

How many of you have the player tracking system currently?

(Show of hands)

I think it backs up the numbers. I think the triggers for adoption really, both within the industry and external to it, inside the industry, and these have been widely discussed, I'll just touch on it briefly.

Gaming proliferation. I think we all know what that means; extended gaming options in our inner areas, extra jurisdictions coming online, tribal gaming, riverboat gaming coming into our targeted marketing areas, non-geographic competition, the spread of account wagering, account wagers pushed through national — to national audience.

There's enough debate of the pros and cons of account wagering, but I think there's no denying that it provides another source of competition if, for nothing else, the money that you can't get through a source fee for the parking, the admission, the

hot dog and the beverage and the other associated sales, not generated by someone coming on site.

And simply customer demand. You know, very widely people have come to expect that you have a player reward system within your facility, and they'll be asking for it if you do not.

The last of these causes that was driving the adoption of player tracking is reduced efficiency of mass media marketing. What am I talking about? Well, let's see. If you look in the last 40 years, what's really changed about how we reach and react and market to our customers?

You know, back in 1960 in the golden era of mass marketing, you saw it; basically a typical house had 5.7 channels, there were only 4,400 radio stations available nationwide and 8,400 magazines. Today 82.4 channels per household, 13,500 radio stations available, 17.3 thousand magazines available on demand; and then you factor in the Internet; you know, Google is currently indexing — and this stat's probably old, it's probably closer to 4.5 billion pages that are currently indexed by Google currently, in addition to another 25,000 broadcast radio and television stations that are available on demand through Internet services.

I think if you're still trying to reach your customer through only mass marketing, it's pretty clear that you're having a declining return in finding the audience just simply because there's so many more channels that they can be listening to.

These results and opinions are backed up by a recent survey conducted by the Race Track Industry Program. Many of you probably received this in the mail; for those of you who sent it back, we thank you. And a special note of thanks to Amanda Benton from the Race Track Industry Program; is she here? Please raise your hand? Amanda was kind enough to take the time to put that survey together and collate the results. I just want to touch on a couple of those here today.

If you really look at why people got into the business of player tracking, by far and away the number one consensus pick was player retention. The other two: increasing the bottom line, locating large players. I think all of these are indicative of a maturing industry. Fortunately people, everyone in this industry as compared to other entertainment options, when we talk to other folks in major league sports — sorry, Mike — other options, it's tough to get everyone to even understand the terms of loyalty marketing.

I think mostly everyone in this audience knows what we're talking about when we're talking about player tracking, and why someone would want to actually go out and offer that to their players and customers.

Also interesting from the survey, player tracking percent of total handle. Twenty-eight percent is currently tracked at most facilities. Of that keeping in the recency, roughly 40 percent of the people who are in an average player tracking database

have had activity within the past four months, particularly going into this time of year, since for most of us it's a slower period and season.

And most interesting, it's the operational cost per player, if you really factor in all the variables including basically everything but salaries of the staff that operate the player tracking club, the kiosk, the paper, the printers, the consumables, the marketing; and divide that by the number of people participating of all the folks who responded to the survey, we came up with an average cost of $61 per participant. Not that bad when you consider it against the acquisition costs of a new customer.

I think really to grow racing from where it is today to expand it to additional operations there's going to be three keys to expanding player tracking beyond its current levels. One of them is value customers and asset.

Okay, it's easy to do lip service to this as everyone can say, "We value our customers as an asset." But what does it really mean? I think the number that's missing from most businesses almost undoubtedly yours, and probably I don't have a good figure on my own as well, is the cost of acquisition for a new customer.

You know, when accountants look at a loyalty program they tend to see the costs of the retention scheme and they see that $61 per customer and go, "My God, how can we afford that?"

But no one plays it off as what's it against in terms of the cost of acquiring a new customer from out of nowhere? If you really look at the chances of getting them through mass media and the costs of doing direct mail, acquiring customers, especially one that would come loyally for a long time, it is very expensive.

It also goes to the customer life cycle. The customers fundamentally become more profitable as they move through the life cycle and stay with us for longer and longer periods; simply because we don't have the acquisition costs going into the second and third years of their relationship with us.

Number two, I think, is the current need to expand is integrate player tracking with other business processes. Many of us still run player tracking as a sideline to our core business operation. When I talk about this I'm really talking about both making the presence of the club known within the facility, giving people more options, more ways they can self-select into the club through extending it to other revenue areas, point of sale, gift shop, any way that a customer can identify themselves and become valuable to you, group sales, etcetera. And then tying that back with an experience.

I mean, really people who derive loyalty marketing and player tracking think of it as just a poor cost center. But people who understand it see it as an investment in the customer.

And really the last of the points that I have on how player tracking can extend beyond its current levels is really putting data into action.

Data. Many of us have the databases, but very few are out there really working and marketing actively off that data on a continuous basis. And the number one reason that people give when they are saying, "Why can't we do more with the data that we have," is just resources that they don't have the time or staff to accommodate that.

So I think there's a lot higher returns to get and a lot higher participation rates to get simply by investing the extra time and analyzing the data that we already have and putting the call to action back in the customer's market.

In short, I'd like to sum up by saying adopting a loyalty program is really just an opportunity to start a dialogue with your customer. The racing industry and all of us here have started that dialogue in the past five years. The challenge going forward will be to find the right audience and continue to deliver a message that counts, that really says what they can count on.

Thank you.

(Applause)

Mark, I'm going to call you up next. When this panel was originally conceived, Bill Bork from Penn National was destined to come here and present some of the case studies from a recent article on Direct Marketing News, if anyone here happened to receive it.

He had some pretty impressive results around customer retention and activation programs; 40 percent response rate, 105 percent increases in group spend; for anyone that was expecting Bill I actually have — Bill was not able to attend because, as many of you know, Penn National's in the process of completing the Argosy Gaming acquisition as well as selling Pocono Downs, so his services were needed in Pennsylvania.

I think it's pretty clear Penn National is one of those organizations in racing that's come a long way in a short time; especially for those of us who remember when it was little more than a sleepy track in a sleepy little part of Pennsylvania that was better known for making chocolate.

Fortunately, when I knew Bill was unavailable to come here, I thought of what organization, what other organization had come a long way in such a short time in the racing industry? And in terms of loyalty marketing there's no one better than Churchill Downs.

When Bill Bork was unable to attend I made one phone call and Mark was very gracious enough to accept and be here today. I first met Mark Midland back in 1999

when he had a little used loyalty program at one facility in Louisville and some big ideas of how to expand it.

Over the past five years, Mark and his team have grown the Twin Spires Club into a multiple-state, multiple-facility, Internet-enabled, credit card-affiliated, enterprise-wide grand standard for the Churchill Downs organization, reaching well into the hundreds of thousands of customers, integrating loyalty to an ever-increasing number of business operations and data sources.

The Twin Spires Club has clearly set the pace for loyalty marketing within the racing industry. That's why it's my pleasure to introduce to you Mark Midland, the vice president for new product development from Churchill Downs.

(Applause)

MR. MARK MIDLAND: Thanks, Jim. I don't know what I did to deserve that nice introduction but thank you anyway.

Well, first of all I'm very excited to be here, and any of you that know me, two of my passions are horse racing and marketing. So the opportunity to talk about both of those at the same time and talk about them here at this symposium in Arizona is very exciting for me. I'm very excited to be here.

And also like a good employee I'm going to take a couple cues from Mr. Meeker. If you had a chance to hear Mr. Meeker speak yesterday, he spoke about passion, he spoke about solutions, try to bring a couple solutions to the table, and he also wandered around a little bit. And I'm going to do a little bit of that. And I apologize in advance but I hope that's all right.

But there are clearly a lot of challenges out there today. And just to name a few challenges for marketers, one of them Jim alluded to was the great slide; advertising costs are up, the media has just overblown in the last couple decades. The cost of media are rising, marketing budgets are going down; it's a huge challenge for marketers.

Secondly, customer needs are vastly different, and I think sometimes this is something that's really unique to the racing industry. We have our regular customers that are there every day. We have people who are there five days a week, and really that's their life to come to the racetrack.

And in the opposite end of the spectrum we have somebody that walks into our facility for the very first time in their life, and you really can't get any two more polar opposites than that. And as marketers it's an extreme challenge; and how do we talk to these customers, how do we communicate to them in a way that's going to connect with them? And it has to be very different.

And thirdly, this is one we could do a whole panel about and people have talked a lot about in other sessions is, racing is too difficult. But like I said, racing is a

passion of mine and I have no doubt in my mind racing is the greatest game in the world. And if you walk through the grandstands of your tracks the regular players I know will tell you the same thing. That racing is an outstanding game.

