

DECEMBER 2016



# INSIDE RUNNING

## MESSAGE FROM JOHN



Kia ora koutou,

I think it's fair to say the last couple of months have been unlike many others. We've had some huge highs, including an excellent NZ Cup and Show Week, the preceding Melbourne Cup and our AGM, coupled with some fairly serious challenges from the double whammy of earthquakes and flooding for the central and southern regions of New Zealand.

It was a small blessing that both NZ Cup and Show Week and the Kaikoura Trotting Club events went off without a hitch in the weeks before the quakes, but there is obviously a huge amount of work to do to repair the damage in the area. What's going on down there really puts the damage to Wellington into perspective, which although significant, is not nearly in the magnitude as it is down that part of the coast.

What has been impressive is the way the industry has bounced back into top gear coming into summer. Race meetings continued, and here at NZRB our people mobilised quickly. Although we were without a head office for a couple of days, our new Google systems allowed us to work remotely, with only minor disruptions to our operations.

Among that work was publication of our annual report and holding of our annual general meeting. Thanks to those who joined us at the meeting or watched online or on Trackside over the days following - you can watch it here and view our annual report online at [nzrb.co.nz](http://nzrb.co.nz).

Highlights of the report include total Net Profit Before Distributions of \$146.7 million which enabled us to distribute \$135.3 million to the three racing Codes, with a further \$1.4 million provided from Net Profit After Distributions after balance date. Turnover in the year to 31 July reached \$2.7 billion, 11.9% up on 2014/15, with total revenue up 4.6% to \$351.9 million.

Account customers, the cornerstone of our betting business, were also up to 181,000, growing 9.6% on the previous year. Other areas of growth included our digital channels, with the TAB Mobile App a stand out, up 214.4% on the previous year. Continuing this growth of our customer base is vital to our long-term future, so to see the increases in our ever-increasingly popular digital channels is a great indicator of future opportunities. That said, it is worth noting that our retail network has also performed well over the year, with a 4% increase in turnover across all venue types and a 12% increase across our Agencies, emphasising the importance of maintaining physical locations for our customers.

The importance of our channels and customer strategies to our future growth can not be underplayed and is a key focus for us.

Our annual report did reiterate our challenges - the New Zealand racing industry is dependant on international racing, and years of underinvestment in our infrastructure has left us vulnerable to overseas betting competitors. This will come as no surprise to anyone however, and as you will know our Statement of Intent has laid out our plans to address these challenges. Once fully implemented, our key initiatives - including a new Fixed Odds Betting platform, Optimise the Calendar and Offshore Betting Legislation in addition to the Customer and Channels work noted above - will provide \$50-55 million in annualised net profit per year.

A recent win has been the resumption of commingling into Australian pools. We are pleased to have signed binding term sheets with Tabcorp in mid-November and are working to have final long-form agreements signed by the end of February 2017. This means our traditional commingling situation has returned just in time for Summer racing, with Quinellas, First4 and Quaddies commingled along with the existing Win and Place bets. For a more information visit [tab.co.nz](http://tab.co.nz).

At the AGM, I also touched on another exciting development we have in the works - we are progressing three industry initiatives designed to support and grow the industry. These pilot initiatives are focussed on tactically boosting stakes, investing in key industry infrastructure and developing career pathways for the next generation. We are currently confirming how these initiatives will operate and the process for getting them to the industry and will be sharing this with you all in the near future.

As I've said previously, there is no silver bullet, no single action that will completely transform our industry. However we have outlined our plans in our Statement of Intent and Annual Report to build towards a sustainable long-term future for the entire industry. It will take time, investment and a great deal of change, which may be challenging for many, but with alignment and a spirit of collaboration, I am confident we can achieve this industry outcome.

I wish you all the best of luck for your summer endeavours, and I will hopefully see some of you out and about at our upcoming meetings.

Regards,

John Allen



## REMEMBERING REBECCA BLACK

On Sunday 18 December, our industry lost a friend, jockey and devoted mother. By all accounts Rebecca was an exceptional person - a mother of three, an equestrian enthusiast throughout her life and winner of 108 races as a jockey.

Rebecca will be sorely missed. Earlier this week the Trakside team prepared a tribute to her. We hope that this goes a small way to honouring her legacy on and off the track. You can view the tribute on by clicking here.

NZTR has advised that funds can be donated to a trust for Rebecca's children through the following bank account: 01-0517-00063944-06.



