

AN INDUSTRY IN DECLINE: CAN U.S. HORSE RACING SURVIVE?

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ABSTRACT

In the past horse tracks were one of the few options for disposable income and use of leisure time. However, horse tracks have declined in popularity, have seen decreased revenue, an aging target market, and are less attractive to younger generations who are tethered to their cell phones. Given the increasing regulation, market trends, and decreasing revenues can the industry turn the corner to a better home stretch?

HORSE RACING

The industry faces numerous environmental issues such as a declining customer base, concern over treatment of the horses, and recent laws allowing online gambling. The most serious issue is the first. The typical customer is an over 50 male with disposable income and leisure time. While popular in the past, only one percent of Americans rate it as their popular sport [2]. The industry does not appeal to many females and especially younger generations who have ample alternative outlets for recreation and leisure time such as professional sports.

Another concern is the continuing public concern over the treatment of horses from trainers using illegal performance enhancing drugs to injuries and the treatment of retired animals. Some animal rights groups have been particularly active in shutting down dog tracks in the US.

While in decline in the US, horse racing is popular in many parts of the world such as the middle east and the United Kingdom, Australia, New Zealand, and Japan. Even with some positive possibilities the industry is in decline [3].

IBIS (2018) predicts an annual growth rate of -1.2% through the year 2022. While the industry is doing well globally, horse racing in the US will continue to fail. What is the future of horse racing in the US? Can the fewer companies survive. Will it be around when the typical male over 50 customer's grandchildren can gamble?

Unlike many industries, this industry does not have a central single regulatory agency. It is regulated at the state level with different rules in different states [2]. Typical state regulations include licensing requirement, location and frequency of racing, training protocols, who should be licensed, and payments to the track, jockeys, track and bettor.

However, there is an association of regulators that researches issues, and suggests guidelines, and develops model rules. The state that are members have the choice to adopt some but not all the model rules. Many states will work together and honor each other's license suspensions and rules.

The future will see more digital betting sites and new online sports networks these are still old fashioned [3]. Some of these sites have new and younger betters. In addition, better brand management and marketing to the younger generations shows promise. The public will continue to scrutinize the industry with several entities such as the animal rights groups willing to capitalize or sensationalize any industry mishaps.

Will online horse gambling and new marketing tactics aimed at the younger generations work to turn this industry into a better home stretch?

THE TEACHING NOTE

Overview of the case

The case provides the history, current environmental analysis, and issues facing horse racing in the US. While declining in the US the sport is very popular in other countries such as the UK and the middle east.

Suggestions for using the case

Several classes could use the question of how to turnaround a declining industry.

Learning Objectives

1. Analyze company actions by applying Brand Management principles.
2. Analyze the macro-environmental forces.
3. Analyze the competitive environment using Porter's Five Forces Analysis.
4. Evaluate the leadership and actions taken.
5. Make recommendations for future courses of action.

Suggested Assignment Questions

1. How might a company segment the market in order to market to younger generations?
2. How might a company position themselves in order to market to younger generations?
3. What actions should the Racing Industry take to reverse the decline and market to a younger demographic?
4. Prepare an analysis of macro-environmental factors and discuss how they impact the industry using a SWOT analysis
5. Prepare a Porter's Five Forces analysis of the industry.
6. What are appropriate actions a company might take in a slow declining market? Are turnaround strategies workable in this industry?
7. What recommendations would you make to leaders in this industry?

REFERENCES

- [1] Alvarez, Andrew (2017). Cold to trot: Competition from casinos and lotteries has hurt profitability. IBISWorld Industry Report: Horse Racing Tracks
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- {3} IBIS World industry report OD4372 Horse racing tracks (2017, April). IBIS
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