



In July 2020 Keep Owners in Racing was launched and we published our blueprint for ownership acquisition and retention. Throughout the last twelve months we have validated the blueprint's findings and are now advocating a radical change agenda capable of transforming racing.



Manifesto for The Future – Retaining Owners as the #1 Key Investor

- ❖ Owner frustration, dissatisfaction and disillusionment have increased alarmingly. This is not just Covid-related.
- ❖ Very few owners, if any, are satisfied with current leadership, governance & decision-making. Change is imperative.
- ❖ There is little expectation it will occur through the current anachronistic tripartite structure. It needs replacing.
- ❖ Racing's leaders struggle to focus properly on three critical strategic requirements: funding, prize money & fixtures.
- ❖ An additional £200m of funding is needed, and this goal should become the #1 accountability for leadership.
- ❖ 50 initiatives capable of making a significant difference have been identified. 34 of them have barely started.
- ❖ Only by implementing a Manifesto for the Future will racing retain the ongoing support of its #1 investor – owners.
- ❖ External pressure for change should be formalised through the formation of a new coalition – an Owner Investor Group.
- ❖ Major owners, trainers and breeders should then press for substantial reform and urgent modernisation of racing.

Articulating the Views of Owners & Stakeholders

“Loud and clear” – considerable dissatisfaction felt by racing’s investors

1 Fully acknowledging the considerable effort and resilience shown by British racing in the last 18 months

The research, publication and ongoing communication of Keep Owners in Racing (KOIR) has continued throughout the pandemic period. It brought us into contact with hundreds of owners, trainers, breeders and stakeholders and it has been a privilege to capture their views and then systematise them into our various publications and media. While there is a strongly critical theme running throughout our campaign, we also understand completely the enormity of the challenges, stress and workload required to keep racing going. **We salute the effort and resilience shown by everyone involved.**

2 Throughout our campaign there has been considerable consistency in the views expressed by owners

Having launched Keep Owners in Racing with *A Blueprint for Racehorse Ownership in the UK: Making retention and acquisition of owners the number one goal of a Racing Recovery Plan*, we engaged widely with a huge array of owners and stakeholders via conference calls, Zoom meetings, emails and social media. Three clear themes emerged:

- ❖ Owner frustration, dissatisfaction and disillusionment are noticeably high. That is not necessarily Covid-related, although poor prize money and a constrained owner experience throughout the pandemic has intensified the situation.
- ❖ Owners feel that they are exploited and ignored by racing’s leadership, including their own representative body.
- ❖ **There is a profound sense that owners are badly let down by current leadership, governance structures and woefully inadequate decision-making arrangements.** There is low expectation that any meaningful change will occur without major improvement in that decision-making. This critical need is addressed by this report.

3 Reimagining and modernising racing – time to “cross the chasm” and be bold and radical

An enormous range of initiatives could be launched by the sport. Despite the disturbing views articulated above there is an enthusiasm and optimism that **racing can be transformed in a way that makes it fit for the future and capable of attracting a new generation of racegoers and owners.** In an attempt to articulate and define these initiatives we have drawn them together in ten building blocks with each block comprising five linked initiatives – so a total of 50 opportunities for progress. We are well aware that every single issue or initiative in racing engenders strong opinions and there will be many in the sport who will immediately proclaim that they have either been tried before or failed, are unrealistic, totally inappropriate or simply will not work. Our motivation has not been to put these 50 initiatives forward as simplistic prescriptions but to demonstrate that there are considerable avenues available for progress. It is time for the sport and racing’s leadership to be bold and radical. In Mark Johnston’s phrase: “Stop papering over the cracks and cross the chasm”.

Keep Owners in Racing was launched in July 2020 as a self-funded pressure group lobbying racing’s leadership on behalf of racehorse owners

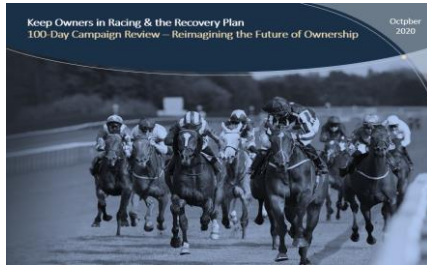
The Voice of the Customer: Campaigning for Owners

- ❖ *Publication of the KOIR Ownership Blueprint.*
- ❖ *Campaign web site, www.keepownersinracing.com*
- ❖ *14 “Perspectives in Racing” films.*
- ❖ *37 Blogs advocating radical changes.*
- ❖ *3 widely circulated reports.*
- ❖ *66 Zoom forums.*
- ❖ *114 Members of Parliament briefed.*
- ❖ *5,000+ social media & email communications.*

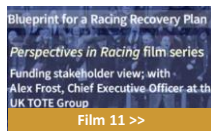
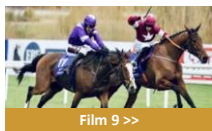
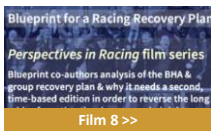
Listening, Validating, Communicating & Campaigning for Owners

Twelve months of tuning in to the views of owners, trainers and stakeholders

► From launch in July 2020 we have campaigned for owner acquisition and retention as the #1 goal for racing.



► In 4 reports, 14 films and 37 blogs we have been critical of inertia in the sport, while proposing major changes.



A review of the BHA Recovery Plan

4 pillars underpinning racing recovery

Alex Frost, CEO of Tote Group

Sean Boyce & Sky Sports Racing

Reimagining & refinancing racing

The 9-point Recovery Plan



Evaluating the Racing Recovery Plan

4 pillars underpinning Racing Recovery

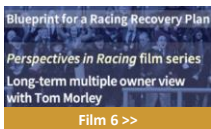
Calling for a coalition of the capable

Reimagining ownership: so much to do

The BHA's Chief Emergency Officer

Bold changes are needed

► The absence of an ambitious ownership strategy, despite major funding for it, has been a considerable frustration.