## TAKING IDENTITY VERIFICATION ONLINE

An Identity Verification (IDV) Pilot programme allowing selected new TAB customers to verify their account online has been running for the last two months, testing the process for both our customers and business. Identity verification is very important to our business. The TAB must ensure that customers meet specific trading requirements - that they are over 18 years of age, that they are following our betting rules and that they have no previous issues with the TAB.

Traditionally the IDV process has taken place in retail, requiring customers to fill out an IDV form and present their ID to a retail customer service representative, who then confirms its validity and mails the form to Head Office for processing.

However, in FY15, 93% of our customers signed up TAB accounts using digital channels, but they cannot complete IDV on those same digital channels. This leads to around 45% of customers who open accounts not completing the IDV phase, and not being retained as customers.

This is why it's essential that we take steps to offer IDV online.

Earlier this year, we emailed customers who had signed up in the last 7 days, giving them access to the IDV Pilot on tab.co.nz.

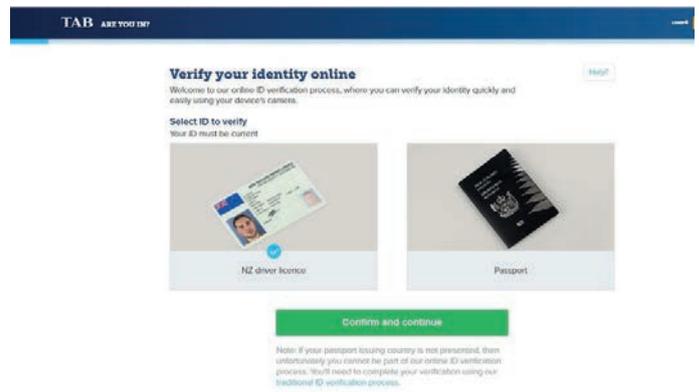
To complete the IDV Pilot, they followed the steps on the IDV Pilot page on tab.co.nz, using their webcam to take pictures of themselves and either their driver's licence or passport.

A third party biometrics provider, Jumio, then analyses the documents and runs checks to ensure they are valid and non-fraudulent. Using state of the art biometric analysis, Jumio can tell whether the person holding the ID is the same person pictured in the ID document.

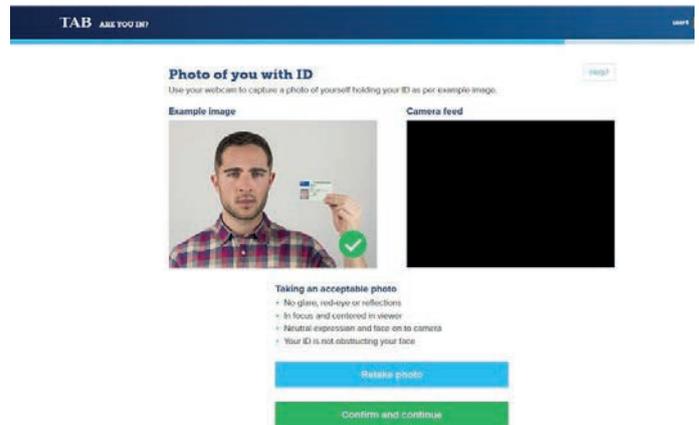
Jumio also provides similar services to companies such as United Airlines, Betfair and Airbnb.

In the initial IDV Pilot period between 15 September and 28 October, our IDV Pilot participants had an IDV rate that was 11% higher than the control group, consisting of customers who had signed up during the same period but who didn't have access to the IDV Pilot.

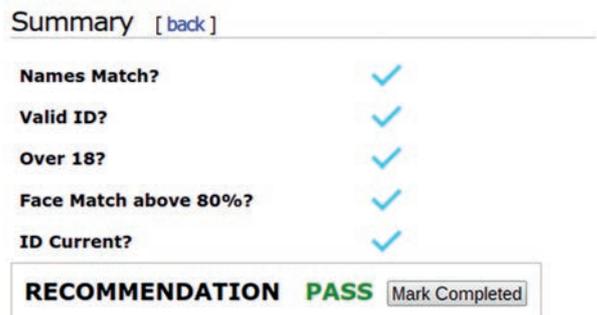
The team are continuing to test the IDV Pilot with customers in the New Year. When the process is completely tested and approved, they will be looking at a wider rollout.



Above: The IDV Pilot requires a valid driver licence or passport.



Above: As well as front and back photos of the ID document, the IDV Pilot requires a photo of the customer holding their ID document.



Above: Jumio provide a recommendation of the customer's IDV attempt



# WANGANUI GREYHOUNDS WOW AWARD

We talked to Erin Woods about what Wanganui Greyhounds have been up to since they won the inaugural WOW Factor Award.

