

## *37th International Conference of Horseracing Authorities*

*Paris, 6<sup>th</sup> October 2003*

<b>SITUATION OF KOREAN RACING, by Mr Yang-Tae PARK, Korea Racing Association</b>
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Mr PARK presented Korean racing as follows :

☞ **Introduction :**

Korea Racing Association is a non-profit organization incorporated by KRA Law and KRA is sole Korean racing authority, controlling all racing-related matters and semi-state body under the supervision of government.

Missions of the Korea Racing Association is, above all, conducting fair racing and spread racing nationwide, contribution to the public good and promotion of race horse breeding. Keeping these three missions in mind, KRA officials are doing their best to provide the pleasant leisure activities to the public and contribute to the national economy and the public good.

The main activities of the KRA are providing fair racing and operating pari-mutuel betting system, registration of owners and licensing trainers and jockeys, operation of racecourses and off-course betting centers, operation of stud farm and training center, donation to the "Livestock Industry Promotion Fund" and contribution to the development of rural communities.

KRA operate two racecourses.

The main racecourse, the Seoul racecourse, can accommodate 80,000 racing fans and horse population is about 1,400. Seoul racecourse holds 94 race days annually, most of them are Saturdays and Sundays and annual number of races is about 1,100. Only thoroughbred flat races are held on sand track.

Jeju racecourse conducts races with native ponies on sand track. Its annual race day is 89 and annual number of races is 873.

One race of Jeju Racecourse is simulcasted in the Seoul Racecourse on every race day.

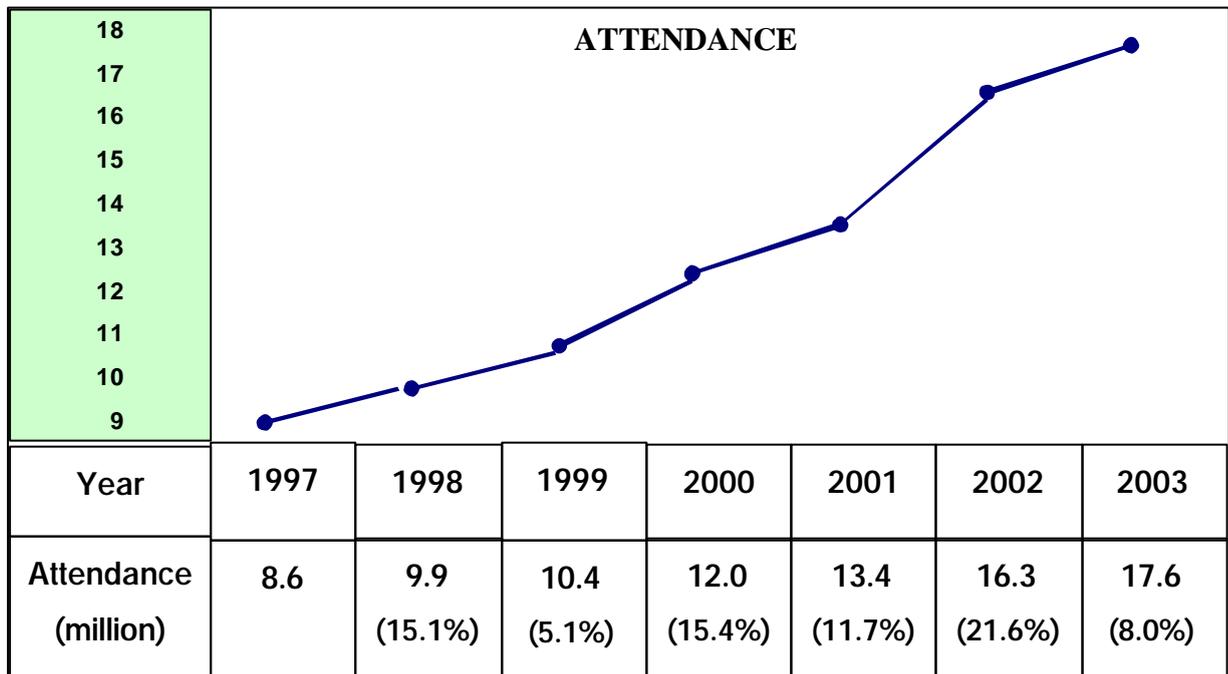
There are 28 off-course betting centers in Korea. 24 of them are located in the Seoul metropolitan area and the other 4 are located in major provincial cities. Average floor space of them is 6,600 square meters and average accommodating capacity is about 3,000.

KRA manages two stud farms, one in Jeju Island, where is major breeding place in Korea, and one in Seoul vicinity. These stud farms provide stud service to local breeders with 27 stallions. Other functions of the stud farms are rearing and pre-training weanlings purchased from breeders, providing local breeders with breeding skills and supports.