And personally I think the other games have a lot to offer, but there's nothing that racing should apologize for. When you look at sports betting, am I going to bet a hundred dollars on USC or Notre Dame? I'm going to bet a hundred to win a hundred. Well, what's so exciting about that?

Poker. I was at a friend's house a couple weeks ago, played in one of these Texas Hold 'em deals, played for three hours and won $40. And I just don't get it.

And the other one that's out there is fantasy football. And if you haven't played any fantasy games I encourage you to play one; or if you know somebody who plays one to take a look. But the fantasy football stuff is amazing.

I got roped into one of these leagues with my friends, I played fantasy football for the first time; knew nothing about it; and on Yahoo, and about three minutes I'm ready to go. Three minutes you're up and running. And it is so easy to use it's amazing.

And for instance if you want to pick up a player, a player gets hurt, you click on and it lists all the active players that are out there that are not taken, and it ranks them. And so you look at that, you click on that list, you see Julius Jones, Dallas Cowboys. He ran for three touchdowns Monday night. He's not taken. Click, click, he's on your team, you're ready to go.

And we have people who've never followed football, never followed sports not only playing this confidently but they're winning at it. And I think that's very analogous to where we could be with racing.

Because racing is an information game, and we need to make sure that that's the strength of the game and that we leverage that strength and that it doesn't come out a liability but rather an asset.

So where are the potential solutions? Just a few solutions, but for us at Churchill Downs, database marketing. Database marketing or otherwise we also call it CRM, but it's founded upon player tracking data. The player loyalty program and the data that comes from it, that is the foundation of database marketing and CRM.

And the player tracking data is the fuel to your car, if you will, so the car's database marketing and CRM is the car to take you where you want to go, to take you to your customers to meet them. But the fuel is player tracking.

And the distinction I want to make here is that while I would recommend somebody to get involved with database marketing without player tracking, it would be a little bit difficult, you wouldn't have quite as much data to work on.

I would never recommend to somebody to have a player loyalty program without database marketing. Because database marketing is — that's where you talk to the customers, otherwise you'd be sitting on a gold mine and not using the data, not taking advantage of that data to talk to your customers, to get to know your customers and to go from there.

When we talk about ROI and player tracking, measurement is really the key to it all. You have to measure everything, and it's something that we've always done with Twin Spires, made a conscious effort to measure everything that we do. And really what we're trying to do when we measure something is you're trying to figure out where would we have been without the promotion, the marketing resources that we're applying.

And that will let us know where the bar is, where the watermark is. And then when we apply the marketing resources then we know how far we've gone above that, and it's a very basic concept. We all do it and intuitively a lot of times we look at it, but it's important to go through the slips to see where you are, to see where that ROI is, so you know exactly where you are.

And even if you're doing something strategically that you know you're not going to get an ROI in one day, one week, one weekend, it's important to go through the ROI, and you have to set up in advance to set up a control group.

So in order for you to get that trend, you need to set up in advance. And typically what we do in a mailing, if we're mailing 50,000 customers we might hold out 3,000 customers, not send them the mailing. And that way we look at those customers with our player tracking data year-on-year. Let's say they're flat. Then we know the increases that we've gotten from our marketing activities are based on, we know we can calculate the ROI based on our increase versus the control group.

So as Jim said, our Twin Spires Club has grown a lot over the past few years, and just where we are today, this is our player loyalty program for Churchill Downs Incorporated. We have over a hundred thousand active members, we track about a third, one-third of every dollar that comes into any of our facilities, and those numbers we're really pushing to grow all the time because, again, as I said, that's the fuel. That's the fuel that makes everything work.

And it's a very typical program. The player loyalty programs are usually pretty similar in terms of, there's points, there's rewards, comps. You can take the card anywhere. As Jim said, it's a nationwide program and there's a VIP program with tiered structures as well, but today I want to focus a little bit more on the database marketing and some of the things we're doing with it.

Because I think that can give everyone some fun and interesting examples about where we're going with it and where you can take this. And e-mail is really a key to that. With e-mail we're out on the forefront of everything that we want to do with

database marketing. It's timely, it's flexible, it's personal, it's direct, it's cheap, it's fantastic. So we'll get into that a little big later.

So the first question everyone probably wonders is, "Are we making money at this? Or what's our ROI? Where are we going, what have we done?"

And while we're measuring the ROIs from each of the campaigns and it gets pretty specific, measuring ROI on a global basis can be tough. And one opportunity we have in Illinois is really a unique one, because we have OTBs that are owned by Arlington and Churchill Downs, and then we have OTBs that are owned by our competitor, and they're roughly the same geographic areas, although for the most part they don't compete head to head too much.

And they're subject to the same types of factors, the economy and things like that. So it really gives us a nice benchmark to see where we are versus the competition. And we're proud to say that we've seen 16 percent growth in four years.

In 2000, that was the last year before Twin Spires was implemented up in Illinois, we were losing, relative to the competition, three percent a year. And the first year we brought Twin Spires in we reversed that, grew by over six percent, and over four years we're at about 16 percent growth.

So that's a nice number, that's a big number. And we feel like we can continue to get better, and it's something that we look at a lot. We're always looking for ways to get better. And one important point about retention, and Jim alluded to it a little bit, when you're measuring near 16 percent growth it's an average of four percent a year, and when you do all the math, that comes out to — you're not hitting a tremendous home run in the first year, but what happens is over time, the retention creates tremendous gains.

So let's say if we're dealing with handle of $100 million a year in this group, well, year one if we're up four percent, we have $104 million, and I said $4 million. And then we calculate our margins it's not — it's not a ton of money but it's a nice increase.

But what happens then is we start year two at 104 and grow to roughly 108. And then to 112. So we're creating this delta of where we are versus where we would have been, and over time this is just a tremendous growth, and it's something that really makes sense to invest in.

Another way to illustrate it is growing the frequency of live customers. And this is something that's very important to us. Because as the reward program started there were very much a program for the core customers, the people who are there every day. This is a way for them to have a "Thank you" for them to get a reward.

And we're able to show, looking at the data, and this actually a group of 3,000 customers from the year 2000 in Illinois and Kentucky, and we tracked them over time, a set group of people. And the per capita on their daily visit was very stable,

but actually you can see that their annual visits grew by a couple visits a year. And so we're seeing steady growth.

And on the wagering aspect, we can see that we've almost doubled the handle in four years, and although it's starting to plateau a little bit there's a tremendous amount of growth there, and it's something that gives us a lot of hope and potential where we can take this.

Now, the interesting point to this is these were members that came four to 10 times in the year 2000, which is pretty light. We're talking about somebody that comes once a month or maybe once a month during your live meet. And these are the type of people that it's a challenge to get them to sign up for player rewards; and not so much a challenge in the fact that they don't want to, but it's a challenge for us and for our employees to communicate it to them and to set up the operations and the process to get these people to sign up. But when you do that the gains are there, the gains are really substantial.

With e-mail, as I said e-mail is really where it's at in terms of, there's a tremendous amount of potential where you can go with e-mail, and one of our goals with e-mail is to really make racing fun and easy. And as I said, racing, it's too difficult in so many different ways, and it could go on.

Where we've gone with e-mail is we've kind of tried to target the Saturday player, the once-a-week player. And this is the person kind of in between somebody that comes once a month and somebody that comes every day.

And we start there, we kind of branch out each way, but that's really where we start. And the way we look at it is, how do we bring out all the information of what's going on in racing and make it a sell to them that's fun and easy? That is, why do you come to the track on Saturday?

And so we look at that person and we're saying, "You know the guy's sitting at home and he's saying, 'Is this the Saturday I'm finally going to go Christmas shopping with my wife? Because I really don't want to, but I really want to be at the track.'"

And he says to himself, "What's the number one reason to come to the track this weekend?" And I asked myself this same question this morning. And what is the number one reason to come to the track this weekend, this Saturday? And you know what? I couldn't come up with one.

Last week I would have said Calder had Grand Slam One which was a nice event, we had a guaranteed Pick-4, there was some great things going on. Next weekend the Hollywood Futurity is going to decide the 2-year-old Eclipse Award, it's going to be a dynamite race. But this week it's kind of a lull, it's kind of in between.

And I think what we're lacking in racing a lot of times is a consistent message to sell to the customer. Now, one thing that is out there that some players might

come up with is at Hollywood Park, we're doing a guaranteed Pick-4 every day. And that's something that we really thought would work, and it has worked well because of the consistent message.

And really when you go to a "Fun and Easy," what's more fun and easy than that? A $200,000 Pick-4 every day. It's fun. When is it? It's every day, that's easy. And I think this is something that when we say racing's too difficult, that's how we need to focus on making things fun and easy.

And there's a lot of great things out there, and I just wanted to touch base on it for a second. In the industry, I mean, not only we have the Hollywood Pick-4, I'll look at Magna, what they did this winter with the Magna Pick-5, $500,000 Pick-5 every Saturday. Fabulous.

