Clubs Queensland
Industry Benchmarking Report

Report Produced by DWS Hospitality Specialists

Introduction

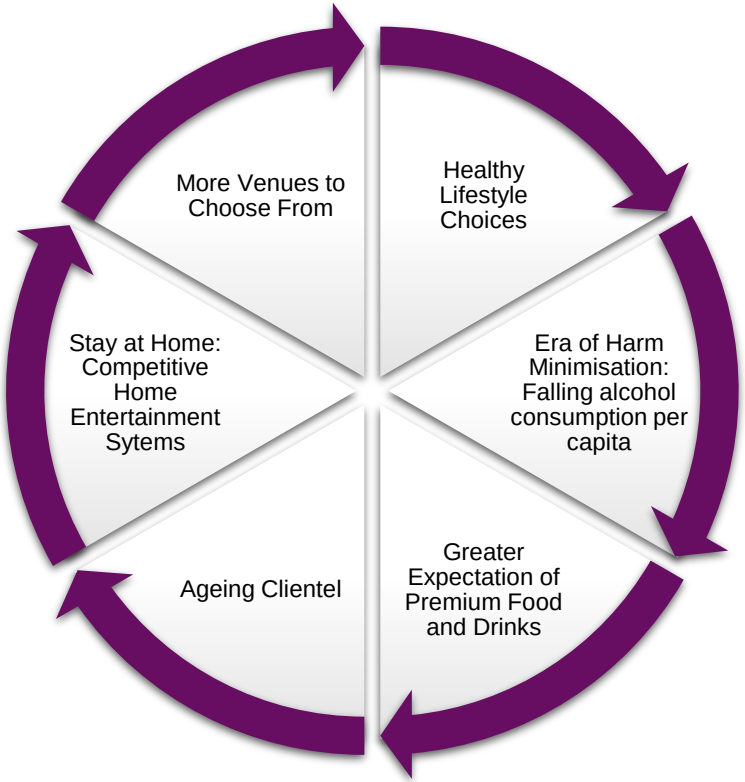
There are over 900 registered clubs in Queensland, employing approximately 27,000 people in full and part time positions and contributing approximately $250 million in cash and in-kind contributions.

The last 15 years have seen significant social demographic, regulatory and commercial changes, these have impacted the registered club's industry in many ways. Individual clubs have varying internal resources and abilities to deal with these changes.

The increased cost of compliance, combined with increased competition from the hotel/pub and casino sectors has negatively impacted Club revenue, with smaller clubs (40 machines or smaller) the hardest hit.

On-line gaming has the potential to place further pressure on the Club, Hotel and Casino industries.

Contributing Factors to Changes in the Club Industry



The key regulatory differences between clubs, hotels and casinos in Queensland are shown below. The limitations placed on clubs and hotels are significant when compared with casinos. The report issued by Synergies Economic Consulting concluded that the evolving casino industry will impact clubs negatively and will force more club closures.

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Compliance	Clubs	Hotels	Casinos
Number of gaming machines	300 in one venue 450 in two or more 500 in three or more	45 machines in any one venue	Limit specific to legislation for each site
Table games and table simulation games	No table or table simulation games	No tables ort able simulation games	Full table capability plus electronic casino games
Maximum bet on gaming machines	$5	$5	No limit
Maximum return to player	92%	92%	No maximum
Minimum return to player	85%	85%	85%
Maximum cash feed into machines	$199	$199	No limit
Maximum jackpot	$28,000	$28,000	No maximum
Trading hours	10am-12am (extensions available) 10am-4am if in entertainment precinct	10am-12am (extensions available) 10am-4am if in entertainment precinct	24 hours for gaming and liquor
Source: Synergies Economic Consulting – Impact of new casinos on Queensland Community Clubs p19			

To assist clubs and recognise the signs of business distress a survey was conducted which reviewed the key financial viability benchmarks/indicators of the Queensland registered club's industry.

The financial benchmarking was conducted to provide information to assist clubs improve their financial reporting measures and help club management and boards identify the early signs of financial distress.

Rule of Thumb:
Clubs that offer 2 or more carparks per poker machine out-perform the market.