## What do you think made Wanganui stand out among alot of high performing clubs?

That's a hard one, the other clubs have hugely high standards and we have tough competition but I think we get a real vibe going on race days. Our grandstand absolutely buzzes. We do not allow time for people to get bored between races and we include losing ticket draws, spot prizes and other simple activities to keep them amused, the photo booth and Santa are always popular. We are very interactive with our guests, we don't just clear tables, we engage people as we go about our business and these people not only come back year after year for Christmas at the Races but become regular guests quite often supporting the totes which is great for all of us!

## What did the award mean to the club?

This was huge for us. An endorsement from your peers is the ultimate compliment and as I said, we had some stiff competition. We recently won an award for best tourism business in Wanganui and a highly commended for hospitality but we all agree that the WOW award was the one we were most proud of. It's the smallest trophy in our cabinet but by gosh, it is the shiniest!

## What sort of attention did it garner the club? Other media attention?

Our events are always sell outs but this year we used the WOW logo for a lot of our marketing and we sold out for all four events by September for Christmas at the Races. We also already have bookings for the 2017 Christmas at the Races events so I think it has helped put us on the map in a very positive way. We are very aware of the fact that we will need to add extra dates next year to keep up with demand so we should be looking at 5-6 events. The people of Wanganui take a lot of pride in having this award here, it was amazing how many people have commented on it. I love small town NZ! We received local press attention and Kris Faafoi (opposition racing spokesperson) decided he needed to drop in after our win which generated further press coverage. Our sponsors also responded well to the award, they very much enjoy being part of a winning team and since sponsorship dollars get harder to get every year we were very happy to have this boost in profile.

## How is preparation going to try and defend it this season?

We are halfway through our Christmas at the Races events, two down, two to go and we have upped our game this year! Our mantra is that we will not be responsible for ruining anyones Christmas party and have added Christmas themed uniforms, a snowman display which actually snows, a bushy archway and more theming to our repertoire. We have also mercilessly used ideas from other clubs gleaned from the Christmas at the Races conference in May in relation to guest entertainment, displays and more. There were some brilliant ideas and I think we have incorporated a lot of them! The EML team has provided huge amounts of support and we believe we have taken the tools they have provided us and pushed through to the next level!



## MEET THE PEOPLE - HANNAH CATCHPOLE, OTAGO CEO



**You previously worked with the Highlanders, Melbourne Rebels and Sydney University Football Club (Rugby) - are there many similarities between rugby and racing as entertainment organisations?**

Absolutely, the challenge is to provide a slick operation no matter what the sport/event so that patrons have a

memorable experience and want to come back again and more importantly tell their friends about their positive experiences at your event. The main difference with rugby and racing is that you have 80 mins to do this in rugby and in racing you must provide quality entertainment for the whole day.

### **There's a vibrant racing scene in Otago - what makes it different from other areas?**

People in Otago are super supportive of local events in their area and want to see the region grow and so attend race days whenever they can. Most importantly they strongly believe, and rightfully so, that Otago can be just as competitive as racing clubs further up North. I also love the variety of race day experiences available in Otago from the corporate days like our Wingatui Melbourne Cup Day and Cromwell Christmas at the Races to the family friendly days like our Interislander Boxing Day Races or the Waikouaiti New Year's Day meeting where families pack a picnic and often children are experiencing racing for the first time.

### **Wingatui of course runs a meeting on Melbourne Cup day, how did that go?**

This year's Melbourne Cup event was totally revamped for us and we were so pleased with how the day ran. We created two new marquee villages for the corporates to enjoy and the villages were exceptionally well received. Patrons were much closer to the track than ever before and could be right up to the rails when the horses came thundering past!

### **Where do you see opportunities for growth on-course?**

At Wingatui I think it is around the younger generation of corporates. Race days are a great location to host clients and potential clients in a relaxed but professional environment. I think in Dunedin the first thought is often given to rugby and the stadium and it is our job to show them there are alternative options.

### **Are Interislander Summer Festival (ISF) and Christmas At The Races (CATR) drawing new people on-course? What are the benefits of those events?**

For us it is around man power on a race day and prior to the event. On our bigger days it would be impossible to logistically put up all the marquees and theming around course on time.

### **Have you worked much with the Event Marketing & Logistics team?**

At the Otago Racing Club we participate in both the CATR franchise and the Interislander Summer Festival franchise so work closely with the EML team. It is great as we have a small staff and it is really helpful to be able to source material from EML.