Look at what AmericaTab did with the Pick-6 for the Breeders' Cup? Put $10 in, you get into a pool, $40,000. And these guys hit the — handicappers, hit the Pick-6 or hit five of six and they made money. That's fabulous.

And there's some other really exciting things going out there in the industry. What the Racing Form has done with Hollywood Park and Del Mar and the Fast Form to make things easy. I think when we all look at the PPs, there's nothing more difficult than the PPs, I think that's something that's pretty much a fact. And here's an opportunity where they took it, reformulated it for younger fans to make it easy for them.

So this is really the approach that we've kind of taken with our e-mail is to distill all the information of what's going on, do the leg work, do the homework. When you look at, like I said, the Saturday fan and he's asking himself, "Should I come out to the races this weekend or not?" It's a scavenger hunt.

And the problem with that is the information's everywhere and there's no consistent sales pitch. We ran some data on our Twin Spires members and found out that 80 percent of the dollars coming through Twin Spires is from members that bet simulcast racing. And the definition that we created for that is people that play more than one track per day, so even when they're at the live track that's not enough, they want to play another track.

And the problem with the simulcasting picture is there's no one in charge of it. We're all running, the tracks are running live tracks, they're separate, they're different, and there's no one in charge of it.

So simple things like Charley Hayward referenced to Racing Form in his interview, for a simulcast player there's no screen to go to to get the scratches and changes for all the tracks. On the Web sites there's no way to go to get all this information, and it really creates a scavenger hunt.

And the players have to ask themselves questions like, "What are the big races on Saturday? Why do I want to come out? What are the special wagers? What horses

are running in the stakes? Are they full fields? I only have two hours to come out on Saturday; which two hours should I come out?"

And so that is the approach we're trying to take is answer these questions for the players and bring that to them, and so we can make racing fun and easy with e-mail.

Another thing we've tried to do is always provide value. If it's not valuable to the customer, we don't send it.

Like I said, if this week is kind of an in between week, next week's the Hollywood Futurity, we're going to target only our most active customers this week and next week we'll go after a broader base, because we think that race has a bigger sell.

We're going to target to customer needs, target to their preferences, whether they're harness players, whether they're thoroughbred players, whether they're live meet or play year round. We want to engage and educate them, again, overcoming that learning curve difficulty, and we want to learn about our customer.

So just to go through a little overview of what we've been able to do with e-mail, this year we're sending about 2.8 million e-mails and with some fantastic open rates, and really we've seen about a three percent growth in attendance versus a control group on a weekly basis.

And I might get this wrong from the IT guru, but I like to say it's completely scalable — is that the right — because e-mail, if you send it through, it's the same amount of work to send it to 10,000 people as it is to a hundred thousand people, and we're seeing the same results week after week after week.

So we're seeing a lot of potential here. And again, how does this tie in to player tracking? It all comes from player tracking. Player tracking is the fuel that makes all this happen. Without the data of player tracking none of this would be possible.

We've seen some great campaigns, our allies, and recently we were honored by Exact Target, which is our e-mail vendor, and they have 2,300 clients, and we won an award at a recent conference, so we think we're on the right track.

So just to give you an example of where we've been able to go with this, here's an example of one of our e-mails, and I'm not sure if you can see it. But that's Pleasantly Perfect and this is talking about the Pacific Classic, so Craig Dado's trying to take care of you. I promote Del Mar a little bit, get the word out. But what we want to do, again, make it fun and easy. Bring things like the race information, the entries, the PPs, the quick contest, and even things like selections and replays, bring it all to the front to the player so they can see the best sell that racing has for that weekend, and hopefully that's enough to bring them in.

The contest on the right where it says, "Win 100,000 points," it's a simple trifecta contest. It takes about 10 seconds to play. You have to pick your trifecta horses for

the Pacific Classic. But the great thing about it is we want the players to do that, and when they pull that drought down and say, "Do I like Pleasantly Perfect or do I like Perfect Drift," and they said, "With Perfect Drift, that's the horse I bet in the Derby last year, I like that horse."

And now it's got top-of-mind awareness, and now we've got something working to get them out this weekend and get a vested interest.

Engage and educate is another major goal, and simply what we've done is we've hired some freelance handicappers, professional handicappers, write some tips at the bottom, "Winning tips from the expert," and these are linked in our e-mails. And when they click on these tips not only does it take them to our Web site where there's a complete story, but it's actually a complete framework Handicapping 101, 201, 301.

So if the tip is about exactas and the player reads everything about exactas and exacta strategies, he can go right into trifecta's after that. So we think there's a tremendous amount of potential in online education. We've really hit the tip of the iceberg but we think there's a lot further we can go, so we're going to keep going there.

So here's another 100,000-point trifecta contest. We do these probably 30 times a year. We've had great success. Again, it comes off the Twin Spires points, that's the hook. We get anywhere from 3,000 to 5,000 members to play in them, so we're getting really good participation.

And then on the right is something that we had a lot of fun with this year, it's an audio-visual presentation that the Racing Form helped us out with, they were great partners and they provided their handicappers and their experts, took you through strategies how to play the Pick-5, how to play the Pick-6, and we could actually embed things like video replays or a horse with troubles trips.

And so it's really amazing what you can do now with technology, what you can deliver with e-mail; and again, all these things go back to player tracking and the data that we started with. Interactive, just a cute example for the Travers Stakes, we have a picture of Birdstone and the contest was, "Get revenge for Smarty; pick which horse is going to beat Smarty Jones?" And you could pick one of the horses at the top to win a thousand points or at the bottom.

The other option is "No revenge, I can pick Birdstone," and of course that was the right answer.

Also segmenting the e-mails, we've segmented, again, back to the data, segments them by member, non-member, harness players, thoroughbred players, interest in wagers, affinities, locations; and really frequency becomes very important. Because we don't want to hit somebody over the head too much.

Some of our customers have told us they would love to hear from us five times a week or 52 times a year; other people five times a year is probably more appropriate. So all this again from the data, picking our spots and trying to communicate with the customer the message that's appropriate for them.

And just to give you an example of a specific campaign, our Preakness campaign, there was a thousand-point offer attached to it if they came out and wagered with their card that day at any of our facilities. And based on our control group 13 percent of the people wagered, the people who got the e-mail 15 percent wagered. So we have a nice two percent increase. Very interestingly we pulled, I think, a good random control group because the per capita wager for both groups was almost exactly the same. And again, the incremental visits, we've got a few hundred incremental visits; but in terms of handle at $290 a visit we're up to about a hundred thousand dollars in incremental handle, which really now we're getting into somewhere substantial. I said earlier it's scalable; if we can get more numbers and more e-mail addresses we can do more with it.

And just look at the cost. Jim talked about — we were talking about the cost of media and the difficulty of media — $170 to send. We're talking about a penny an e-mail. It's just really amazing what we can do with e-mail.

And the other point too is we actually — you might ask, do we only have 20,000 e-mails to send out on Preakness? Well no, this was actually the number of e-mail addresses of active Twin Spires members at that time. We actually have about another hundred thousand e-mail addresses. And for Preakness of course we sent out to everyone because that's just a big event.

And what we can do for those other hundred thousand people that don't have Twin Spires data, we can model it. Our best guess is we got a two percent increase on those names as well as long as it was a good list.

And lastly, something that we've had some great success with is customer satisfaction surveys by e-mail, thanking our customers. What we did on Monday morning, we take all the Twin Spires members that attended Churchill Downs that weekend, pictured out a random sample, about 400; thank them for their visit, personally invite them to fill out a customer service survey and gave them a few Twin Spires points for an award.

And we've gotten some amazing feedback on it. We've saved on marketing research and the survey results have been great. I mean, customers are dying to give us feedback. We're seeing 70 to 90 percent response rate from people who open the surveys.

And then Tom Schneider, our guest services VP, he takes them into the operations meetings on Thursday morning and we have a full set of data for every department in the company, and from there guest services department has taken and run with it; and they've created incentive programs, benchmarking, competition from departments, and you name it, it just goes from there. So it's really been fabulous.

And also the ability to segment responses by player level is really important. If we have questions from our track president, we don't understand why we scored poorly, we can always break it down and see who exactly do the VIP score us, you know, where did they score us? Where did our new customers score us? Where are we doing well? Where are we failing? And this is really a great tool.

And one of the things we did for this fall, we did a guaranteed Pick 4 at Hollywood, as I mentioned, and a guaranteed superfecta at Churchill Downs. Well, we wanted to talk to our VIP players to see how these would be received, because we wanted to go do the wagers every day.