Tom Morley on poor owner experience

Craig Buckingham overhauls funding

Generating an extra £200m of income

Crumbling of the ownership pyramid

Assessing the ROA's Ownership Strategy

Three steps to sort out prize money



Challenging the ROA's legitimacy

ROA – chronically under-achieving

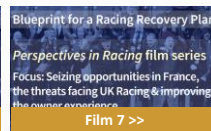
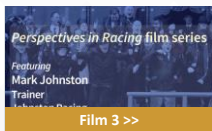
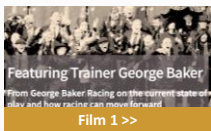
Ownership strategy fails the test

Governance of prize money

Transparency on racecourse finances

Rocking the boat on prize money

► Leading trainers share these frustrations and argue for strategies and initiatives capable of "crossing the chasm".



George Baker argues for team racing

Mark Johnston crosses the chasm

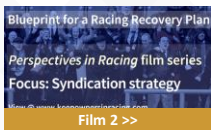
Fergal O'Brien on owner communication

Philip Hobbs on funding & unity

Gay Kelleway on racing in France

Mark Johnston & radical change

► Optimistically many in racing, such as commercial syndicators, remain convinced that growth opportunities exist.



Dan Abraham & Tom Palin share views

Nick Bradley on syndicate growth

Assessing on- & off-course experience

Zooming in on marketing strategy

Knowing who the customers are

NH – temporary or terminal decline

Papering Over the Cracks in Ownership Will Not Work

A five-year radical plan is required to re-fund and rebuild racing

4 The inevitable failure of the four-year process that attempted to create an Ownership Strategy

Everyone agrees that owners' considerable financial investment sustains the whole of racing. As the #1 investor, over £500m is spent annually, excluding bloodstock, and there is a powerful multiplier: for every £1 spent by owners, £7 is generated across the industry for bookmakers, breeders, trainers, racecourses and stable staff. **Despite considerable debate and over £1.4m of funding from the HBLB, there is still no meaningful cross-industry backed Ownership Strategy.** We have concluded that the task was beyond the Racehorse Owners Association and, indeed, any single representative body. There are far too many "building blocks" that need to be in place for significant and sustainable improvement to be delivered. Moreover, within each of the building blocks there are widely divergent views which are strongly contested and invariably bring the various stakeholders and participants into conflict. Without arriving at an agreed strategy and a clear *modus operandi* to deliver it, progress will at best be minimal, and the sport continues just to paper over the cracks.

Successful retention and acquisition of owners will only be sustained through considerable improvement in decision-making and substantial investment across ten building blocks

01 Transform Decision Making: address structural defects of governance

02 Create an Ambitious £350m Funding Strategy: secure an additional £200m

03 Address Deplorable Prize Money: implement a top-down, targeted plan

04 Restructure the Racing Programme: modernise fixtures & the pattern

05 Improve the Owner Experience at the Racecourse: adopt a tiered approach

06 Put Trainers Centre-Stage: strengthen communication & marketing skills

07 Appeal to the Elite: a strategy for high involvement & high net worth owners

08 Expand Shared Ownership & Syndication: use an integrated approach

09 Support British Bloodstock: reward breeders, owners & protect supply chain

10 Strengthen the Enablers: marketing, digitalisation, data & standards

- ❖ Recognise that significant progress only occurs through a broad-based and integrated approach.
- ❖ Without progress on building block 1 – racing's decision-making – chances of success are slender.
- ❖ Multiple initiatives are involved within each building block – that calls for radical change.

5 Modernising and transforming racing drives Ownership Strategy – not the other way round

The factors that bring owners into the sport are quite different to the ones that drive them out. Acquisition initiatives reflect marketing, promotion and compelling communication of a narrative based on glamour, prestige, aspiration and excitement. Ownership reality is much more about dealing with disappointment, a poor ownership experience with some trainers and racecourses and appalling prize money. Impacting that dynamic and the tension between emotional and financial returns on ownership is a considerable challenge. **Minor incremental improvement – "papering over the cracks" – has little impact,** which is why we recommend the creation and vigorous implementation of a radical 5-year plan to re-fund the sport, grow ownership and through that, sustain this vital investment base for British racing.

6 Progress against these ten building blocks has been underwhelming – it is time for a visionary, bold 5-year plan of action

Overall progress has been completely underwhelming. It seems that the majority of these building blocks sit in the "too difficult to handle" category. In effect there has been minimal progress and little traction since *Strategy for Growth* in 2015, which is a considerable indictment of the inadequate strategic direction and decision-making at the top of the sport. Substantial change and reform in racing is required if owners are to be properly rewarded, incentivised and motivated to stay in the sport for the long term. That will only occur through a top-down approach, which is why our #1 building block needs transformation in decision-making. **Ships sink from the bridge, which is where change has to start – at the top of the sport.**

Change Has to Start at the Top

Racing's structure, governance, decision-making and leadership have failed

7 Owners and trainers have little confidence in the sport's leadership – the decision-making process is broken

It is a disturbing message for the sport, but throughout the past twelve months in all our discussions with owners, trainers and other participants one clear theme predominates: leadership and the decision-making process are inadequate and seriously letting down racing. We have not encountered a single individual who would disagree with that statement (other than, of course, the Members' Committee of the BHA, although privately many would be in agreement) due to three reasons:

- ❖ **Inadequate visibility, trust and transparency** : the chair, CEO and board of the BHA have failed to communicate any meaningful post-pandemic recovery and growth strategy. **There is an almost total absence of future vision as to any transformational initiatives capable of addressing the deep-seated and even existential challenges that racing faces.** Media rights deals are opaque and prize money agreements, where they exist, one-sided. The RCA and the racecourses are too narrowly focused on their own agendas. Some operators are too opportunistic. Studies such as Project Enable cannot be accessed. The ROA squandered £1.4m on its ownership project yet failed to deliver any strategy worthy of that term. The Horsemen's Group is severely under-resourced, relying on part-time, *pro bono* input. Predictably, owners have lost confidence in the sport's collective leadership across the complete stakeholder community.
- ❖ **Leadership by veto and the exercise of negative authority**: the BHA's constitution, the tripartite structure and the Members' Committee have in effect broken down. It is easier to block initiatives and proposals for change than to support them. Collaboration and unity are illusory, except when facing external threats such as the pandemic and gambling affordability checks. Any major internal initiative is hugely contested with narrow, silo-based behaviour predominating. The bigger picture is ignored. Each group pursues its own self-interest. It is hardly a surprise that the needs of owners, despite their being the major investors in the sport, fail to receive the focus and attention required.
- ❖ **Inactivity, inertia and an inability to focus on the major priorities**: it is simply not possible within the current decision-making arrangement to address the top priorities affecting ownership: the need for dramatic improvements in income and a new funding model, considerable improvement in prize money and step change in the ownership experience. Owners are contemptuous of the glacial pace of decision-making and the ongoing neglect of their requirements.