### **Anecdotally there are more women in racing in NZ than other countries, why do you think that is?**

I think NZ just creates a lot of opportunities for everyone, men and women alike. Racing is a big part of the NZ entertainment industry and naturally therefore more roles become available.

### **Do you think there are more opportunities for women to step into leadership roles in racing?**

I don't think it is a case of being female or male – the best candidate for the role will step up and into it. Racing provides a great opportunity to work across a range of departments and really find an area that you are passionate about. At the same time if you are working at a smaller club you get the opportunity to really make change and stage different events. I am lucky with the amazing team that I now have working with me at the Otago Racing Club. Every member of the team brings with them their own differing skill set.



## MASSIVE SUCCESS FOR KIWI PUNTERS CHAMPS

In November, the richest, most prestigious betting tournament for customers in New Zealand wrapped up at Addington. It was the culmination of a three month series of local tournaments across New Zealand, all with the aim of finding the best punters in the land, and showering them with cash!

In 2015, the campaign for the Kiwi Punters Championship was largely a normal product campaign, much like a Pick6 or Quaddie promotion. It didn't quite reflect the prestigious nature of the title, the competition that it generated or the prizes on offer. Team numbers were down on the previous year, as was turnover and the experience at each event didn't meet the 'VIP'- like expectations that it should have.

In light of this, the approach in 2016 aimed to take the KPC to the next level. There is no shortage of savvy punters across the country, so it was a case of creating an event that appealed to their hunger for a contest. These punters are not so much in it for the fun, they're in it to prove they're the experts and make a bunch of cash while they're doing it.

Our objective was to deliver a campaign to customers to 'Prove they are NZ's ultimate punter'. The TAB Marketing team got to work alongside Addington to create a series of high quality joint branded events, with excellent collateral, intriguing imagery and strong branding, across several locations - Christchurch, Auckland, Invercargill and Wellington.

A full range of advertising went out, with adverts on Trackside 1&2, posters throughout our retail network, digital ads on tab.co.nz, social media through Facebook, ads in Best Bets as well as both direct mail and e-mail to our the TAB customer base.



With everything in place, we set targets of hosting at least 250 teams, up from 212 in 2015. That was blown out of the water, with 333 teams entering, a 57% increase on 2015.

Those teams generated a 32% uplift in sales. It also generated a huge buzz around Addington.

"It has been very rewarding to deliver a campaign where 'customer competence' was on show on a weekly basis and that the number of team entries grew each heat, commented Kevin Broome, NZRB Senior Marketing Manager. "The campaign success was achieved because so many of our channels and individuals got behind the campaign and gave it thorough coverage. A big thanks to Richard Bromley (Addington/NZRB) for his continued energy to deliver a high quality event."

Having such a successful 'comeback' in 2016, Addington are looking forward to making 2017 even bigger.

"We can see enormous potential for the concept which has grown significantly in all aspects this year due to the level of commitment NZRB has invested in it," said Addington Raceway CEO Dean McKenzie. "On behalf of the Club I wish to formally thank the TAB team for their wonderful assistance through this season of the KPC, culminating in the exciting final day here."

## JETBET MOVES TO THE CLOUD

For the last 30 years the TAB's core betting system, Jetbet, has been run out of NZRB's data centre on the second floor of the National Office in Wellington. Although that location has maintained standard practice for much of that time, Jetbet became more at risk every day as the data centre was no longer robust enough or fit for purpose. In the last financial year, Jetbet processed 1.2 billion bets, all contributing to \$2.7 billion of turnover annually. We can't afford to maintain our betting infrastructure at this level or risk - a risk heightened by recent earthquakes affecting the region.

Moving to this new Cloud-based infrastructure has been in our plan from the day we initiated the Optimus Programme, which is part of our IT roadmap that sees a significant modernisation of our IT services. It's all part of the work we're doing to develop our information technology systems that do what we need them to do, to ensure we can consistently and reliably deliver racing and betting to our customers.

So it was with a huge amount of careful planning, testing, and a team of 35 on site (NZRB, Spark and partners) and 38 on-call throughout the night, that the data centre was successfully moved from the Wellington office to the Revera data centre in Takapuna, overnight on Monday 12 December - which included completely shutting down Jetbet for almost eight hours.

This effectively put Jetbet and its associated systems into the Cloud, meaning that it runs on virtualised services that are mirrored in Revera's Trentham data centre. This server network is

much more secure and scalable in support of our growing business. To give you an idea of just how secure it is, Revera's clients include Government and critical emergency services in a data facility that is second to none in NZ.