So we've still got a random sample of 500 VIP members, sent them out, asked them for their responses, and that afternoon the responses started to come in. And it's just fabulous. It's like watching exit polls after five percent of responses are in and you can already see the trend. And we've done that on several occasions, within a day turned around and e-mailed to really ask our customers where we should be going on certain things. And it's really an invaluable tool. And again, it's all a combination of database marketing with player tracking.

So in summary, there's just a lot of great things can happen from player tracking, but really that's the start. And from there you take the data into database marketing and anything's possible from that point. Once you have that information you can make it work, and really the future is out there.

And that's why I was going to end with a finish line, but this is the horses charging into the future, and the future of player tracking and database is really untapped in an information game like racing. So I think we've really just hit the tip of the iceberg of where we can go.

(Applause)

MR. ALTRICHTER: Thank you, Mark, that was a great speech. I think there's little doubt after that that Mark and the Churchill organization really are charging into the future and exploring the brave new world of ways to further integrate player tracking within their operation.

Our next speaker I'm delighted to introduce, because Margo Flynn, director of publicity and marketing from Tampa Bay Downs is going to debunk two myths that I've heard all too often over the course of many years of talking to customers and folks about player tracking.

One, people have all too often said, "You cannot be successful with player tracking or with a loyalty program in a single-site operation or one that's of medium to small size."

And two, "You can't succeed with a player tracking program without the presence of slides." Margo has proven both of those to be false.

During her past seven-year campaign of player acquisition, Margo has put her customer loyalty information to use in ways that have delivered results in terms of four to five times what you would have expected as average acquisition campaign, and she's done it in a way that's created fun and excitement for new players at Tampa Bay Downs.

That's why I'm pleased to introduce Margo Flynn, director of marketing and publicity from Tampa Bay Downs. And I would also like to note that Margo comes to us here with no small amount of personal sacrifice as Margo is three days before the opening of her meet. So I hope you all give her a warm reception.

(Applause)

MS. MARGO FLYNN: Well, thanks, Jim. Thanks for the wonderful introduction. And Mark, your point that there's no big racing action this weekend? Tampa Bay Downs opens, what's wrong?

(Chuckles)

MR. MIDLAND: I want a big steak.

MS. FLYNN: It will be a full field of 2-year olds going three-quarters of a mile. Okay?

MR. MIDLAND: Good.

MS. FLYNN: All right. We're looking forward to having you on board.

I'm going to talk a little bit about the VIP program at Tampa Bay Downs, and it is something a little bit different than what Mark was talking about in his presentation. Of course, we reward our customers with a program through AmTote, not through Smart Button. Actually, I'm the only non-Smart Button customer here.

But we do have a frequent reward program, we obviously reward the customers, as I said. But I thought, well, maybe we can do something more with this information. Because what we would really like to have is new customers coming to the facility, new customers coming each and every today. So we thought about different venues and different ideas that we could put to use by putting a program together.

And we modeled our mailing list — and I'm going to begin by going through our mailing list. And actually we skipped one already. But our mailing list has about 20,000 records in it. And most of those are club members as well. And the vast majority of the people originated in Florida, most of the customers are from the Tampa Bay region, and we have a lighter concentration south of Tampa Bay.

None of that is unexpected. We expected that to be the case. So we're going to begin here with the end, which is the invitation. And the invitation starts out that,

"You're invited for a day of racing at Tampa Bay Downs. Attached is a 'Day at the Racing' VIP ticket good for any one day at the track between now," and we specify a month's period of time. And basically we send out this invitation to people who match clusters on our mailing list.

So we're going to move on to the clusters. And basically our mailing list broke down into this information. We wanted to look at credit usage, and we wanted to look at home value, auto value and demography. This information may be surprisingly easily ready to all of us. We can find out what your home value is, what your gender is, what — if you're the head of household, how much your auto loan is, how much your house is worth, how much your mortgage is, there's a lot of information out there to be gathered from mailing lists.

And we explored that with our list, with our mailing company. Our findings: This was the largest cluster that produced the most wins. This is not typically what our typical customer looks like, but these were the customers that produced the most amount of like wins.

And I was looking for a cluster that I could model after so I could go after other people in the Tampa Bay area that match that criteria. Most wins was a male who is 40 and three months old, who is head of household, he owned at least one upscale card, a department store card, and of course he had a bank card.

And so with that information we also found out that he has an average income of $67,000, owned their own house with a house value of $175,000; Tampa Bay, real estate values have gone up significantly in the last two years, so I think that might be a surprising number to a lot of people. But it certainly is a look at our largest cluster. It's not a look at our largest customer that comes into the facility but a cluster within that customer. And this is what he looked like. He also owned 1.3 autos and the auto was financed about $15,000.

So the next step, what do we do with that information? Well, we went back to the mail company and we said to them, "We want to purchase names meeting that criteria." So we want to look at customers that will be average of 40, male, head of household, one upscale card, etcetera.

So what we did with that was we purchased those names, mailed 5,000 invitations out per month, and they're good for any time during that month. And the invitation includes free admission for up to six people. My thought process with that was you're going to have more fun with friends, and hopefully someone in the group has had some experience at a horse track, whether it be up north and they recently moved down to the Florida area, or that someone has been out to the track before.

We offered them free box seats trying to give them the best seat in the house, as well as a free Tampa racing program, a free $2 mutuel voucher; and we also supplied handicapping information for those who may be interested in it. This is a very, very hands-on program.

We supplement this with customer service. We also have box seat attendants to help us with this, giving information, providing information as far as where things are located, and also the general manager, Peter Berube and myself try to visit the boxes each and every day. We introduce ourselves, we answer any questions and provide bounce-back tickets for free grandstand admission. And in addition, if there's any children in the group I'll try to go down to the jock's room and get some goggles.

We've given tours, we've answered numerous questions about racing. And you'd be surprised; people that have really never come to the track before, what their interest level is or the questions that they may ask. And some of them are quite intriguing.

But it's very good I think to have that "Wow" factor in place. I was particularly interested in getting Peter and myself to be able to do this, because I want them to go home and be able to say to the next door neighbor, "I went to the track today, we had a great time. It was great. And we had a free bet, but you know that was all right. But you know the general manager came down and said hello and asked how we were doing and if we were enjoying it."

I really thought that that was the factor that would make or break this to the point that they would then bring their other neighbors the next time with their additional bounce-back tickets. This program has worked very successfully for us at Tampa Bay Downs.

We had 2,731 tickets were redeemed with a response rate of over 13 percent; and remember, this is just about a blind mailing. Typically, mailings are looking at two to three percent, that's very, very successful. We had a response rate of over 13 percent, and on average there's four guests in each party, for a total of 10,924 new or lapsed guests to the track.

And I say they could be lapsed; they're not on our mailing list, they're not club members, and more than likely they have not been for many years.

And at Tampa Bay Downs we're very, very proud about the number of renovations and changes that have gone on at the track. So it certainly is extending our best foot forward to have them come and see the changes. We've installed a turf course and we've had many renovations throughout the facility.

This program has proved to be one of the best hands-on approaches that we could have taken to get new customers to the racetrack.

We budget for this program about $35,000. The majority of the budget is for the mutuel vouchers alone. Of course, we're hoping for some churn factor in that, they're going back and winning again and again.

The other costs that were included would be mailing, printing, any acquisition of names. Really, the mailing and the printing, the acquisition of names are minor,

and the mutuel vouchers are taking up most of the budget. However, the churn, as I mentioned, is the factor.

One other thing I would like to mention about this; we did offer a food giveaway instead of the mutual voucher one year. I actually had people coming for a hot dog and a soda and leaving, so we quickly scrapped that program. We wanted people to come and enjoy the races.

And I must tell you I've met some of the most interesting people in this opportunity, and I think it's really been something very worthwhile and something that you can put to use.

Another reason with your frequent rewards program, because you all have mailing lists and you all have frequent player clubs and you can gain some information to get new people to the venue. And I think that's basically what we're all after.

And this is reasonably inexpensive as far as getting new people to actually come that you can touch and feel and you know that they have been to the facility. So I appreciate your time and Jim, if you want to —

(Applause)

MR. ALTRICHTER: I think clearly Margo illustrates that no matter the size of your organization, it's not the number of people that you have looking at the data, it's what you actually do with it. I think Margo's made a very nice success story with that acquisition campaign and she undersells the level of result as 13 percent, I believe it's actually a little higher. And that really is atypical of a general acquisition campaign. I think those are more on the one to 1.5 range, and two, so she is extremely successful with her program.

Our next speaker comes to us from just down the road. Or up the road as it were. Mike Malo, the senior director for marketing communications from the Arizona Diamondbacks, comes to us today having clearly no belief in the old adage that, "Nobody loves you when you're down."

During this past season, the Arizona Diamondbacks amassed an on-field total of 111 losses, is that correct, Mike? One of the worst records during that time. But also, during that time, Mike put together one of the best attendance records for any losing team throughout Major League Baseball's history.