8 No radical initiatives will be launched without structural, governance and leadership reform at the top of racing

While it is unlikely that the current dysfunctional and demotivating position will change in the near term, that does not mean that the current governance arrangements should be tolerated. Leadership, structural and operating model redesign is a frequent and well-researched activity in modern corporations in the private sector and there is no particular reason why it cannot be applied in racing. Nine examples of potential interventions are summarised below, covering behavioural change, structural redesign and external pressure. These are provided as examples of levers of change and it is not necessarily implied that all of them need to be applied – it all depends on the success or otherwise of internal developments. We understand that a number of years ago a study was done by Slaughter and May, and that another is under way led by Deloitte, examining some aspects of this within the context of the role of the BHA. We await the outcome of that study with interest – although of course, in view of our comments on the lack of transparency, we don't expect it to be published.

Governance and decision-making in British racing is dysfunctional and no longer fit for purpose. It has lost all credibility. Time to change it.

Behavioural Change

Structural Redesign

External Pressure

- ❖ Define a new code of leadership behaviour for BHA board meetings.
- ❖ Restrict the BHA to a narrow regulatory role. Downsize it.
- ❖ Set up an owner investor group with high profile participants.
- ❖ Directly address the contested issues rather than ducking them.
- ❖ Establish a new commercial entity to manage British Racing.
- ❖ Press for representation in key bodies and boards.
- ❖ Introduce meaningful transparency and scrutiny of decision-making.
- ❖ Integrate the representative bodies within that entity.
- ❖ Seek judicial reviews and legal challenge when necessary.

Prize money, Fixtures and Funding are the Key Levers

Reversing a spiral of decline and inertia in order to retain owners in racing

9 Prize money must increase substantially and requires a radical new funding plan with a total target of £350m

We have world-class racing but bargain basement prize money. There is substantial and ever-increasing risk that the paltry returns increasingly erode the foundations of ownership, breeding and training while disincentivising all these investors. However, constantly repeating the mantra of “owners need more prize money” needs to be replaced by “**we require a radically new funding plan capable of securing a total of £350m within five years**”. This should become the prime challenge for the whole industry and the driving accountability for racing’s leadership.

10 Three scenario models outline the required transition from 2019 prize money to a new 2025 target of £350m

Starting point: setting the scenario baseline on the 2019 season and its total number of races

	NH	%	Flat	%	Total	%
Class 1	210	5.6	293	4.6	503	5.0
Class 2	236	6.3	459	7.2	695	6.9
Class 3	683	18.3	567	8.9	1,250	12.4
Class 4	1,731	46.5	1,405	22.0	3,136	31.0
Class 5	826	22.2	2,050	32.1	2,876	28.5
Class 6	35	0.9	1,564	24.5	1,599	15.8
Class 7	0	0	37	0.6	37	0.6
Total	3,721		6,375		10,096	

Our starting point was to analyse the total number of NH and Flat races from the last “normal” season of 2019. We then examined what would happen if, rather than maintaining prize money for elite racing, the prize money pyramid was inverted, i.e. increasing it from Class 6 upwards and reducing it at the top. We also introduced a “rule” that the minimum prize money per race had to be £7,500 – thereby ensuring that the fourth placed horse in the lowliest race would receive £750. After typical deductions, the owners would at least cover their raceday costs. The prize money split was also modified to a much simpler and more understandable 50% for 1st, 25% for 2nd, 15% for 3rd and 10% for 4th.

Scenario 1: inverting the prize money pyramid while boosting minimum returns

	Minimum	Cost	Our Proposal		Class 6 Race Examples	
Class 1	£50k	£25m	1st	50%	1st	£3,750
Class 2	£35k	£24m	2 nd	25%	2 nd	£1,875
Class 3	£15k	£19m	3 rd	15%	3 rd	£1,125
Class 4	£12k	£38m	4 th	10%	4 th	£750
Class 5	£9k	£26m			Total	£7,500
Class 6	£7.5k	£12m				
Total		£144m				

Being realistic, this model would clearly be rejected by top trainers, owners and breeders who wish to see elite racing receive a substantial prize money allocation. Similarly we are in favour of weighting increased prize money into better class racing, so our next step, Scenario 2, was to examine a model whereby Class 1 receives 28% of an additional funding of £100m, taking it from £144m to £244m with Class 2 receiving 24%; Class 3, 20%; Class 4, 16%; Class 5, 8%; and Class 6, 4%. Finally in Scenario 3 we examined a distribution based on £350m of annual prize money.

Scenarios 2 & 3: developing a proposal that properly meets owner expectations. The challenge is funding it

	Minimum	Cost		Minimum	Cost	Break-even Point – After Deductions	
Class 1	£105k	£53m	Class 1	£250k	£129m	1 x 4 th place finish	
Class 2	£69k	£48m	Class 2	£98k	£68m	2 x 3 rd place finishes	
Class 3	£31k	£39m	Class 3	£39k	£49m	1 win	
Class 4	£17k	£54m	Class 4	£17k	£54m	1 win + 2 x 2 nd place finishes	
Class 5	£12k	£34m	Class 5	£12k	£34m	2 wins + 1 x 3 rd place finish	
Class 6	£10k	£16m	Class 6	£10k	£16m	2 wins + 2 x 2 nd place finishes	
Total		£244m	Total		£350m		

Note 1: assumes training fees of £25k p.a.
Note 2: purchase cost of horse excluded.

There is a full range of scenarios from current prize money to our proposed target. In the scenario of £350m, the prize money has been injected into higher class racing as follows: Class 1 to receive 70%; Class 2, 20%; and Class 3, 10%. Classes 4-6 have been left the same. Finally we show the position on break-even point for owners and it is clear that this prize money structure would be capable of meeting owner expectations. That of course leads into step-change in funding.