The data centre move is a three stage process, with this second stage being the most significant move to date, and among the biggest IT changes that NZRB has undertaken in the last 30 years. Since the move, the team have been carrying out further testing and monitoring, confirming that the move has been successful.

RACING INDUSTRY  
INTEGRITY LINE

0800 RIU 123

0800 748 123

CLEAN RACE - FAIR CHANCE

If you have something to report, call the anonymous Integrity Line 0800 RIU 123

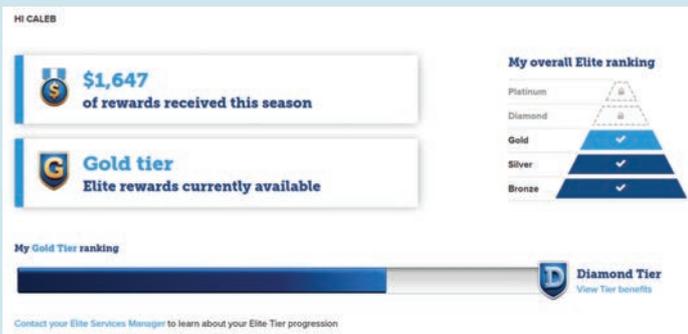
[www.riu.org.nz](http://www.riu.org.nz)



## ELITE PORTAL OPENS UP

The latest release of the Elite Portal on [tab.co.nz](http://tab.co.nz) has brought a range of new functionality for TAB high rollers.

Launched earlier this year, the Elite Portal is an area of the website where the approximately 1900 customers who qualify for Elite status can access a range of information - reward programme benefits, upcoming events, tier benefits, Elite Services Representative contact information and more.



### Tier Benefits

Racing events	Bronze	Silver	Gold	Diamond	Platinum
Members Stand Access - Local non premier meetings	✓	✓	✓	✓	
Diamond Racing Events	✗	✗	✗	x1	By invitation
Members Stand Access - Premier	✗	✗	✓	✓	
Enhanced odds for owners	✗	✓	✓	✓	
Members Stand Access - Local Cup	✗	✓	✓	✓	
Silver Racing Events	✗	x1	x2	x2	
Gold Racing Events	✗	✗	x1	x1	
Bronze Racing Events	x1	✓	✓	✓	

The most recent release now brings multi-lingual support (Traditional Chinese and Simplified Chinese), priority withdrawal forms, a monthly newsletter, and additional registered events information.

The Elite Portal is another way we're moving improving our digital offerings to our customers. Alongside other improvements such as the new Multi page and the IDV Pilot, we're aiming to create an experience that will both benefit our existing customers and attract new TAB account holders.

## FIXED ODDS BETTING DETAILED DESIGN PARTNER CONFIRMED

At its December meeting, the Board of the New Zealand Racing Board approved to engage OpenBet / Paddy Power Betfair (OB/PPBF) for the detailed design phase of our Fixed Odds Betting (FOB) platform project.

The solution proposed by OB/PPBF will provide NZRB with the ability to access a first-class FOB engine, one used by many of the major wagering organisations across the world, and partner NZRB with an organisation at the forefront of international wagering growth and innovation.

The detailed design phase is a deep dive into the design of the FOB solution. Following this phase, a full business case will be presented to the Board for approval before implementation would (if approved) commence.

This is a major business decision and a significant milestone in our FOB project, which was initiated earlier this year with an in-depth RFP process. We were impressed by the quality of the proposals put forward by both parties, and are delighted to be partnering with a market leader in digital wagering.

OB/PPBF have demonstrable strengths in online (web & mobile), sport and in-play wagering, which are three of the biggest growth opportunities for NZRB. The new FOB offering will complement our already competitive Tote, putting NZRB in a much stronger position to manage turnover across both products, taking into account customer and channel preferences.

The FOB project is a key part of NZRB's wider strategic plan to lift distributions to the industry and build a long-term sustainable future for racing in New Zealand. As signalled out in Statement of Intent for 2017-19, we anticipate that the Fixed Odds Betting platform alone will add \$17-19 million in annualised profit per year. With our other strategic activities, we are aiming to deliver an additional \$50-55 million in annualised net profit for distributions (once all fully implemented).

The detailed design phase of the FOB project will begin in January 2017; we will keep you up to date with developments as they progress.

## INSIDE RUNNING DISTRIBUTION

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

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

A copy will also be placed on the NZRB website ([www.nzrb.co.nz](http://www.nzrb.co.nz)).

If you wish to be added to the initial circulation list, please provide your email address to [insiderunning@nzracingboard.co.nz](mailto:insiderunning@nzracingboard.co.nz)

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