Swept Aside?

By Katrina Partridge

The choice of partner for a mare is virtually limitless these days. So how does an owner choose the “right” stallion for his/her mare? Pedigree – and the variant nicks and clicks in between - is the focus of many. Race performance may be an issue; conformation; the size of a stallion's book; the quality of other mares being served; budget, Stud reputation and/or location – all of these are factors that fall for consideration. A large number of owners will also focus on the commercial viability of resultant progeny.

So what role does marketing play in the choice of a potential mate - both in influencing an owner's perception of “value for money” and then ensuring the resultant yearling receives every opportunity should it be headed for the auction ring?

To all groups – particularly the group focussed on return on investment from a potential mating – a lot.

On the whole, stud farms have become quite skilled in investing advertising dollars into the promotion of their stallions. This is hardly surprising given that the income generated from service fees would normally expect to form approximately 65% of a commercial stud’s revenue base each year. As a result, solid advertising campaigns, well placed media articles, web coverage, stud brochures, and auction hype combine with enticements to mare owners to maximise the chance of the best available mares filling each stallion's book. Such campaigns not only provide the stallion with every opportunity to succeed as a sire but also work to cement future revenue streams by creating the necessary demand for future services (broodmare agistment, foaling, yearling preparation etc).

The service fees of many of Australia's leading stallions are not inexpensive. The average cost of raising a foal from conception to appearance at one of the Australasian Majors is approximately AUD$22,000 (excluding the initial service fee).[1] Given these investment costs – and the current tension in the industry caused by a slowing economy and the effects of the drought – I wish to pose a rather controversial question: Should stud owners who market commercial stallions owe a duty to breeders to continue marketing the stallions in the rare event that a stallion dies before he has had an opportunity to prove himself locally as a successful sire? For those who are wondering how often this happens - thankfully not too frequently - but yet, in the rare circumstances it does, for those still holding weanlings, yearlings and impregnated mares as investments it can be a major concern.

Let's examine the recent case of the ill-fated End Sweep. He is certainly not the only sire who has suffered an early demise but his is certainly a useful case study of what can happen if circumstances force the marketing switch to the “off” position before a stallion has had a chance to prove himself locally.

The owner of Arrowfield Stud, John Messara, is, without a doubt, a man of vision. A major player in the transformation of the Australian thoroughbred industry over the past decade, he is someone who intricately understands the value of well managed marketing channels and has utilized them effectively to maximise the coverage given to his stallions over recent years. He is also an owner with one eye on the future. Thus, when the success of another sire he introduced to Australia – Danehill –demonstrated that a suitable outcross to Northern Dancer would need to

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[1] "Review of the Majors 2003" *Australian Bloodhorse Review* , July 2003

be made available to Australian breeders in the future, John went looking for an heir apparent that would enhance his already illustrious line-up of stallions in the Hunter Valley.

The result of his search was End Sweep (USA) - a sire son of the Mr Prospector line which had begun to show good success overseas when crossed with Northern Dancer blood. End Sweep was by the Mr Prospector son Forty Niner, out of the G1 winning Broom Dance. He had won 6 of his 18 starts including Canada's G1 Highlander Handicap before retiring to stud in 1995.

It was in the breeding shed however that the power of this young stallion's bloodlines really emerged. End Sweep became one of the hottest sires on the world's stage after he re-wrote the North American record books by producing 33 individual winners from his first crop to race. His title of champion US first crop sire was repeated in subsequent years when he also lead the second and third crop sire lists.

End Sweep was purchased by Arrowfield in 1999 and arrived in Australia later that year, Messara's marketing insight and advertising budget supporting him every step of the way. End Sweep covered an initial book of 131 mares at a service fee of AUD$27,500 (+ GST), his first book including (not unexpectedly due to his overseas success and the hype surrounding his arrival) a number of extremely well performed, well bred and quality producing mares.

The media backed him to the wire – the international breeding writer and authority on planned matings, Rob Zuttion, adding his voice to the cause when he wrote "End Sweep is by any measurable method a superstar… In three seasons [he has] reeled off a succession of figures that may never be repeated… you receive no accolades for being wise after the event so I'm putting up my hand up now that End Sweep will perform this season."

The first crop of 85 yearlings swept through the 2002 yearling sales rings returning investors almost 3 times their service fee and showing a healthy average of $91,801 (median $75,000). Buyers included Gai Waterhouse, Mark Pilkington, Clarry Conners, Rick Worthington, Noel Mayfield-Smith, Gooree Stud, Graeme Rogerson, Bruce Elkington, Paul Maroney and Adrian Hancock.

3 months later the devastating news hit the press - End Sweep was dead – a debilitating infection in his wither requiring him to be euthanized at his part-owner's farm (Shadai) in Japan.

The eerie silence that followed his death saw the Arrowfield - and associated press machine - grind to its inevitable halt. Without income from future service fees being able to be marked on the next season's revenue sheet, the existing marketing budget had to be reallocated to support the stallions that remained. End Sweep was eventually relegated to the archives section of *Stallions*, the media no longer considered him 'newsworthy' and the Arrowfield website and John Messara's press briefings switched their attention (as they rightfully needed to do) to the Stud's newest prodigies.

By the time 62 of the 2002 End Sweep crop were sold through the 2003 Majors their average had dropped to $62,796 (median $55,800)– an average ratio of service fee to sales return of 1.9 on the median and 2.1 on the average. This is despite the fact that the mares he served in his second season were of equal 'commercial' value to those of his first year.

The question that begs asking is, therefore, whether it is possible that, in addition to the causal effect of End Sweep being unable to emulate his heady US statistics with his first season Australian 2 year olds, was the drop in sales average linked in some way to the withdrawal of the End Sweep marketing machine?