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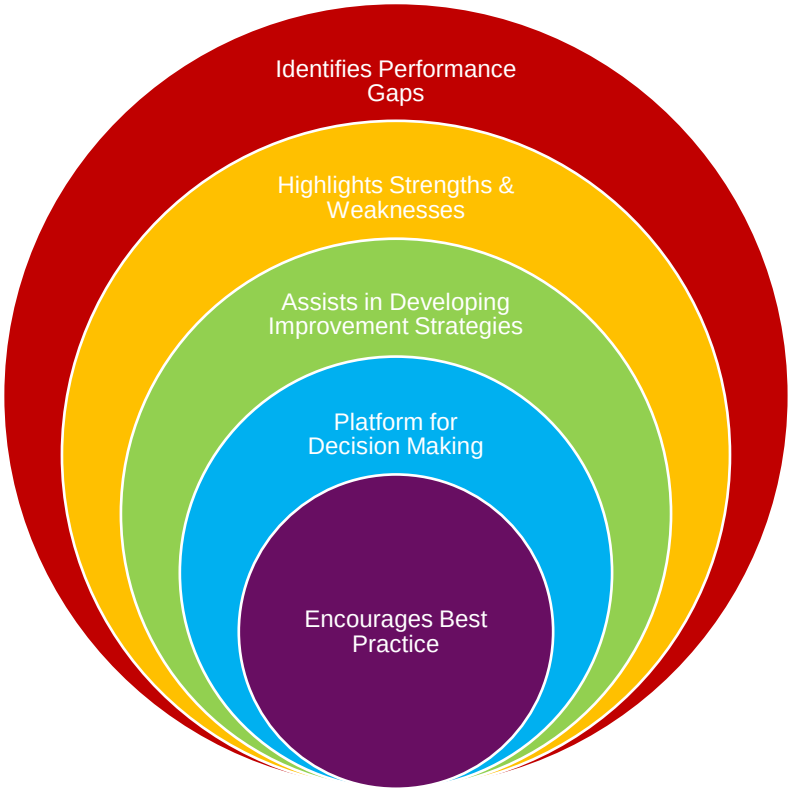
Does your club need a tailored benchmarking report?

It is a strongly supported view that improving clubs' financial reporting and performance benchmarking will help strengthen a club's financial viability. If a club prepares detailed financial management accounts, analyses these accounts in a timely and ongoing way, and compares its own performance against industry benchmarks, it will be able to identify areas of its operations and business where there is scope to improve, whether its financial performance is declining, and whether its financial viability is at risk. If the analysis does identify areas or issues of concern, the club can then develop strategies to address them.

Do you need a tailored benchmarking report? Clubs Queensland in partnership with DWS Hospitality Specialists can help. A tailored benchmark report includes a custom business analysis relative to other clubs, plus clear advice on where to improve.

Knowing where to focus your attention is important if you want to improve. Knowing your own business and understanding your competition is crucial when making strong business decisions.

Benefits of Benchmarking for Clubs



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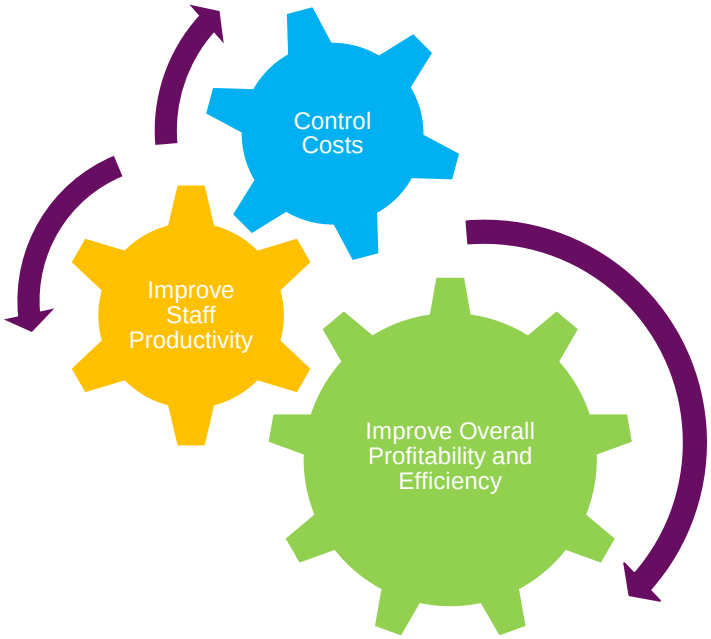
The true picture – efficiency and viability measures?