He's managed to do that by putting — I'd also mention in that regard, Mike tracked well in excess of 2.5 million fan transactions this year over the current season, and in reference to his contemporaries actually outperformed another baseball team not so far down the road, who happened to have a new stadium and a new fan club. And Mike had actually managed to attract and get more customers involved in the Arizona Diamondbacks organization. So clearly Mike's doing something right from the perspective of marketing.

And I'm very glad that he was able to come today and be with us today. Ladies and Gentlemen, Mike Malo.

(Applause)

MR. MIKE MALO: Thank you, Jim. First of all, I want to apologize up front. I'm nursing a little bit of a sinus cold, and if my voice cracks it's not because I'm going through puberty, I'm just feeling a little bit under the weather.

I have a really short slide presentation. So you guys will be glad to see that. I know we're running a little bit on time. But as someone working in a different industry I was asking Jim on numerous occasions, "Well, what can you guys learn from me? I'm not in the racetrack industry and I'm not really sure what you guys are going to be able to learn from me."

And actually I'm a little more selfish and I was telling Jim, "I hope I can learn a lot from you guys," because the racing industry is much more sophisticated than a lot of the professional sports teams are in having a loyalty program and a CRM program and tracking the fan bases. And so I really hope to learn something from you guys and maybe you guys can learn from some of our mistakes. Because Lord knows we've made a few of them over the few years that we've had a program, and even just in setting it up in the beginning.

But I think one of the areas that I am going to talk a little bit more about is how we've been able to actually attract sponsorships for our organization by involving the loyalty program into certain sponsorship packages. And because I think we are a little behind the curve in mining the data that we get in our loyalty program and then using the data to develop marketing platforms and market off of the data to the specific habits of our members.

So I'm not going to be able to shed a whole lot of light on that for you, but maybe next year I will be, because we're just in the process of analyzing our data right now and getting some experts to help us make sense of it, and then allowing me to take that information and market with it next year.

So, you know, come back next year, maybe I can tell you some insightful things on what the data told us and how we were able to make a return on investment.

But the ROI that we really experience has been through sponsorships. And I know that tracks are looking at ways to get involved with corporate partners in your community, and really by having a loyalty program in place and your customer base, there's a lot of corporate partners out there that would love to be able to tap into your loyal customers.

And we found that true as we're out selling sponsorships, that our loyalty program's been able to help us close the deal in some cases. Let me just give you a little bit of history of our loyalty program and how it was developed.

Our inaugural season, our expansion season was in 1998. And it's a challenge being in a market like Phoenix where there's a lot of transplants. It's a very new city in a lot of regards, and here we are trying to establish a loyal fan base in a matter of a few years. And so it made a lot of sense for us to think about establishing some type of loyalty program to try to grow a loyal fan base in a short period of time.

I think in a lot of professional sports growing a loyal fan base takes generations to do. We're not the Yankees or the Red Sox or the Cubs who've been playing for a hundred years, and the loyalties have been passed down from generation to generation.

There are a lot of studies out there that analyze that situation on how someone develops a loyalty to a specific team or specific product. But in baseball it's really passed down a lot from your parents. Then your loyalties evolve as you reach a certain age. And you may like another team but you're always going to like the team that your dad liked, your mom liked, and you'll always have a certain affinity for that team.

So for us, we realized there were really two ways to establish a loyal fan base, and one was to win, and win fast. And we were fortunate enough to do that. And we were the most winning expansion franchise in history in reaching and winning the World Series in 2001 after four years. So we were very fortunate to establish that type of winning tradition.

Now, on the flip side, we lost 111 games, had a crappy season, and how do you keep the fans coming through the turnstiles when you're losing every year?

The one thing, the difference about our two industries is you guys have a winner every night where we don't, you know. We had 111 losses; that's a lot to stomach. And so we had to get creative with our loyalty program to keep the folks coming through the turnstiles and reward them and thank them for their business with us.

So like I said, we actually established our program after our inaugural season in 1999. And part of our goal was we had a large season ticket base. Our facility holds 48,500 fans, and we had 36,000 season ticket holders, which was at the time the largest in Major League Baseball. We knew that was a lot of fans for our particular market to be season ticket holders, we knew that there was going to be a lot of attrition after that first season. We had no idea how much we were going to lose, but we established the loyalty program in 1999 to really cut down on some of our no-show rate with our season ticket holders and get them to come out so we could continue to get the per caps on our concessions and merchandise.

And so we implemented the program in 1999. What happened to us though is we lost 10,000 season ticket holders, which was a huge hit to our bottom line, and the loyalty program really went through some growing pains over the first few years, and really trying to figure out what we were.

We had a separate kids club that wasn't a free program, it was a buy-into program. The kids bought into the program. They got a little kit with merchandise and that kind of thing, very common in a lot of professional sports. We actually integrated the kids club program in 2001. We made it a free program for them. We went from having around 2,200 paid kids club members to a little over 15,000 kids club members after our first year. And hopefully those kids eventually will be future season ticket holders for us.

But again, we went through a lot of growing pains trying to figure out what was our loyalty program going to be? Was it going to be something that just rewarded the fans who were showing up and give them points for coming to games, and ours is a force reward program. So you don't get to choose which reward we give you.

Once you reach a certain level, a point level you come to our headquarters, we give you a merchandise prize or other type of prize, a unique experience type prize, so that's how ours is structured.

And it wasn't until just recently that we studied a lot of other industries and particularly the racing industry, the gaming industry, and how loyalty is interactive with CRM. We signed on with Smart Button going into the last season because we have different systems in place with our ticketing system, our loyalty system, our POS systems at our merchandise and concession stands.

So it was really integral for us to be able to integrate all those systems together eventually knowing that we were going to have a new CRM software program coming online as well, so that that became our umbrella. Now, all of our other systems fed into the CRM systems and Smart Button was able to provide that platform for us to integrate all those things together.

And so we are, I think, really kind of in our infant stages and moving forward with a real working loyalty program that's tied into a CRM program. So for us something that was really insightful, I think we've done a pretty good job of tracking our ticketed customers. We went to a bar coding ticketing system a couple years ago where, as you come through the gate your bar code on your ticket is scanned so we can track our season ticket holders and who's not showing up for games and those types of things.

But we haven't been able to identify our season ticket holders who are swiping those tickets or even people who are sharing season ticket accounts, who also are loyalty members, and then attaching the additional folks using those season tickets into an account, the integration with the loyalty has now allowed us to see those customers, those people who are sharing season tickets, so that's been really valuable for us.

And then bringing online the POS systems now where we can have our loyalty club card swiped at concession stands and offer points for making purchases at concession stands, and now offering points for making purchases at our merchandise stands as well, and that's been great for our fans. It's allowed them to

have more venues to achieve points. And we all know that, especially in the sports world, that concession prices are very high; it's a public relations issue for us.

Every year we get beat up over concession prices, and so it's one way of now rewarding folks for those purchases. So that's been a nice piece for us. And again, as I learn more about the data I'm going to share one statistic with you that's kind of mind boggling for us and kind of want to set my bar a little high as far as looking forward.

But currently we have 180,000 members in our database and our fan loyalty program. This past season we had 42,000 active members, so they actually attended at least one game. We had a little over 20,000 members that attended more than one game. We had 14,000 new sign-ups this past year, which we thought was very well received, considering how well we performed this year.

We have, of those 42,000 active members this past season, only 2,200 of them are season ticket holders So it's an interesting statistic for us. Because we have a little over 24,000 season ticket holders currently and only 2,200 of them are members of our loyalty program. So we know we need to do better there.

Thirteen percent of our average attendance, 13 percent of our attendance every night on average are loyalty members, so we see that, as we do special promotions like double point nights, we see that number tick up anywhere up to around 20 percent some nights.

And then we average around 3,500 transactions a night, or just with our game attendance with transactions. That doesn't include transactions at concessions or merchandise. So this is a little bit of the statistics for you. As we were diving in, pulling some of the data on the information we're talking tracking on the concessions and merchandise this year, we actually had a family of four who spent over $16,000 just on concessions and merchandise this year. That didn't even include their tickets and how much they spent on tickets. So one of my goals in moving forward is to find 15 other families like that.

(Chuckles)

That are willing to spend, you know, that covers the cost of my program and I'll be done. So obviously we need to dive into the data as soon as I can and find four other families who are willing to spend 16 grand with us in concessions and merchandise. So it's mind boggling when you start seeing that. And that's information that I would have never been able to get without the integration pieces that we implemented this past year.

Some of the areas where I think we have been successful, and I apologize because I don't know your industry as well as I probably should to present this, but in our world we have around 100 corporate partners and we sell — different teams have different pieces of inventory. But the Diamondbacks are structured in a way where we sell all of our inventory.