Annual foal crop of 2002 is 914 and number of broodmares is 1,412.

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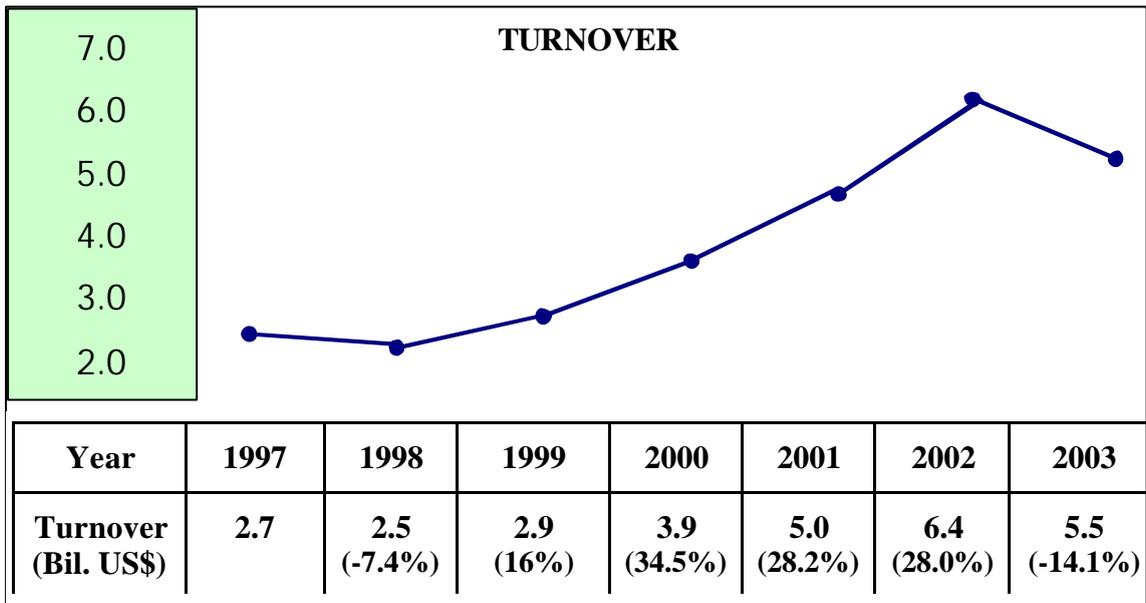
☞ **Recent success of racing :**



*(Attendance has increased since 1997 – 2003 figure estimated)*

The diagram shows recent success of Korean racing in attendance and turnover. In case of attendance, KRA has enjoyed 13% annual increase since 1998. Last year, more than 16 million racing fans have come to the racecourse and off-course betting centers to enjoy horse racing.

Turnover has increased about 33% annually since 1998. Especially in 2002, the figure amounted to 6,37 billion U.S. dollars.



*(Turnover of this year dropped by 14.1 % compared to the previous year (2003 figure estimated))*

KRA experienced two times of drop in turnover in recent years. In 1998, Korea was under serious economic difficulties and suffered 7.4% decrease in turnover, but recovered back to the regular trend in the very next year.

Particular in this year, KRA is suffering even deeper, around 14 % drop in turnover, compared with the previous year. Immediately, KRA set up a task force to analyse the reasons of the sharp drop and cope with the decrease in turnover.

According to the results of the study, the conclusion was that the main factor of the turnover decrease is deteriorating national economic situation and consequent decrease of disposable income of racing fans. And the second major reason is newly introduced strong market rival, "Lotto(a kind of lottery)".

Contrary to the sharp drop in turnover, KRA still enjoys steady increase in attendance and unexpected popularity of "Lotto" is calming down. In this context, KRA is positive that the downward trend of betting turnover is expected to be reversed in the near future.

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#### ☞ **Analysis of success factors :**

First of all, much efforts were put on enlarging racing fan base and diversify betting methods. KRA has conducted consistent PR activities through various media, mainly printed media, because advertisement on TV is prohibited by law. New betting type, Exacta, was introduced in 2001 as diversified betting methods

with the adoption of account betting and tele-betting. Most of the efforts in this regard were focused on younger generations and family fans.



KRA did its best to ensure racing integrity. This has been one of its top priorities, just like other racing jurisdictions. Adjudicating procedure was opened to racing fans.

KRA has also implemented strict pre- and post- doping test and strengthened racing protective functions. Racing fans were provided with diverse and detailed racing information through media and internet.



Another success factor is the efforts to make the racecourse a family park, not merely a betting place for adults.

To do this, KRA designated "Racing fans' Day" and offer free admission and drinks and has held various entertainment events such as music concert and "Annual Racing Carnival" etc. The inside of the track was developed into a family park.