Measuring your club's performance against benchmarks can help your club in the following ways:



Enjoy the clarity that comes from seeing the whole picture. Managing your business should not be a guessing game. Focusing inwards can limit your understanding of your business. When you implement benchmarking in your operational reviews you can get a greater understanding of your true performance and find evidence-based support for current and new strategic initiatives.

Benchmarking will provide insights across the six key areas of your club:

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How do your operations compare?

To take advantage of and be prepared for the changes taking place in the club industry, it is important that club directors and managers understand how the performance of their club measures against the various measures contained in this report.

	0-50 EGMS	51-100 EGMS	101-200EGMS	201+ EGMS
Gaming Revenue	34%	50%	64%	68%
Bar Revenue (no bshop)	43%	23%	15%	13%
Food Revenue	20%	24%	16%	14%
Other revenue	3%	3%	5%	5%
Total revenue	100%	100%	100%	100%
Cost of goods sold				
Bar COGS (no bshop)	38%	38%	37%	37%
Food COGS	38%	38%	38%	38%
Total F&B COGS	38%	38%	38%	38%
Gross Profit				
Bar (no bshop)	62%	62%	63%	63%
Food	62%	62%	62%	62%
Total F&B Gross Profit	62%	62%	62%	62%
Cost of wages				
Gaming	9%	8%	8%	7%
Bar (no bshop)	22%	23%	25%	25%
Food	44%	44%	46%	46%
Total operational wages	21%	20%	16%	14%
Cost of Other Expenses				
Gaming AEMP	2%	4%	6%	6%
Gaming Taxes	21%	24%	26%	29%
Gaming	6%	5%	4%	4%

Bar (no bshop)	3%	5%	6%	6%
Food	6%	6%	7%	8%
Total Other expenses	12%	19%	25%	28%
Contribution				
Gaming	62%	59%	56%	54%
Bar (no bshop)	37%	34%	33%	32%
Food	12%	12%	9%	8%
Other	100%	100%	100%	100%
Total Net contribution	42%	43%	47%	47%
Overheads				
Admin	25%	24%	23%	22%
Marketing	4%	6%	7%	8%
Total Overheads	29%	30%	30%	30%
Total EBITDARD	13%	13%	17%	18%
Total Venue wages	33%	32%	27%	24%
Total AEMP	5%	8%	11%	12%
F&B Wages	29%	34%	36%	36%
F&B Contribution %	29%	23%	20%	20%
Gaming ADR	$101-$125	$126-$150	$150-$175	$176-$250
Community Contributions			1.5%-2.5%	1.5%-2.5%
Source: DWS Survey and Astute data				

Abbreviations and terminology

» EBITDARD – earnings before interest, tax, depreciation, amortisation, rent and donations. It is an effective measure of a clubs operating performance before non-cash items and financial commitments.

» Revenues include only those derived from normal club operations. Gaming, catering, beverage, functions, Keno, TAB, bingo.
The numbers do not include revenues or expenses relating to bottle shop, investments or other business interests.

» Wages – includes all wage costs of personnel in the Overhead and Operating departments. This includes overtime and other penalties. Wages includes on-costs such as superannuation, payroll tax, workers compensation insurance, long service leave, sick leave and annual leave.

» COGS – the cost of goods sold relates to the beverage departments and the catering departments. COGS include all taxes, imposts and cartage incorporated in the invoiced price from the supplier. Excludes GST.

Wages benchmarks

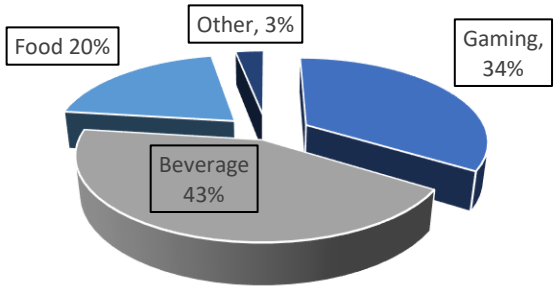
	0-50 EGMS	51-100 EGMS	101-200EGMS	201+ EGMS
Gaming	9%	8%	8%	7%
Bar	22%	23%	25%	25%
Food	44%	44%	46%	46%
F&B Wages	29%	34%	36%	36%
Overheads	12%	12%	11%	10%
Total Venue wages	33%	32%	27%	24%
Source: DWS Survey and Astute data				

Rule of Thumb:
Aim to replace 25%of your gaming floor every year.