Racing Has to Secure an Additional £200m Funding

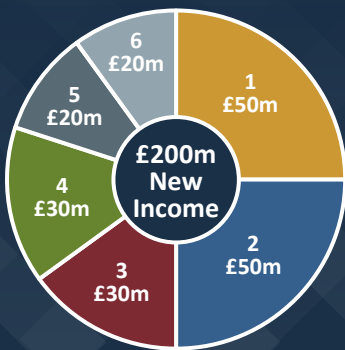
This is the #1 challenge for everyone in a leadership position

11 Changing the paradigm on funding and prize money – setting a completely different level of aspiration

Our vision for prize money directs significantly higher prize money into elite racing while ensuring that owners who are running horses in lower class racing have a considerably better chance of breaking even. This will retain and attract owners at both ends of the spectrum. A funding aspiration of £350m (current level + an additional target of £200m) “satisfies” all of the different levels of ownership, even though it remains appreciably lower than in most jurisdictions around the world.

The whole of racing appears to be in agreement that prize money must increase significantly and that new sources of funding are required to deliver it. There is far less agreement, if any, on whether such a strategic opportunity can actually be grasped, nor on the considerable challenges it poses to the current paradigm of how racing operates and arrives at its decisions. Inertia predominates and current leadership behaviour is one of denial and avoidance. Studies such as Project Enable have been completed but there is not yet any all-embracing vision, aspiration or plan that approaches anywhere near our £350m prize money target. The chart below illustrates six potential revenue streams, and doubtless there are many more. While securing £200m of new income is without any doubt a huge stretch, are such aspirational figures that unrealistic? Encouragingly, many investors in racing genuinely believe that such funds are there to be unlocked and secured.

Like any other business, racing needs to drive up income while driving down costs. The only way to break the spiral of decline and inertia is to design and deliver a much stronger funding model.



For illustration

1. Secure all of Levy development phase 2 income.
2. Optimise fixtures, maximise betting turnover, grow media rights and streaming income globally.
3. Expand Tote contribution and international pool gambling.
4. Grow shared ownership, syndication and racing clubs.
5. Reduce costs: BHA, media rights overheads, procurement.
6. Leverage assets, find more sponsors, develop new racing series.

Dramatically increased prize money through new income streams needs to be guaranteed through legally binding agreements with racecourses.

12 Harnessing external data to optimise the fixture list and maximise income

We have assumed, for the moment, no reduction in the current number of fixtures. The median rating for a Flat horse is 68 and 34% of all Flat horses are rated lower than 60, so there exists a thriving demand for lower class races, with many over subscribed. However, we believe there is much to be gained by working with betting operators and television companies in fixture planning through accessing their data on betting patterns and viewing figures. **A more logical and balanced programme can be developed, driving higher betting turnover, increased levy, maximisation of media rights income, more compelling and attractive racing which boosts TV viewing figures and racecourse attendance and, in turn, makes a significant contribution to our prize money / income target.** There is so much scope for modernisation, optimisation and innovation: new race series; avoiding congestion on racedays; spreading out quality racing; improving the quality of Sunday racing; better geographical spread; refining and strengthening the pattern; and striving to deliver a far more exciting and compelling product at the times of day that actively engage punters, viewers and racegoers.

13 Owners and other investors may be forced into direct action and litigation against racecourse operators

We have already advocated the establishment of an Owner Investor Group that applies external pressure on the BHA and racing's stakeholders, particularly the racecourses, to secure a radical change in approach. Furthermore judicial scrutiny of ownership of fixtures, media rights apportionment and anti-competitive practices between major operators and independent tracks such as Chelmsford are potential levers for change. The process of disclosure of financial information would on its own be revealing and would certainly drive transparency and far greater scrutiny of, for example, the cost structures of media companies. **Obviously recourse to the courts is best avoided, as is direct action and racecourse boycotts over inadequate prize money, but there are an increasing number of important owner-investors in racing who would need little persuasion to pursue this route. Without doubt the power balance between racecourses and owners needs to change. A far more equitable apportionment of media rights between the participants should become a major target for action.**

Optimise Fixtures, Maximise Income & Differentiate the Experience

Time to take the tiering of racecourses seriously

14 There has never been an overall strategy for racecourses – there definitely should be, given the spiral of decline

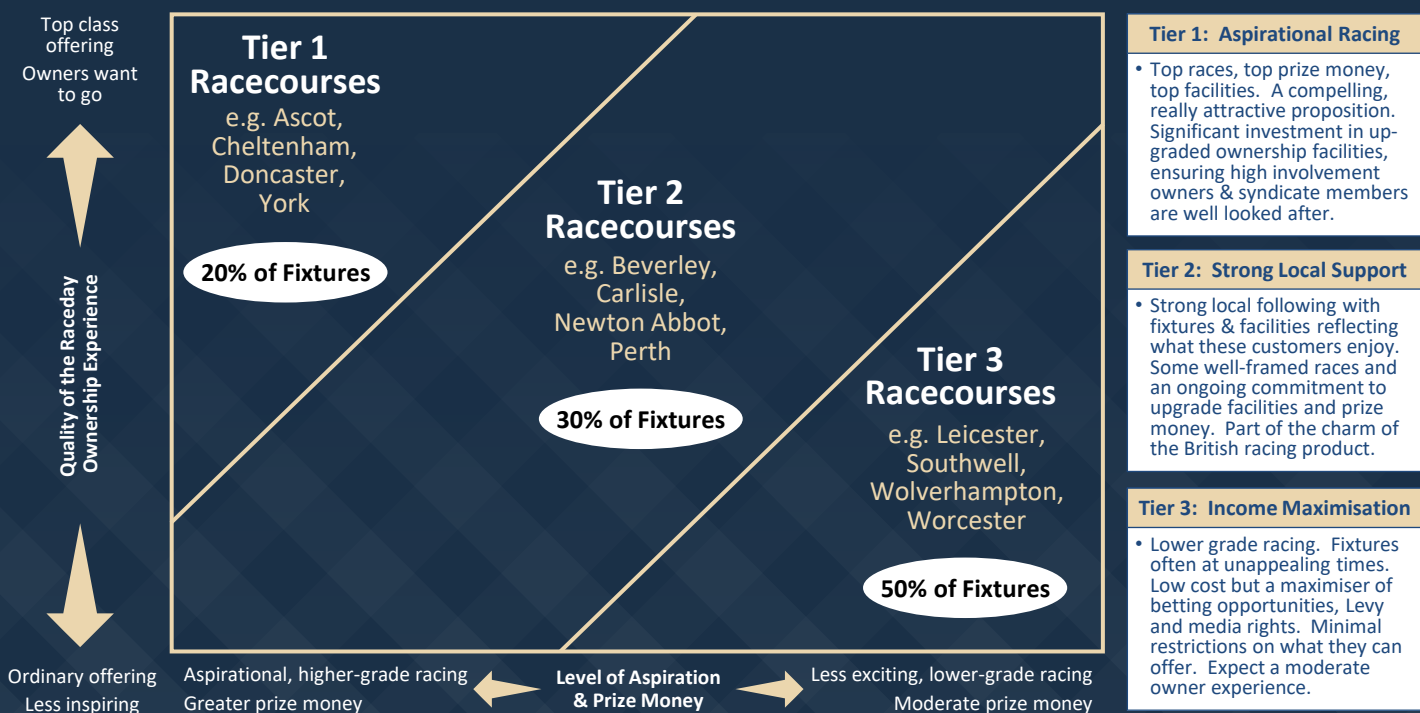
The UK currently has around 1,500 fixtures a year and, in pre-pandemic days, there were fewer than 1,500 spectators on 50% of them; racecourse attendance has been static or in decline at around 6 million racegoers; the majority of races are at Class 4 or below; field sizes are in decline despite the expansion of the racehorse population; there is appalling prize money at the lower end, with the median return to owners having now dropped below 5p in the £. **If there were ever a case for a racecourse strategy to rebuild growth, sustainability and compelling racing, these figures argue for it.**

