
Measuring Club Performance – A Snapshot of the Industry

With the QLD Licensed Club Industry undergoing significant operational challenges it is timely to gain a snapshot across other significant ‘Club’ jurisdictions as to their overall business performance and compare against the QLD. In this instance ACT, NSW and QLD are compared.

Firstly, it is important to deliver some relativity by disclosing common challenges across the jurisdictions.

Smoking – Enforcement of 100% Smoke Free Regulations

- QLD – July 2006
- ACT – December 2006
- NSW – July 2007

Gaming Tax Increases

- ACT – Implementation of proposed gaming tax increase from July 2006
- NSW – Continued implementation of gaming tax increases over the next 5 years
- QLD – Gaming tax rates have generally been higher than NSW & QLD

Further challenges include machine caps, note acceptor restrictions, pressure on operating hours, responsible gambling and a marked increase in corporate governance expectations for custodians of the Club Industry. With all this change the implications for Clubs in general are:

- Business improvement (EBITDARD maximisation) must be achieved by taking a ‘whole of business’ approach and instilling efficiencies across all revenue and cost centres.
- Facilities re-design and re-engineering of the Club offering must be examined.
- Performance measurement within and outside our own operating jurisdiction is essential to assist in developing greater efficiencies.
- Consideration must be given to exploring the different ‘club operating models’ present across all jurisdictions. For example QLD has a very effective food and beverage model which is envied by other states while the ACT & NSW both have strong gaming models.

A table of key business indicators has been prepared to deliver an indicative snapshot of ‘average’ business performance across the ACT, NSW and QLD. The data has been compiled from the Club Data Online performance reporting system that is delivered to over 150 clubs including approximately 50 QLD clubs.

The data represented in the table is an 'Average' of the 13 – Month period from June 2004 to June 2005. All data relates to core licensed club activity i.e. excludes diversification, sporting operations etc.

The data table enables the following observations to be made with particular reference to QLD:

- The QLD performance in food is significantly better than the other jurisdictions with the average food net contribution at 11.2% of total food revenue.
- The QLD performance in bar is particularly strong with the average bar net contribution at 31.6% of total bar revenue.
- This strong food & beverage performance can probably be related to the fact that prior to the introduction of gaming machines to QLD in 1992 clubs had to survive on their food & beverage revenues which obviously required highly diligent and efficient practices to be in play.
- The QLD reliance on gaming revenue is significantly less than the other jurisdictions. From a “whole of business” perspective this is commendable, however, there is certainly room for further responsible advancement in gaming revenue by focusing on delivering the best possible gaming facility at all times. This can be done by:
 - Ensuring an effective and workable gaming machine replacement program supported by a realistic and adequate budget.
 - Paying particular attention to product performance (new & existing) and general gaming trends, while in general being ‘proactive’ rather than ‘reactive’.
 - Analyse internal gaming performance reports on a regular basis and compare your club gaming performance against the greater industry using reliable and independently produced data.
 - Ensure regular and effective gaming and customer service based training programs are provided to management & staff.
 - Listen to your patrons and respond to their gaming needs and requirements. This can be done through regular surveys and focus groups.
- With respect to gaming growth in QLD, it is acknowledged that the operating environment is very different compared to other jurisdictions and not necessarily conducive to growing gaming at a rapid rate. QLD club gaming opportunity has been relatively confined with generally higher tax levels in play, gaming product restrictions (limited denominations) and machine caps in place from day one.
- EBITDARD levels (Operating Cash Flow – earnings before interest, tax, depreciation, amortisation, rent & donations) are lower than the other jurisdictions. The main contributor to the lower EBITDARD levels would be the fact that the reliance on gaming revenues in QLD is lower.
- All in all QLD clubs have embraced a “whole of business” approach which is commendable rather than being over-reliant on a specific revenue generating stream.

KPI	ACT	NSW	QLD
Gaming Revenue / Total Revenue	76.2	74.3	64.9
Gaming Direct Costs %	27.9	30.6	42.3
Gaming Net Contribution	72.1	69.4	57.7
Bar Revenue / Total Revenue	15.4	12.6	13.2
Bar Direct Costs %	80.8	75.2	68.4
Bar Net Contribution	19.2	24.8	31.6
Bar GP%	57.6	60.3	60.1
Food Revenue %	*	10.5	14.1
Food Direct Costs%	*	105.7	88.8
Food Net Contribution	*	(-5.7)	11.2
Food GP%	*	57.1	56.9
Overall Business GP%	56.1	56.2	46.0
Overall EBITDARD %	28.0	24.7	21.5

* Insufficient data to reflect a meaningful assessment without compromising clubs.

Data Source: Club Data Online