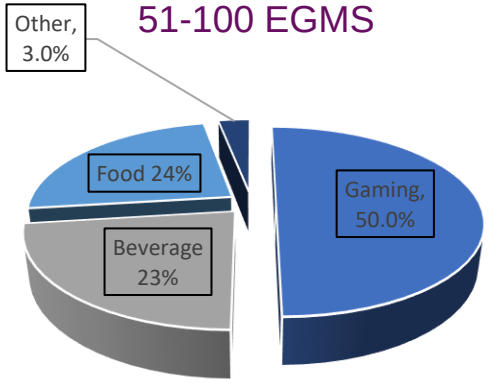
	0-50 EGMS	51-100 EGMS	101-200EGMS	201+ EGMS
Bar & Bottle shop Rev% of Total Rev	40%	21%	15%	13%
Bar & Bottle shop COGS Trend	38%	41%	45%	44%
Bar & Bottle shop Wages Trend	21%	25%	25%	26%
Bar & Bottle shop Net Contribution	38%	29%	25%	25%
Source: DWS Survey and Astute data				

Queensland Club Revenue

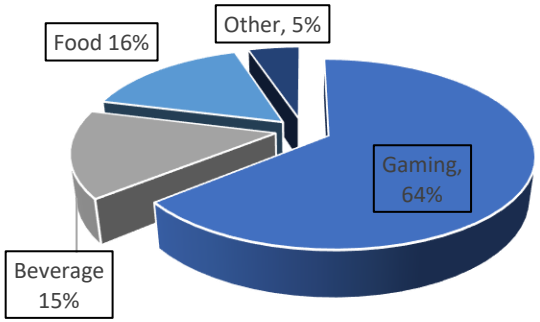
0-50 EGMS



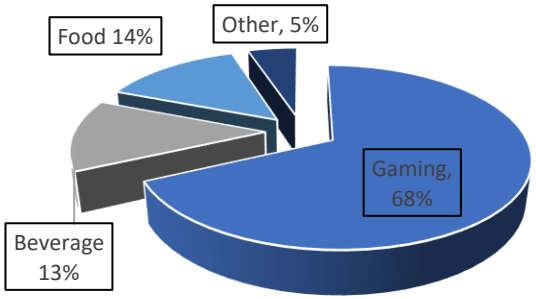
51-100 EGMS



101-200EGMS



201+ EGMS



Rule of Thumb:
Every extra $1 attracted to a gaming machine will add $0.55 to $0.60 to the EBITDARD.

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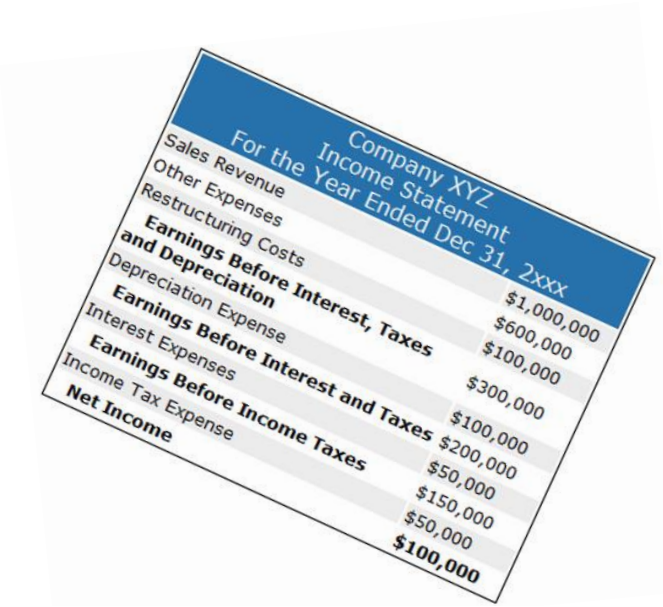
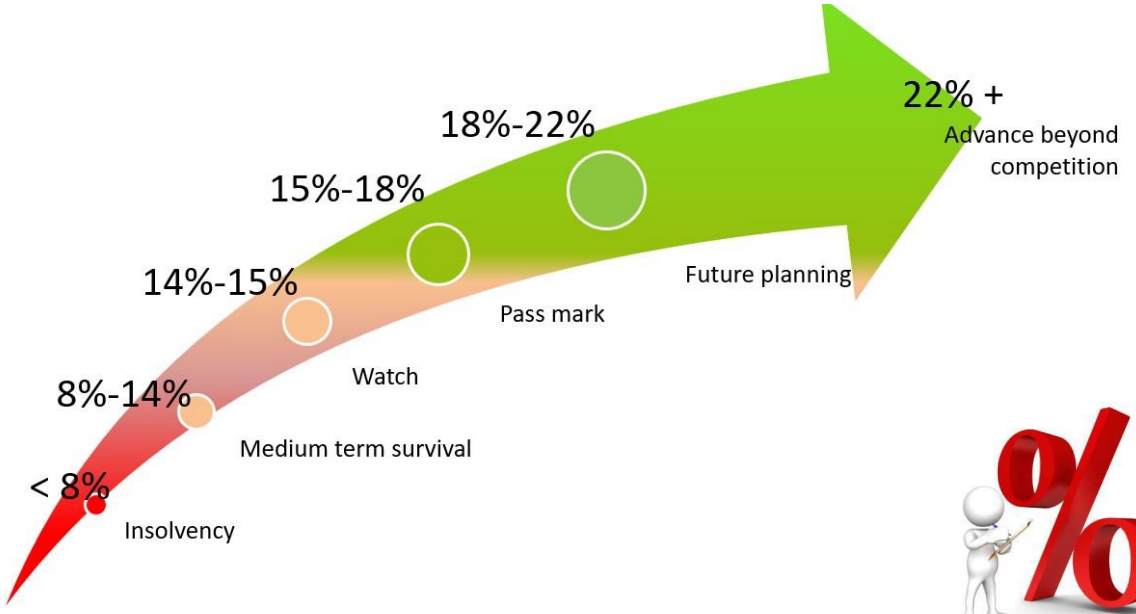
EBITDARD Indicators