15 Using a tiered approach to deliver a more aspirational racing programme and maximise income

While it appears to be stating the obvious, racecourses, their fixtures and race types are the financial engine of the sport. **Our challenge is whether the current configuration is actually maximising income while properly meeting the needs of all the main customers:** owners, racegoers, punters and viewers both in the UK and internationally. It may do on occasions at the individual racecourse level but not across the complete 1,500 fixture list. A radical shift towards a differentiated structure between racecourses, their fixtures, race types, prize money and owner experience would, we believe, much more effectively address owner and racegoer requirements, the needs of the horse population, gambling participation and racecourse profitability. **Allocation of funding, resources and fixtures then follows the tiering and its objectives.**

- ❖ **Tier 1:** provide compelling racing while protecting and sustaining the sport. Races and an ownership experience are framed to retain the ongoing investment of top owner-breeders while motivating lesser owners to aspire higher.
- ❖ **Tier 2:** particularly important in their localities, with the racecourse operator strongly committed to, and in tune with, the needs of their local customers, sponsors, racegoers, trainers and owners.
- ❖ **Tier 3:** these racecourses harness gambling participation, media rights and levy, with the racegoer and owner experience a lower priority. Very efficient and low-cost. Races are run at times of the day to achieve this. They can still be innovative, however, and through their efficient income maximisation can invest in reasonable prize money. They offer owners more opportunities to win races, even if the majority of the offering is low grade.

Different racecourses have different business models and this should be explicitly recognised through a three-tier framework that shapes future investment, prize money and fixtures.



Investing at Every Level of the Ownership Pyramid

This remains a test of leadership commitment to owner acquisition & retention

16 Rebuilding momentum in the acquisition and retention of owners needs to be at the heart of British Racing

We have argued for a top-down, integrated approach. Our proposal is that significant progress in owner acquisition and retention requires a deep change programme operating across the sport on multiple fronts. **At the moment, ownership strategy is notable by its absence, but across the ownership pyramid multiple opportunities for innovation exist:**

- ❖ Improve the racecourse ownership experience through adoption of tiering and differentiation of facilities and benefits.
- ❖ Put trainers centre stage in the promotion of ownership. Strengthen their marketing and communication skills.
- ❖ Appeal to the elite. Put a stronger focus on high involvement and high net worth owners.
- ❖ Expand shared ownership and syndication. Deploy a structured, segmented and strategic approach.
- ❖ Support British bloodstock. Reward and sustain owner-breeders while protecting bloodstock supply lines.

17 Retain and grow ongoing investment of high involvement owners – meeting the needs of the top of the pyramid

British racing has been sustained for many decades by ultra-high net worth individuals. Indeed it may well have become complacent through the regular injection of huge amounts of money, particularly through top owner-breeders on the Flat. Having said that, recent reports from financial analysts confirm that considerable levels of additional capital have been secured by many such high net worth investors throughout the pandemic. Consequently, there may be significant scope for targeted marketing campaigns aligned to the aspirational goals of this financial elite. Unfortunately a number of fundamental building blocks are not yet in place. **Does racing even know who the top 1% of owners in the UK are, in terms of their net annual investment?** Where are the exclusive and personalised offerings that properly reward and motivate such a valuable cohort of owners? Do the service levels, even on Tier 1 racecourses, genuinely meet their expectations?

18 Expand shared ownership – a “quick win” for British Racing which broadens the base of ownership

Well over 50% of all horses in the UK are being raced in some form of shared ownership structure. At least £250m of annual investment is involved, and with the expansion of larger syndicates there could easily be 50,000 participants. **It says a lot about the paucity of data and analysis in racing that there is little visibility on these “unknown stakeholders”.** Any expansion of this category ought to have considerable financial benefit for trainers, breeders and racecourses. Encouragingly, Great British Racing is leading a phased plan of marketing promotion, and this initiative is to be applauded. There is certainly no shortage of potential initiatives to pursue under both the acquisition and retention banners, as shown below. There remains a risk, however, that their initiative will be partial, narrow, overly tactical and seriously constrained by inadequate resources. We sincerely hope that is not the case.