So we sell all of our radio inventory, all of our television game inventory; so all of our advertising spots within those broadcasts we sell. We sell all the signage in the ball park, we sell obviously the in-game experience from Jumbotron spots to in-game promotions. And so pretty much every piece of inventory the Diamondbacks control; where some teams, actually they sell off the rights to their broadcasts and then you have a radio station out there in the market selling the advertising inventory in your games.

But we actually have the model where we sell everything. And usually it's around a $50,000 minimum investment to get involved with us, to be able to do some type of advertising and use our name and marks in their advertising effort, so that's a pretty big chunk of change for a lot of companies out there that don't have significant dollars, and especially to try to go into the sports marketing industry and spend their dollars with a specific team.

And I'm sure that's some of the things that you guys run across in trying to attract corporate sponsors. You know, their marketing budgets are small, and I don't even know what kind of inventory you guys have to offer, but I know you do have customers, and the customers and the return on investment you can provide to professional corporate partners is very appealing.

And it's one of the deals that we did recently, did a five-year deal with a local grocer, Fry's Food and Drug Stores, and us being able to tie into, and do cross promotions with their loyalty club, really helped seal the deal for us. A lot of grocery stores, in particular the Kroger Company which is the parent company for Fry's, they got out of all their sports marketing deals, they decided not to do any more sports marketing.

And we are the only remaining sports marketing deal that the Kroger Company, has with the Fry's branch. And I think a lot of it had to do with the loyalty program and how we're able to integrate those piece.

How many of us have grocery store swiper VIP cards in your wallets? I mean, just about everyone has to have one. Probably we have more than one. Fry's in particular has three million people signed up for their loyalty club.

I think one of the biggest problems that the grocery stores have with their loyalty clubs is they don't activate it. I mean, other than you have to— you have to have your card to get the lower price at the grocery store, that's about all they do with it. And other than that they don't use it to try to get you to come in to increase your spending from — I spend a hundred bucks a week at the grocery store, and if they were to offer me some incentives on maybe some other products that are like products or products that they want me to try to get my spending up to $150, you know, you just don't see that happening.

And so we recognized that, and so we were able to do some cross-promotions with Fry's where we encouraged our membership to go and spend a certain level during

a month at Fry's, during our season, and if they spent $200 during the month of May at Fry's our members got 25 points in the program.

So our point levels are a little different than the guys at Churchill. You know, a thousand points is — you know, it could take a whole season to get a thousand points with us. Ours are mostly 10 point increments, or 10 points is what you'd average, the average point total you'd get for coming to a game.

And so 25 points, you know, maybe doesn't sound like a lot, but it actually was to our customer base. So those are the type of things that really were interesting and appealing to the grocery store partner. And we found that we had other partners that were just as interested as the grocery store was in tapping into our active fan base and using that to drive traffic to their companies.

Another one I have listed up here is, we've done promotions where, now that we have the ability to scan off-site, we just bring a laptop and a scanner to a particular location, and in the second reference it was Fox Sports Grill. We were doing an All Star Game Party at Fox Sports Grill, told all our members to come up. If they came up they were going to get an additional 10 points. So we had a couple hundred people show up for that; and on a Tuesday night at Fox Sports Grill when it's a slow night for them, that was very appealing to them. And it was a very easy thing for us to do.

And we've just started scratching the surface of being able to drive fans to events like that that are off site, and it's a very easy way for us to do it with — having a scanner, to be able to do that at the off-site location.

We also do coupons and we have kiosks around our ballpark, and we do couponing at the kiosk; and one of the ways that we are able to do a real cost-effective couponing, targeted couponing strategy is because we can segment certain customers to the specific customers of a particular store.

And the third reference there was a new haircutting place called Sport, Sport Clips. That was new in the Phoenix market and they really wanted to appeal to the male customer. It's a kind of sports environment. You go in there, you get your $8 haircut and you get to watch sports on the TV there.

So they really wanted a way to not only buy into the Diamondbacks in a cost-effective way, but it was very expensive for them to embark on a direct mail campaign and really just reach out to certain zip codes around their stores, where we are able then to provide them with specific demographic.

We only distributed our coupon to men 18 to 54, and we didn't distribute the coupon to a lot of women. Some women we did, but mainly men. And they actually had to tell us to stop running the coupon at our kiosk because they weren't able to handle the volume from it. So I guess that's a good problem to be in.

But again, there's all different types of potential sponsors that want to tap into different parts of it. Bank One is a big partner of ours. They really want to tap into doing a direct mail campaign to our loyalty club and offer them a product they have called Diamondbacks Checking, it's one of their most successful products they have in the Valley of the Sun. And so now they're going to be doing direct mail.

So you know, whether it's swiping the card at an off-site location or offering a direct mail piece, or doing a coupon at the ballpark or at the racetrack that's going to bounce back to a particular business, all those things are very appealing to potential corporate partners.

Now, as a stand-alone the loyalty program doesn't have a big price tag on it, we don't sell it as a stand-alone piece. We sell it as a component with another piece such as, you get a sign in the ballpark or promotion in the ballpark and you get an element of the fan loyalty program. So we don't sell it as a stand-alone, whereas depending on how you guys want to structure this, you guys could sell your loyalty program as a stand alone piece to buy into and put a price tag on that.

So I really think there's a lot of opportunities. Some of the things we're looking at doing moving forward, there are other cards out there, there are other loyalty programs that we want to tap into. In particular we have — Bank One also has an affinity card, a Diamondback's credit card that they sign up fans for at our games, and it's been a very successful program as well, so we want to tap into that program, potentially do stored-value card with them where if you're — not only are you earning points with their credit card, you're also, with every purchase, if you buy Diamondbacks tickets with that credit card, now we'll also offer you "Diamondbacker" points, which is the name of our program, the "Diamondbackers."

So you'll get Diamondbacker points on top of your affinity card points with the credit card company. So those are things that we're now looking more into. If you use your credit card when you're buying concessions we'll double your points; those types of things we're looking at doing. So we really want do grow this more with other potential sponsors of ours.

Some of the things that we've got planned moving forward — and like I said, we're really just scratching the surface in getting the data and analyzing the data. And the biggest component for us is now getting our Microsoft CRM program in place where it becomes the umbrella for all the data that we have and really being able to look at that.

As I said earlier, we had a small number of season ticket holders that were members. We wanted to grow our season ticket holder base and now we're actually going to be running a separate reward structure just for season ticket holders And I think that's one of the things that I've really been studying is how do you have keep your program fresh, how do you keep it evolving every year?

And it's really one of the most important parts of your loyalty program is how are you constantly changing it, evolving it so it doesn't become a stale program for

you? I'm hoping that the data is going to allow me to create ticket offers that combine a certain price point and offer a discount if you buy; if we make you an offer that includes tickets, concessions, merchandise as well as points, if you buy this particular package, those are things that I'm hoping to find in the trends when I got into the data that's going to allow me to package things like that.

We've never packaged all those items together, but we hope that we will be able to. And then again, I just mentioned some of the additional third-party activities where we want to grow the program outside the ball park and reward our customers for doing things with our corporate partners.

I think some of the keys to having your program evolve, one is really marketing it. I know that there's a few other baseball teams that have a loyalty program and they don't do a very good job of marketing the program to potential new members. And we put a lot of resources behind marketing our program, using television, radio, direct mail to our season ticket holders; we have one on one customer service people marketing it. So we really put a lot of resources behind marketing the program.

I think that's why we have 13,000 new members this year in a year where we had such a bad season, activate the program; if you're not activating it, it becomes dead weight for you and you're not going to see any return on investment for it.

For us this year, some of the things we were able to do; we were playing Pittsburgh the middle of the week, in late August, and we're well on our way to losing a hundred games, and we're running a — basically a Triple A team out there. Who wants to come see us on a Tuesday night against Pittsburgh lose another game?

And so we were able to do some things on the fly where we offered double points for those games, and we did some really unique prizing, random reward type things. If we didn't have a loyalty program we would have never been able to do anything like that, where you need to use the program to really help you out when you're struggling.

So we're looking to do more of those things. Actually, coming off of a losing season we're going to have to really start this season with some momentum, and using the loyalty program to not only kick off our ticket sales efforts but also get the fans in, reward them more coming to the games early in the season.

So we'll be using the loyalty program very frequently to reward fans often for their participation with us early in the season. And then if hopefully we're winning, we can pull back on some of those things, but having enough flexibility is key.

And then using the data, and that's where, like I said, I hope to be sharing more information on how we've used the data, but we're really just starting to scratch the surface in that area.

So that's really, for me moving forward, those are the things that I see us doing. And like I said, I don't know if you're able to learn from any of this but at any rate I shared it with you, and I thank you for your time today. And I'd certainly be open, I know, he wanted to try to take some questions, so turn it back to Jim, thanks.