- Earnings
- Before
  - Interest (finance costs)
  - Tax (company tax)
  - Depreciation
  - Amortisation
  - Rental expenses
  - Donations



- EBITDARD stands for **earnings before interest, tax, depreciation, amortisation, rent & donations**
- EBITDARD – pure operating profit
- EBITDARD is the standard tool to benchmark the club's core operational performance against industry standards



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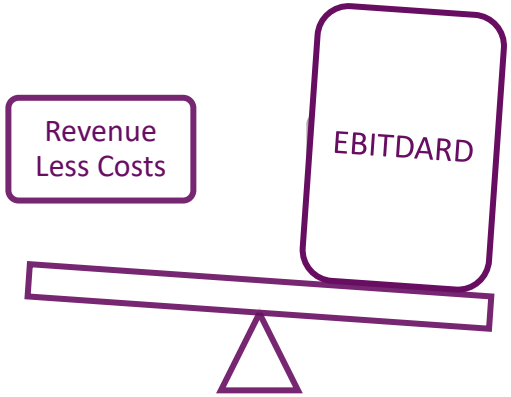
Rule of Thumb:
Community Clubs need to generate an EBITDARD of 14% or more to remain financially viable over the long term.

Benchmarking reviews reveal where you are excelling and where you could improve. Clubs that consider themselves in distress could benefit from a benchmark review. A benchmark report offers practical steps and insights that you can implement immediately to adjust and improve which could favourably impact your trading results.

Remember where the $ comes from

Location has a significant affect the EBITDARD, as does the number of gaming machines. Minimising costs though critical mass and the implementation of operational efficiencies should form part of the venue's operational goals. This is generally only attainable by employing superior management teams who follow industry best practices. Cost of goods sold, and operational wages can significantly impact profit, it is therefore important to put appropriate processes in place to manage these costs at predetermined benchmark percentage levels.



Rule of Thumb:
Good Players tend not to drink much.

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QLD Club < 50 EGMs

GAMING $34	BAR $43	CATERING $20	OTHER $3
GAMING SURPLUS $21 (62%)	BAR SURPLUS $16 (37%)	CATERING SURPLUS $2 (12%)	OTHER $3

FRONT OF HOUSE GP $42 (42%)

OVERHEADS $29 (29%)

EBITDARD $13 (13%)

Rule of Thumb:
Gaming peaks around or just after meal service
About 20% of café, 15% of dinners and 5% of functions customers will play machines.