**Shared ownership growth strategy needs to work on two fronts simultaneously.
The factors bringing owners in are different to those that drive them out.**



- ❖ Promote “tribal syndicates” aimed at big membership clubs
- ❖ Expand *In the Paddock* & similar digital platforms
- ❖ Launch communications & marketing campaigns
- ❖ Publicise syndicate success stories
- ❖ Peer to peer modelling via owners’ personal stories
- ❖ Free naming rights for syndicate promotional races
- ❖ Form joint ventures with e.g. *The Racing Manager*
- ❖ Build and utilise a marketing database

- ❖ Generous badge allocation: remove needless restrictions
- ❖ Improve flexible packages of on-course benefits
- ❖ Introduce tiering of ownership facilities and benefits
- ❖ Increase prize money to ensure raceday costs are always covered
- ❖ Set and raise standards through regulation and compliance
- ❖ Independent syndicator assessment and accreditation
- ❖ Raise profile of notable successes through best practice awards
- ❖ Use owner registrations to drive modern CRM practices

Radical Change is Required – Holding Leadership to Account

The Keep Owners in Racing call to action

19 A Year On: *Making retention and acquisition of owners the number 1 goal of a British Racing recovery plan*

The opening commentary of the Keep Owners in Racing blueprint from a year ago still resonates loudly and we want to restate it as the sign-off to this latest report. **Unfortunately we have a considerable concern that racing is already slipping back to its old ways of working, with the result that owner acquisition and retention will be ignored apart from the occasional, tactical initiative and regular “papering over the cracks”. A strategic approach will be noticeable by its absence and there will be no concerted attempt to “cross the chasm”.**

“ *Owners matter. The financial strength of racing is inextricably linked with the continued commitment of owners to keep funding it. The Covid-19 crisis has put this commitment under unprecedented pressure while accelerating the pre-existing challenges that both owners and racing were already facing.*

Think of the pandemic as a kind of “time machine” that is rushing us towards the end phase of a process that was always likely to happen. Owners are re-evaluating their ongoing support, with a significant number likely to reduce their involvement sooner rather than later.

Now that the immediate danger of the pandemic has passed, the risk is that racing will revert to the “old normal” rather than embrace the “next normal”. We believe there is a better approach. A Racing Recovery Plan should be developed as a matter of urgency with the retention and acquisition of owners as its number 1 goal. It has to bring the stakeholders together in a way that puts aside discord and disagreement – collaborate to succeed. ”

We passionately believe that fundamental reform of racing and its modernisation should be fully grasped to make it fit for the future. Multiple initiatives can be identified, prioritised and achieved, despite the scale of change required but only with a determination and commitment to introduce far more effective decision-making and a radical shake-up of racing’s governance and leadership structure. The next twelve months should confirm or deny whether racing is prepared to be bold, radical and steadfast. That will be the ultimate test for all of racing’s stakeholders and participants, and we challenge them to embrace this opportunity. If they fail to do so, it will be a collective leadership failure. We fervently hope that in a year from now we will be able to report on considerable progress with a renewed sense of optimism.



20 Holding Racing’s Leadership to Account

Using the KOIR Strategic Scorecard for Ownership

The scorecard provides a tracking tool against which leadership and successful implementation of key initiatives can be readily monitored. It is clearly apparent from the current assessment that little meaningful progress has been made on the majority of the initiatives that would really make a difference to the retention and acquisition of owners. Clearly there are a number of critically important initiatives such as equine and staff welfare that are also central to racing’s sustainability but these were not included under the ownership banner of this report.

The scorecard has three main steps to it:

- ❖ **Step 1:** KOIR, through its communication campaign and ongoing feedback, identified ten critical building blocks without which ownership growth would be unlikely to occur. They are interdependent and sustain each other.
- ❖ **Step 2:** each of the ten building blocks contains five initiatives that have been deemed central to successful delivery. They are not of equal weighting, and have been prioritised against their direct contribution to three criteria: economic impact (the ability to boost racing’s revenue and income streams and in turn, raise prize money and owners’ return on investment), owner retention and owner acquisition.
- ❖ **Step 3:** assessment was then made of the current progress by racing’s leadership and stakeholders on the design and implementation of each of the initiatives within the building blocks. Progress has been colour-coded: red (none or early days), amber (fair to good), and green (excellent).

Our assessment is that a tremendous amount still needs to be done. There has been little progress on 16 of the most critical top 20 priorities and overall only 34 of the 50 initiatives. This results in an aggregate score across the building blocks of 23/100 at best. This confirms the lack of leadership, strategy and ambition.

Annex: The Keep Owners in Racing Strategic Scorecard

Assessing Priorities and Progress on Ten Critical Building Blocks



- Step 1:** KOIR identification of ten critical and interconnected building blocks for sustaining ownership.
- Step 2:** Five initiatives in each building block were identified and then prioritised against three criteria.
- Step 3:** Assessment has been made of current progress by racing's leadership on the design and implementation of all the initiatives within the building blocks. Progress is colour coded: **red** (none or early days), **amber** (fair to good) and **green** (excellent).

1 Transform Decision-Making: address structural defects of governance and leadership

- Leadership commitment to a radical strategic plan:** create a forum and coalition of top leaders and major owner-investors fully committed to driving substantial reform of racing & its finances.
- Produce a five-year strategic road map for British racing:** map out the vision, goals, initiatives, deliverables and resources required to create a new funding model while modernising the sport.
- Change the governance structure:** define a much clearer role for the BHA and replace the failed tripartite structure with one capable of defining and implementing a new commercial strategy.
- Rationalisation of leadership:** form a smaller, more coherent and unified team capable of driving change. Address the inadequacies of silo-based, fragmented representative groups.
- Decision-making & programme management:** introduce and build expertise in modern programme and project management so that decisions taken can be properly implemented.

Investors in the sport, many with substantial business experience, are highly critical of racing's leadership, governance, decision-making and programme management. Change is glacial and the search for "consensus" leads to sub-optimal, lowest common denominator decisions. Without addressing this key building block, chances of progress elsewhere are low. A considerable challenge.

2 Create an Ambitious £350m Funding Strategy: one that secures an additional £200m

- A total funding & investment plan of £350m:** backed by all racing's constituents and achieved, by 2025, through at least four major initiatives. Funds to be invested in prize money and growth.
- Initiative one – government:** secure Levy reform with collection from betting turnover and coverage of bets on overseas racing, while obtaining further recovery loans and grants.
- Initiative two – racecourses:** reverse the attendance decline (goal was 7m p.a.). Boost racegoer and viewer numbers substantially with a far better, more compelling and attractive experience.
- Initiative three – bookmakers:** maximise and protect income through betting innovation, efficient race scheduling, global betting & Tote World Pool, while fostering responsible gambling.
- Initiative four – revenue maximisation and cost management:** optimisation (see 4.1), rationalisation (e.g. BHA), simplification (e.g. digitalisation) and integration (e.g. media rights pooling).