KRA has tried to expand convenient facilities for racing fans. To accommodate increasing racing fans, 8 new off-course betting centers have opened and now having 28 off-course betting centers.



In May 2002, new grandstand in Seoul racecourse opened, bringing up the capacity from 35,000 to about 80,000. Also, other customer-oriented convenient facilities such as free parking lot, straight walk way with roof, nursery rooms were expanded.



Among others, this is the most important factor in our success. Gambling market in Korea has been rapidly grown as you see in the diagram. The size of gambling market of last year was 10,39 billion U.S. dollars.

**Expansion of gambling market in Korea thanks to healthy national economy**

	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Size of Gambling Market (Increase rate)</b>	<b>5.25b US\$</b>	<b>7.17b US\$ (36.6%)</b>	<b>10.39b US\$ (44.9%)</b>

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☞ **Future prospect :**

Generally, we are quite positive on Korean racing's future. When we look into the business environment surrounding horse racing in Korea, we have many opportunities and threats as well.

The opportunities, first of all, include growing leisure & gambling market with the introduction of 5-day work week and horse racing has firm position as a dominant market leader. Also there is much potential to further enlarge our racing fan base in major provincial cities though we assume that the market of Seoul metropolitan area is almost saturated.

At the same time, we are confronting many threats. Horse racing's market rivals, such as bicycle racing, Casino, Lottery and Powerboat racing, are gaining popularity. Market share of horse racing is decreasing gradually.

**Market share in gambling market**

	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Horse Racing</b>	<b>69.8 %</b>	<b>66.3 %</b>	<b>61.4 %</b>
<b>Others</b>	<b>31.2 %</b>	<b>33.7 %</b>	<b>38.6 %</b>

Low quality of racing is another weak point and also active measures should be taken to overcome negative public perception on gambling and horse racing.

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A new racecourse is under construction in Busan, the second largest metropolitan area in Korea, and will open in April 2005. KRA is sure that its racing fan base will be substantially enlarged after the completion of the new racecourse and full card simulcasting between Seoul Racecourse & Busan

Racecourse and subsequent establishment of new off-course betting centers in major provincial cities.

Also, KRA has concrete plan to pursue to enhance racing quality and internationalize Korean racing with the hosting of the Asian Racing Conference in May 2005.

Considering every possible market factors, KRA finalized its future prospect like this : *"We are confident that Korean horse racing will enjoy continuous success if we can make the best of the opportunities and cope with the threats in an active manner."*

Among the future action plan, the first priority is differentiation from market rivals through improving the quality of racing and pursuing globalization. To this end, better race horses will be imported from overseas countries and the quality of domestic-breds has to be improved.

Internationalization will be pursued step by step, based on the current situation of Korea racing industry. According to the tentative plan, KRA plans to host International Jockeys Invitational Race in 2005, International Invitational Race in 2008 then International Race in 2012.

The second priority is enlarging racing fan base by opening provincial racecourses and off-course betting centers. In line with this goal, the Busan Racecourse, which is the third racecourse in Korea, will open in 2005, and KRA is considering the construction of another racecourse after the opening of the Busan Racecourse.

Currently operating 28 off-course betting centers account for more than 70% of total turnover. So increasing off-course betting centers is a critical point for the KRA's further prosperity. According to the business plan, the number of off-course betting centers will be increased from current 28 to 48 in the year of 2006.

Diversifying betting methods is another important point for continuing the success. KRA plans to introduce mobile betting through cellular phone and PDA in this year and internet betting in the near future. Also, automatic betting terminals are being employed gradually and new betting type, Quinella Place, will be introduced in this year.

Public perception on horse racing and gambling is quite negative in Korea. So upgrading the image of horse racing is another key issue. To upgrade racing image, KRA channels much of its profits into the public good. Including betting taxes and other contributions and donations, KRA spend 1.3 billion US\$ in the year of 2002.

Also, Seoul Racecourse is being converted into a kind of family park, which include children's playground, promenades, soccer field, horseback riding place

etc. and strong PR activities featuring the social roles of horse racing are being carried out.

Task force team for this "Image-Up" is in operation now.

Much efforts have been put to enhance customer satisfaction. Customer Relation Management (CRM) for catering to diverse customer needs will be introduced in this year and more entertainments for racing fans, such as night racing, music festival, will also be provided. We will do our best to reflect racing fans' feedback on our customer services.

Horse racing in Korea in 2006 is expected to be as such :

<b>2002</b>		<b>2006</b>
<b>2</b>	Number of racecourses	<b>3</b>
<b>28</b>	Number of Off-Course betting centers	<b>48</b>
<b>1,400</b>	Horse population	<b>2,300</b>
<b>16,285,000</b>	Attendance	<b>23,000,000</b>
<b>6.37</b>	Turnover (billion US\$)	<b>10</b>

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