



## ***Case Study***

# **Balancing profitability and player satisfaction.**

A club was in the 'Top 25%' for average turnover per machine per day when measured against its peers in the industry, but in the 'Middle 50%' for overall profitability and in the 'Low 25%' for net profit per machine per day. Clearly, the Club was attracting good visitation levels and strong machine play, however, the high level of machine activity was coming at a cost.

When looking at CDOL data, management found that the majority of the overall financial indicators as highlighted in the CDOL Financial Scorecard showed the Club was in line with the rest of the industry. It appeared that the performance issues were in the gaming side of their business alone.

Further analysis in CDOL Gaming uncovered the following:

1. The average rate of return to the player on machine turnover was low, compared with the top 25% of clubs. The 'Top 25%' of clubs (in terms of net revenue per machine per day) on average returned 86.7% of turnover to their players. The club in this instance returned 88.6%, almost 2% more than the 'Top 25%' of performers.
2. The Club had a very large proportion of its installation connected to linked jackpot systems. In their case, 28% of the club's installation was linked to a recognised linked jackpot system and 72% were stand-alone machines. They were able to see from CDOL that the top performing clubs had far fewer machines linked to recognised jackpot products. In this case, the 'Top 25%' had only 16.3% of machines linked to a jackpot system.
3. The average return to player for the linked machines as a group was 90.2% for the Club, while the average for non-linked machines was set to return 88.4% to the player. Again, compared to the 'Top 25%' of industry performers, the club was showing a tendency to be 'loose'.
4. The Club's one-cent non-linked machines were also carded to return a very high percentage back to the player when compared to the industry.

The options for the Club were to continue to provide this high rate of return and perhaps player satisfaction as a result of this approach, or alternatively reconfigure the installation with less linked machines and wind back the rate of return to players on machines. Clearly the Club needed to make

some strategic decisions in this regard and they could now do this fully armed with the right level of information rather than making judgements on a limited set of facts.

The result is that the Club is embarking on some survey research to assist in making some real decisions on its gaming installation. In particular, it is reviewing its overall rate of return to its players and installation mix. As an example, if players don't value the additional playtime on machines, management may reduce the overall level of return to players and provide members with a benefit elsewhere.