(Applause)

MR. ALTRICHTER: I think you heard the message from all three of our speakers here today, that basically your fan database, your player database is really just fuel for the engine of driving revenues within your facility; and as all three of them illustrate. Where you want to go it's up to you. Just turn the engine and get it going.

I'd like you all to join me in giving all of our speakers a great round of applause. And we're right up against Happy Hour so if anyone would like to ask a question we'll gladly take it.

MR. SCOTT HINCKLEY: My name is Scott; and Jim, my question is not to you. But I'd like to quote you because I'm going to set this up for Margo and Mark, the real intendees.

You said, and I quote, because I wrote it down two or three times, it's not the data that you get, it's what you do with it. So my question, as I said, is going to be for Margo and Mark, and right now there's at least 15 people, maybe 20 that are groaning because they're going to think that it's about harness racing, it's not.

So Margo, I just wanted to say one thing. I've met you very briefly, I don't know if you remember it. We've communicated by e-mail and I want to say that you've just proved to me one more time that in an overheated market, you're the best PR person that I've ever seen, at least in the racing industry. And I would caution you with one thing. The stewards have called for a photo because Mark is coming up quickly and it's a print. So I've only been infuriated once in 35 — this is my 35th year of betting far too much at racetracks. And I was infuriated not by one racetrack, which sounds simple, but by an entire trade group, which probably 80 percent of the people in here are.

And I know very little about the thoroughbred sport, but they're the ones that infuriated me, so I'm getting closer to the story. And more importantly Mark and Margo can both relax because it's not about them, and all they can do is if they choose to answer, this is just speculative whatever, it might be about a trade group.

So the date in question is October 30th, 2004. It's actually well before that for the reason I'm now going to try to make clear, which is this: I wanted me, and if I succeeded, I wanted to take a bunch of fellow Race Track Industry student people to the Breeders' Cup this year in Texas.

So being ignorant of the sport and not having the time necessary means to really investigate it — I could have done many things, got complimentary tickets, blah, blah, blah, and made a 12-hour drive. But I wasn't intelligent enough to do that.

What I did is what an average casual fan — and I can't, I have to paraphrase this, but Mark, you incredibly concisely and eloquently said — your presentation wound up by saying, I want the Saturday guy or gal that doesn't know a lot about our sport and they're looking for reason, why go to the track?

So I offer, after embarrassingly turning to one of my compadres that does know exhaustively about thoroughbreds, I couldn't even remember when the Kentucky Derby was.

Here's my question: My mind as an ignorant fool that only knows about harness racing, there's only two opportunities you guys have that are big, which are that first Saturday in May, and I think the Breeders' Cup is rapidly getting to that point, where maybe a casual fan can care about it, so let me just tell you what I did.

I went to the Breeders' Cup Web site, obviously found out no, there's no way that you can get a ticket, you know; go to your scalpers or whatever. And I said, "Fine, I don't care, you know, that's great. I don't have to make that investment, I'll go to an OTB, watch it and bet some money and be real happy."

But the question finally is: They had a little thing that said, you know, e-mail us and we'll let you know if there's any spare tickets. That's not a concern of mine, you know. I knew there were no spare tickets or whatever. What is a concern is something that my — I'm sorry, I was so wound up talking to these three people that I kind of missed the point.

What is a concern, that every single one of you guys talked about — with the exception of the Diamondback representative is, you know, we want data. Okay? I don't know a thing about computers but I do know one thing: I not once but many times hit that little, "If you want to know about it," I never got an acknowledgement: "Sorry, Scott, you lose. We're not doing an alternate thing."

But that's simple because you can blame that on Lone Star or assumedly there's some industry trade group running the Breeders' Cup or whatever; you can blame that, who cares about that.

But you know what? What they could have done is say, "Sorry, Interested Fan who's been to thoroughbred racing three times in your life, here's something to get you and your wife to the track on Saturday or to your local OTB, we'll provide information, past performance, we'll tell you what horse to bet, selections or whatever."

None of that was ever done. So you guys ironically — sorry to hog the floor so long — you guys ironically all probably contributed in one fashion or another to a multi-hundred thousand dollar budget to support that whole great process, great time,

and an ignorant fool like me that might have jumped in a car and gone down there or changed my behavior or whatever, didn't do anything.

I did go to an OTB and bet, which pretty much anybody in our industry would do; but I got nothing. So this is not about me, it's about Jane Doe setting there saying, "Oh, you know, I haven't been to racing for five years. I wonder what should drive me back?"

MR. ALTRICHTER: Thank you.

MS. FLYNN: Well, I'm glad I answered your e-mail when you called. So I think that that is something at Tampa we try really hard to do all the time, to make sure we answer all of our customers' questions. If we can't answer it we send it to a department head that will be able to answer that specific question.

I think that's a great idea, though, that maybe the NTRA or the Breeders' Cup Web site could have responded or forwarded it to an industry partner in your area to give you some information about what's going on at a local track, facility or OTB.

And certainly in Arizona you have the advantage of many OTBs spread all over the state, so there should have been no reason you couldn't have placed a wager.

MR. MIDLAND: Yes, and it's a good question. And certainly one of the challenges I think for our industry as a whole is to use the Breeders' Cup and the Kentucky Derby as the one opportunity, the two opportunities to really break out. I would put the Preakness in there as well, and the Belmont as well, especially if there's a Triple Crown on the line, and this is our opportunity to break out and to bring new fans into the sport. But the challenge is on those days they're actually our big capacity days; even our OTBs were — our OTB managers complain that the OTB's are not full enough, but on those days it's full.

But that's our biggest change, and something we've been discussing internally is how do we take advantage of that? How do we put on a good show those days but also capture those names and get that fuel to go on in the future? And as you referenced, online is incredibly important. Give you an example of something that we've started this year for the Kentucky Derby is an online application for the Kentucky Derby, for tickets.

And we allocated a certain amount of tickets to this new option, and what we did is we wanted to really just kind of level the playing field and say, everybody has a chance, and on the data side time we required people to sign up for Twin Spires Club, so we wanted them to sign up.

It's free, we captured the data and we've started a dialogue with those customers. We've told them how their application progressed, where it was. And we actually got back to them at the end of the year in the fall, and we've gotten to, I think most of the people that will not receive tickets, and we said, "Thank you for applying, but unfortunately you won't receive tickets this year."

The great thing is we actually had some openings for Kentucky Oaks, promoted those tickets and said, "You can contact us if you wanted to buy those;" and we also offered a ticket for free admission on a certain day in November at any of our tracks, which actually we got a very low response rate. But it was an offer we wanted to make.

But I think the overall message that you're making is obviously we need to — if you're going to put something up as an option to customers you need to deliver on it, otherwise don't put it up there as an option in the first place.

MR. MALO: Actually, in the spirit of partnership I'd have been happy to — probably a 50-50 chance there was a baseball game in Phoenix; so if you can't make it to the race, come on up to the baseball game. By the way, there's an OTB on the way; stop and make your bet and then come to the baseball game.

MR. MIDLAND: As the only technologist in the group I'll apologize for all faulty e-mail links and Web servers, and in general, on behalf of the industry.

MR. ALTRICHTER: Any other questions?

MR. JOHN HARTY: John Harty, Canterbury Park. Quick question for Mark and Margo. Mark, you had a very significant increase in your light customers' attendance over the course of a year. Was that just a result of them being members of the club or did you offer special incentives or promotions to them?

MR. MIDLAND: Good question. For us, we would attribute that to the communication, the direct marketing. So I guess really to explain it for somebody who was not on any of our mailing lists they're not receiving anything from us, and so we're really just down to advertising.

And for people who are on our general marketing list, in most of our tracks we had had a hundred thousand person mailing list over the last 10 years. It was just a bunch of names. We really didn't know much about it.

Once people would join the club we learned a little bit more about them and we learned from their activity, and that's when we start the direct marketing. And typical direct marketing for us is about 12 to 15 mailings a year. Every mailing comes with an offer, a call to action, and as I talked about, the e-mails might be anywhere from once a month to once a week depending on what we deem appropriate for that person's level of interest and frequency.

And most of the e-mails come with an offer or a call to action for that racing for that week.

MR. HARTY: Thank you, your e-mail was terrific, too. I'm going to ask you some questions later.

And Margo, where did you get the cluster information, or how did you get that information? Because that was also a terrific program.

MS. FLYNN: Well thank you, John. We sent our mailing lists out to our direct mail company and they had it analyzed. I think the most major direct market companies have that ability to analyze mailing lists, and they can derive any information you would like from it, far more than you probably ever realized was out there available about each and every one of those.

It's kind of scary actually. When I first went into the room and they said, "Okay, you have this, this, this and this," and at the points that I put up on the board were the points that we actually looked at. But you can pretty much find out — if you want to spend more money you can pretty much find out anything about your customer. Unfortunately, or fortunately, in our case.