To respond to this we first need to take into account how 'marketing' comes into play during a sire's fourth season. By that time, his oldest progeny will now be 2YO's so there is always stable

chat, past sales results, trials and race results to rely on. So - let's look at performance. The 2002/3 season saw the first of End Sweep's progeny hit the track and by the end of the season with 6 winners and 3 stakes placed horses amongst them he ranked fifth on the first season sires list (fourth by progeny earnings). He may not have eclipsed his American record but he was the sire with the greatest number of nominations for the 2003 Golden Slipper and one of his progeny – the talented stakes placed performer AIM FOR GOLD ranked equal 12th (with a rating of 95) on the final Australia & NZ 2YO Classifications for the 2002-03 season.

His progeny continued to fare well overseas. His 2YO son Beautiful Delight (a $40,000 buy for Anzac Lodge at the 2002 Adelaide Magic Millions Yearling Sale) romped home in his debut in Singapore to score by 3.75 lengths. Shining Dragon also appeared in the winner's circle in Hong Kong and the Stakes performed Alysweep, Global Finance and Sweet Promises ensured he continued to retain his top ten ranking on the US general sires list (no mean feat when his final yearlings were offered in the US in 2001 and as a deceased stallion he competed against more than 4,500 other live sires in North America for general sires honours.)

From just 5 crops of racing age in the US and Japan and one crop of racing age in Australia End Sweep produced 250 progeny to race, 189 winners and the impressive tally of 19 SW and 21 SP horses including the millionaires TRIPPI (USA), SWEPT OVERBOARD (USA) and SOUTH VIGOROUS (JPN). In 2002 he was the only sire to appear in the top eight sires on both the General and Juvenile Sire lists of America.

Despite these statistics, there are probably some vendors who are a little uneasy at the thought of offering their End Sweep yearling/s in their 2004 sales consignment. Many of them no doubt appreciate the volatility and competition in the yearling market and the role that marketing plays in these conditions not just in enhancing buyer confidence but also in 'creating' demand. This 'demand' is created not just by results on the track. To maximise the track results, farm managers needs to continue 'talking up the horses' through ongoing advertisements and the ever present communication feed to agents, auctioneers, trainers and the media. It is the latter which takes the hardest hit if a stud no longer promotes a stallion.

The case of End Sweep's rapid rise to glory – and sudden drop to relative obscurity - is in no way unique and should not be attributed to those that managed him. As a matter of fact he was more fortunate than many stallions in that he had the support of a leading Stud owner and a powerful marketing machine giving him every opportunity to succeed in his Australian stud career. What the End Sweep story does offer however is a focus on the role of marketing in the commercial sire market and two interesting questions – first, how much "risk" an owner should bear when sending their mare to an 'as yet unproven' commercial stallion and second, how far should a stud go in looking after its clients to enhance the longer term relationships it has with them by protecting their investment outlay.

As I write this I am envisioning a series of Stud owners arguing that we shouldn't even be considering such a duty as the chance of a stallion dying are so remote that it's a moot point anyway. Others may say that 'unproven' sires have their service fees priced accordingly and it's basically a case of *caveat emptor* (let the buyer beware). A further group may say that the thoroughbred industry is exactly that – an industry, and that involves commercial decisions that do not always assist every investor. I accept that there is merit to each of these points but I would like to proffer an alternative course of action which potentially allows both breeder and Stud manager to benefit from what is ultimately the most tragic of circumstances.

Studs are always looking for new ways to entice clients – or improve the relationships with the ones they already have. Increased competition in the stallion market over recent years for example has seen a rash of seductive offers made to owners that include bulk discounts, free or reduced agistment charges, delayed payment schemes, free services for stakes winning mares etc. These offers are certainly enticing but the benefits to the stud farm that offers them are not

as immediately apparent if one considers the effect such 'discounts' have on medium term cash flow and the 'cost' they extract from final fees recovered.

I believe there is a more innovative – and cost effective approach – which asks Stud owners to turn to their marketing programmes to provide the answer. In the unusual case of a sire's premature death, a stud farm could find increased favour with many clients by agreeing to support client's investments all the way to the sales ring. It would also be a visionary farm that pursued such a strategy when the current marketing environment favours a definition of marketing as the short term goal of "selling" (a service fee for example), rather than recognising and applying the correct definition which is the art of attracting and keeping profitable customers.

A simple way for stud farms to put this strategy into action would be to include in their service contract a clause which states that should the stallion in question die before his third crop progeny reach the sales ring or should the stallion not shuttle to Australia again prior to the progeny's expected sale date (of x) then the stud will commit to investing $y utilising a mix of media (for example website, print, newsletters, communication channels) to continue marketing the sire on behalf of their clients. The marketing spend simply needs to be targeted rather than onerous and expensive and could, in fact, piggy-back off existing advertising campaigns to minimise cost.

The advantages to the stud farm are numerous. The most apparent advantage is enhanced relationships with clients as the Stud has clearly demonstrated its willingness to assume some of the client's investment risk. An additional – and often overlooked - benefit of forming long term client relationships is the reduced pressure on the need for expensive discounting (otherwise known as 'client seduction programmes') to attract business. This in turn safeguards cash flow and allows for more targeted marketing for repeat (and traditionally the best income generating) clients. For those Studs looking at inexpensive advertising options, well, it doesn't get much better than this. Good luck trying to put a dollar value on all your clients out in the marketplace selling your services by "word-of-mouth" promotion!

Even tragic circumstances can have a silver (and yes, let's admit it) commercial lining.

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