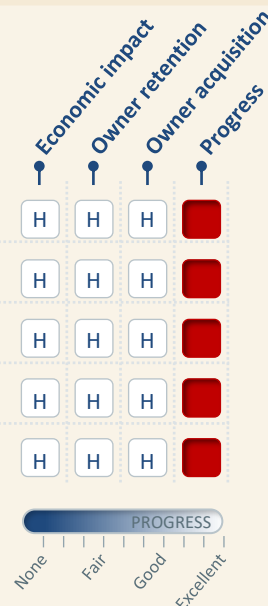
None of the deep-seated problems in racing, and particularly those to do with ownership and prize money, can be addressed without there being an injection of considerable additional funds. Identifying the sources of those funds and capturing them is a critical success factor. In parallel, substantial cost reduction and rationalisation is needed to unlock and then redirect resources.

3 Address Deplorable Prize Money: implement a top-down targeted improvement plan

- Long-term targeted plan:** prize money can only be meaningfully addressed through a highly ambitious financial plan with specific annual targets for improvement in total prize money.
- Legally binding commercial agreement on media rights:** while not challenging the ownership of the rights, there should be a proper, equitable allocation of them between racecourses & owners.
- Immediate prize money plan for 2021/22:** maintain the HBLB support while steadily increasing racecourse executive contributions to restore prize money to pre-Covid levels.
- Negotiated agreements on executive contribution by racecourses:** for each racecourse operator or racecourse (with 100% coverage) a formal, contractual agreement should be in place.
- Resolving prize money distribution:** produce a more sustainable allocation of prize money for both elite racing AND grass-roots racing at Class 4 and below. Innovate with new race series.

Everyone in racing appears to agree that "prize money is too low". However, there is not as much debate as to what prize money needs to be in order to attract and retain owners. We advocate a top-down targeted approach whereby the sport implements several phases of prize money increases in a measured and agreed way that more adequately rewards owners for their substantial investment.

★ Each initiative has **high, medium or low** impact on three factors.



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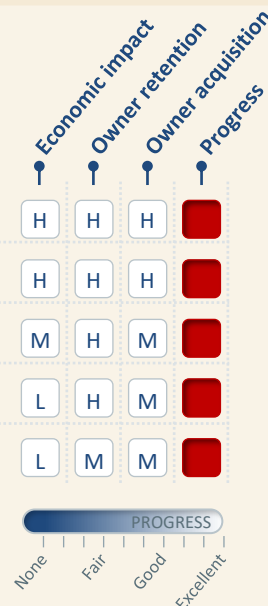


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4 Restructure the Racing Programme: modernise fixtures, the pattern and handicaps

- Value and revenue driven racing:** optimise and restructure fixtures and race day timings to maximise financial returns from betting, attendance and increased field sizes. Reinvest in prize money.
- Rationalise the Pattern while increasing marquee days and festivals:** build a more coherent programme of competitive racing that maximises income and active owner / racegoer participation.
- Give more owners more chances of winning:** better-framed races that reflect the actual horse population. Introduce more grass-roots race series. Ensure abandonments are replaced quickly.
- Revise the current handicap system:** it should not just be about gambling. Handicapping should also retain owners in the sport. Don't punish them unfairly. Adopt the French system for placed horses.
- Expand claiming races:** reverse the ongoing decline in this type of racing and copy the approaches found in other territories such as the USA and France. Encourage owners to self-handicap.

KOIR were denied access to the findings of Project Enable, which doubtless examined a number of ways of maximising financial returns through restructuring the programme, fixtures and timings. A starting point is to scrutinise historical data obtained from bookmakers, TV channels and racecourses. What does a complete optimisation of the programme look like? Which fixtures and races drive greatest revenue?



5 Improve the Owner Experience at the Racecourse: adopt a tiered approach

- Create a racecourse strategy with tiering at its heart:** differentiate ownership experience based on level of investment, e.g. adopt the airline lounge model: better facilities for the highest value owners.
- Increase capital investment:** allocate funds to deliver material improvements in differentiated O&T facilities through the proposed £350m British Racing Funding Plan. Upgrade facilities significantly.
- Incentivise and reward loyalty of owners:** convert the PASS system into a smart card with enhanced owner data that tracks and rewards raceday attendance of the highest value and most loyal owners.
- Measure racecourse quality standards:** independent third party assessment of owners' raceday experience to achieve consistent standards and implement agreed improvement plans.
- Continuous improvement:** ownership focused training for racecourse staff; stronger owner liaison teams; additional mementoes; announce owners' names; placed connections hospitality etc.

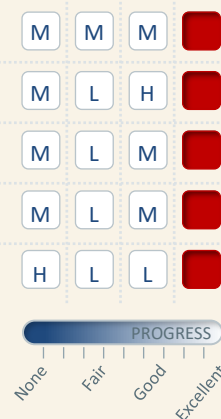
The ROA's work on ownership strategy examined a number of these initiatives but failed to make any concrete recommendations nor drive through any significant improvements. We propose a differentiation of racecourses, their fixtures, funding and facilities into three clearly defined tiers capable of maximising compelling racing, income and the ownership experience. This is a radical modernisation programme.



6 Put Trainers Centre-Stage: strengthen communication and marketing skills

- Improve communication quality & standards:** often highly variable and inconsistent. Set standards and provide training. Communications are the #1 factor in owner retention.
- Develop the marketing skills of trainers:** they are the main gatekeepers for new owners. Offer training and provide coaching. Publish case studies of best practice. Introduce marketing awards.
- Strengthen trainer-led syndicate offerings:** trainers run more syndicates and clubs than anyone else. Provide toolkits and online resources for adoption by trainers and their racing secretaries.
- Make it easier to locate and select trainers:** develop a *Good Trainer Guide* that prospective owners can access via a web site to facilitate selection. Introduce an approved trainer quality standard.
- Improve trainer profitability:** many are not economically viable. Encourage consolidation, merging of facilities and joint licences. Find ways to share best commercial and marketing practices.

While acknowledging that the trainer community is not always the easiest to help, they are the key gatekeepers for all new and existing owners, and need to be actively engaged. Many trainers are disillusioned and antagonised by racing's leadership. Their active support for ownership initiatives is vital and there are considerable opportunities for skill-building in communication and modern marketing.