MR. ALTRICHTER: Margo, as a follow-up, did you relate that information back in against your loyalty data, your player tracking database to see of the participants, how they answered what their actual revenue derived from them was?

MS. FLYNN: Yes, we have a control group that we had with our people that were just club members, and everyone who is a club member is on our mailing list, but not everyone that's on our mailing list is a club member. So we did put those side by side and look at each other and we could actually then see how much those customers are wagering.

But when you're going fishing for new customers I think it skews it to just look at your, in our case it's called The Club, club members. Because these are people that are coming time after time, and we're looking for people to initiate them into the sport, and they might not necessarily be the model that you need for these new customers. You have to start slowly.

MR. MALO: I also think that's important in diversifying your loyalty program too so that you got a certain set of parameters for the new customers and knowing what their particular habits are going to be as a new customer, and evolving that; then having a more evolved loyalty program for your customers that are obviously coming much more frequently.

So some of the things that I've been researching recently on some of the hotel chains that have loyalty programs is, their less frequent customers are more interested in price discounts, where their more frequent customers are more interested in additional amenities that come along with their stay.

So those are the types of things that, when I say that your program needs to evolve, and as you learn more about it, you know, the entry level loyalty member and the longstanding loyalty member and how you build your program.

MR. ALTRICHTER: One more in the back?

A VOICE: I have two questions, but I'll just ask one. First, Mike brought up the comparison to grocery store or Kroger-type programs. Those, I think, can be distinguished from all the other things that I've heard described here, because they offer a real-time discount.

I mean, when you go to a grocery store you're going to get a buck off on something as soon as you sign up for the program. Do any of the programs that you all are running or that anyone's running in the racing industry have a real-time discount?

MR. MIDLAND: I can answer that. One thing we've done at Churchill Downs is something we've started during the construction meets is we offer free admission with the Twin Spires card on the weekends. So that was something, there you have an immediate discount. And certainly when you do have immediate discounts it's very impactful, especially at the lower levels, because that's what's going to drive somebody to sign up.

We offer a similar version at Arlington. There's an admission, a dollar-off admission on a daily basis, and you can actually sign up outside the gates before you go in to save that dollar on that very first visit. And again, it creates a great impact because it's an immediate incentive.

MS. KELLY: With our customer reward program we allot 200 points for you to sign up and 20 points each day when you use the card, for an instant reward. And that was really for the people that were very frequent guests of ours, who typically didn't wager a lot. We wanted to give them something, too, because they come out frequently, and prior to having a tracking program that tracked wagers we had an attendance program.

So we didn't want to disregard those people or forget them, so as I said, we give 200 points to sign up and then an additional 20 points each day when you make your first wager.

MR. MIDLAND: As a whole, I'd say in general there are a number of people that are doing instant incentives through racing. Actually, I have a case study from Bill Bork, who was not able to be here today, but one of his programs the "Bet Five Get Five" customer reactivation program, where the customer showed up on-site and as the they placed their first $5 wager, there's a minimal time delay whatever that particular tote vendor was, 10, 15 minutes, that customer, they will receive a $5 wagering voucher through the customer loyalty station, so it got people who had previously opted into the program but disappeared from the ranks back in, and the results from that, I think, are cumulative, and reactivation accounted for well over a quarter million dollars of handle from the reactivated customers.

A VOICE: Can I ask my second question? Are we going to shut up?

MR. ALTRICHTER: If everyone will tolerate it, yes, you can ask the second question.

A VOICE: Okay. Second question is, we did a test of our customer loyalty program and as your data showed, we had something like a 30 percent participation. But we discovered that a lot of our largest customers would not participate. And our conversation with them was the privacy. What have you learned about that, Jim?

MR. ALTRICHTER: Yeah, I'll tackle that one, because that's something I deal with all the time. Fan activation at the higher levels revolves around a lot of different issues. There's always a concern with privacy; you know, folks who are most typically concerned about their component going to the Internal Revenue Service.

Really, folks address that a lot of ways but it's primarily customer education issues. There's number one, the most important thing to remember about the loyalty database is it's completely opt in, so there's no way to know accurately that any particular set of wagers belong to a customer; it's something they opted into. So the accuracy of the wager is only as accurate as the customer tells you it is.

You could easily say, you can easily say, those numbers had no bearing on the actual record because I gave my card to my cousin, uncle, mother, dog, whoever that particular day. That particular day that I hit the Pick-6 winner.

MR. MALO: I think to overcome some of those things it's really how you market the loyalty program. Market them up front for those potential customers; you need to communicate to them, you know, it's one of the things that we do when we're signing up members is, "You know what, your data is not going to be shared with other folks, and we're going to communicate with you via mail, a few times a year, and here's what's we're going to be communicating to you about."

So those are the types things if you're up front with it, and then you follow through on that, then you build the trust with the customer and that word of mouth spreads pretty quickly among your key customers.

MS. FLYNN: I think that Mark and I talked about this a little earlier this afternoon. We really put our foot down. If you want any comps, if you want any rewards, you have to be a member. Bottom line. And we have had very, very good success rate. Our biggest bettor at the track is certainly a club member.

MR. MALO: You know, our industry's a little bit different but we have a lot of our season ticket holders who buy our most expensive seats that are not members of our loyalty club, and for them some of the reasons is they just don't want to be bothered with carrying an extra card and swiping it at a kiosk to be able to get those rewards.

So we're actually looking at now when they actually scan their ticket as they come through the gate, is tying now that into the reward program where they automatically get points just by scanning their ticket rather than making them go through the exercise of swiping their card.
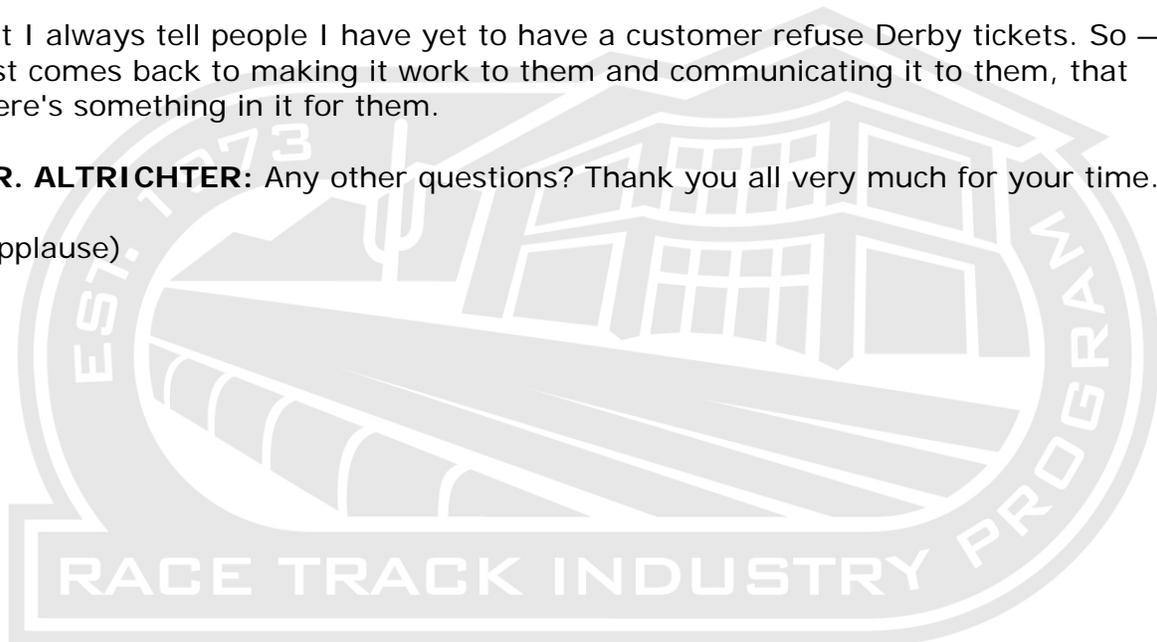
So we're looking at technology advances to be able to track that and do that, and then retrofitting our concessions and merchandise stands so that they can read bar codes as opposed to mag strips, so they can now just, if they want to get — and then having stored value on that ticket, so all they have to do now is present their ticket at a concession stand and it gets scanned at the concession stand, they can get either immediate discount on food or merchandise, or points to be redeemed for something later.

MR. MIDLAND: I always say it comes a little bit back to the customer value proposition as well. If a customer has everything that they already want and they have everything that they need, they don't need the rewards, then they're going to be less interested.

But I always tell people I have yet to have a customer refuse Derby tickets. So — it just comes back to making it work to them and communicating it to them, that there's something in it for them.

MR. ALTRICHTER: Any other questions? Thank you all very much for your time.

(Applause)