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7 Appeal to the Elite: a strategy for high involvement & high net worth owners

- Create a new British Racing strategy for high involvement, high net worth owners:** not enough effort is made to make the very top owners in the sport feel special. Need far more focus.
- Define and structure a top-quality, differentiated owner experience:** their considerable financial investment justifies highly personalised and exclusive benefits. Map these out.
- Open a VIP platinum owners club at Tier 1 racecourses:** create luxurious and exclusive facilities with hyper-personalised service for use by the Top 500 high-involvement owners.
- Develop targeted marketing and promotional campaigns:** vigorously promote ownership as a top-end aspirational social activity. Attract and retain far more high net worth investors.
- Grow the next generation:** engage with the families of high involvement owners. Develop young owners' clubs, use high profile ambassadors, set up top-end invitational syndicates.

The continued and long-term support of the elite owner / breeder has been central to the growth of British racing and it is very important that their ongoing investment is sustained. Demographics are deteriorating. The recent demise of several top investors has rocked the sport. It is essential that funding, prize money and facilities properly meet the expectations of the Top 500 owners.

8 Expand Shared Ownership & Syndication: deploy an integrated approach

- Industry-backed syndicate growth plan:** a formal strategy to expand syndicates and their horses in training by 50% within five years. Accountabilities mapped out, funds and resources allocated.
- Redefining the on-course and off-course ownership experience:** dedicated syndicate areas, additional raceday privileges, syndicate races, better facilities and communication from trainers.
- Make it easier for anyone to set up, manage and join syndicates:** the majority of syndicates are non-commercial. Trainers are the gatekeepers into them. Provide support and toolkits.
- Promote and market syndication nationwide:** an integrated campaign nationally, regionally and locally. Fully involve racecourses, trainers, breeders, syndicators, the press and TV channels.
- Regulation, licensing, accreditation and quality standards:** stamp out bad practice; reward and disseminate good practice; ensure transparency. Stronger regulation and inspection by the BHA.

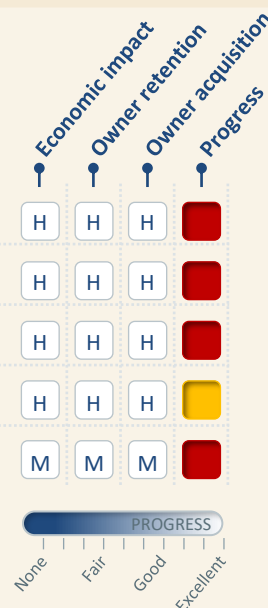
These are still early days but several initiatives are under way, and the BHA has tightened up the regulation of syndication and the code of conduct. GBR is developing a phased plan to promote syndication. Racecourses are becoming more supportive of syndicates and their requirements. Expanding shared ownership remains one of the more straightforward growth initiatives.

9 Support British Bloodstock: reward breeders, owner-breeders & protect supply chains

- Maintain the enduring appeal of British bloodstock:** reduce risk of long-standing investor cut-back and failure to attract new ones. Radical overhaul needed of prize money & the Programme.
- Support and incentivise owner-breeders:** ongoing development of the Great British Bonus scheme; more commercial incentives for coverings; first-time breeder discounts.
- Restore "frictionless" movement of thoroughbreds post-Brexit:** replicate the tripartite agreement and remove barriers to free movement of bloodstock. Adoption of the e-Passport.
- Integrity in the sales process:** stronger regulation and greater transparency that tackles auction ring malpractice. Needs to be strong enough to maintain confidence and ongoing investment.
- Expand filly lease propositions:** for both high-end as well as lower cost ownership options at the grass roots level. Particularly designed for take-up by trainers and syndicators.

Foal numbers in decline since 2008; majority of breeders operating at a loss; average return on capital not viable; many small breeders cutting back; and loss of some founder powerhouse owner-breeders. With low returns of prize money, export of top horses steadily increasing as the UK becomes the nursery for the world. Vital that breeding is sustained in order to protect supply lines.

★ Each initiative has **high, medium or low** impact on three factors.



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10 Strengthen the Enablers: marketing, digitalisation, data & quality standards

- 1. Cross-industry, data-driven marketing strategy:** marketing is chronically under-funded & under-resourced for a £4bn p.a. sector. Dramatically strengthen marketing, digital & data capability.
- 2. Launch a high-profile ownership initiative:** #BePartOfIt - Come Racing as an Owner. There may be considerable latent demand – the bucket-list desire to be an owner. Be bold and creative.
- 3. Use racecourses, trainers, syndicators and TV as the ownership shop window:** a cascade of “hub and spoke” raceday events, syndicate days, trainer open mornings, success stories, etc.
- 4. Digitalisation:** build better modern platforms, integrate processes, capture and connect data. Accelerate the digital communication transformation that has taken place in 2020/21.
- 5. Industry-wide standards:** define and benchmark quality baselines for racecourses, trainers and syndicators. Encourage and publicise best practice with awards and accreditation.

There are many under-resourced, under-utilised but enthusiastic promoters of racing, not least in GBR. A digital revolution took place through the responses to the pandemic, particularly in much more effective communication and the strengthening of the off-course experience. There is real appetite for expansion of these enablers. Encouragingly, the Racing Digital project is now under way.



The Authors of this Report: *Why Racing Has to Change to Secure Owner Acquisition & Retention ... And How to Do It*



Jon Hughes: an owner since 2004 with 103 winners so far. Current trainers are Karl Burke, Philip Hobbs, Anthony Honeyball, Martin Keighley and Charlie Longsdon. Runs Owners for Owners with 23 horses, from foals to chasers. Former chairman and co-founder of specialist management consultancies in procurement and supply chain. Visiting professorships at the University of Birmingham and Vlerick Leuven Business School. Former chairman of a racing yard.



Ged Shields: involved in racehorse ownership since 2015 and has had 50 winners so far. Current trainers are Ruth Carr, Richard Fahey, Ralph Beckett, David Simcock and Willie Mullins. Currently has shares in 18 Flat horses and one National Hunt chaser – Gr.1 winner Kemboy. Former Vice President of The Sherwin-Williams Company with international experience in marketing and mergers & acquisitions. Stood for the Racehorse Owners’ Association board in 2020.

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