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QLD Club 51-100 EGMs

GAMING $50

BAR $23

CATERING $24

OTHER $3

GAMING SURPLUS $30 (59%)

BAR SURPLUS $8 (34%)

CATERING SURPLUS $3 (12%)

OTHER $3

FRONT OF HOUSE GP $43 (43%)

OVERHEADS $30 (30%)

EBITDARD $13 (13%)

QLD Club 101-200 EGMs

GAMING $64

BAR $15

CATERING $16

OTHER $5

GAMING SURPLUS $36 (56%)

BAR SURPLUS $5 (33%)

CATERING SURPLUS $1.5 (9%)

OTHER $5

FRONT OF HOUSE GP $47 (47%)

OVERHEADS $30 (30%)

EBITDARD $17 (17%)

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QLD Club 201+ EGMs

GAMING $68	BAR $13	CATERING $14	OTHER $5
GAMING SURPLUS $37 (54%)	BAR SURPLUS $4 (32%)	CATERING SURPLUS $1 (8%)	OTHER $5

FRONT OF HOUSE GP $47 (47%)

OVERHEADS $30 (30%)

EBITDARD $18 (18%)

Rule of Thumb:
80% of revenues and visits come from within 5km of the club.

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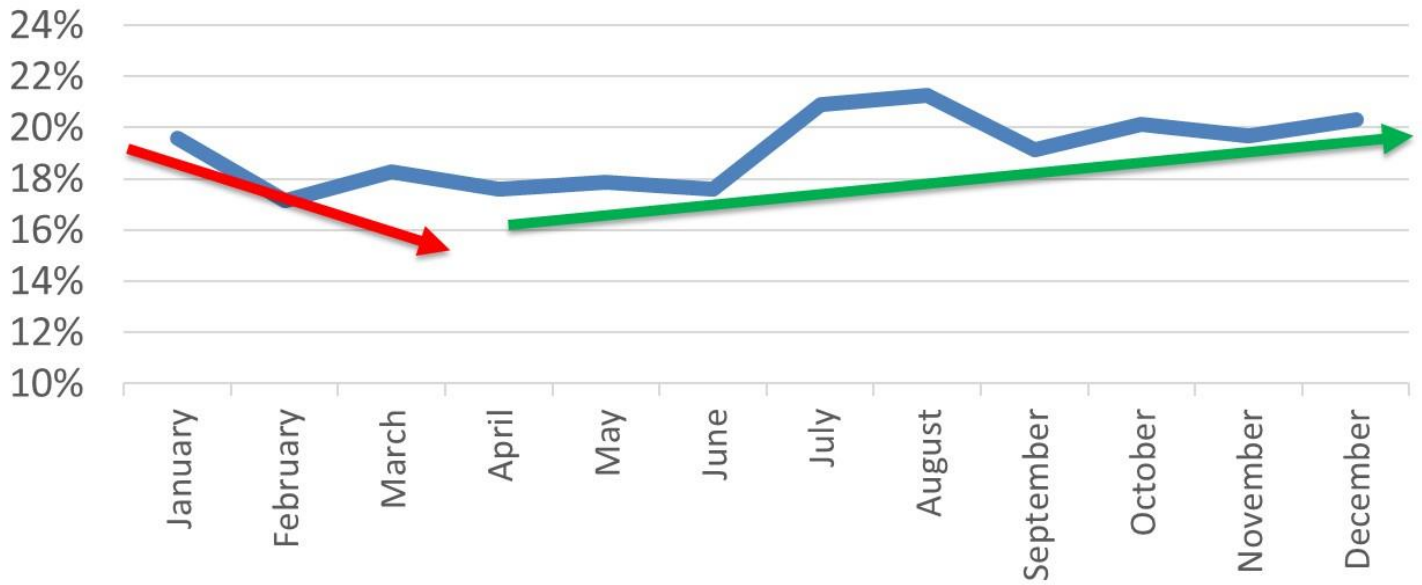
Trading Seasonality's

The Club (gaming and food and beverage) industry is predictably seasonal; The catalyst for seasonality's relate to national, state and local events and holidays. Both revenues and expenses can be impacted positively or negatively of varying degrees around these periods. The ebbs and flows can be favourable on revenue while unfavourable on costs or vice versa.

Depending on the venue and its revenue streams, financial performance can be impacted by the trends for special occasions like weddings, Mothers and Father's Day and other local events. The impact on operational expenses, particularly cost of goods sold and labour rates in any month are similarly impacted by seasonality's. Each club will know if it has its own unique seasonal opportunities or threats, they need to consider maximising profits.

Rule of Thumb:
A 10% reduction in gaming revenue can lead to a 25% decline in EBITDARD.

EBITDARD statistics collected over a five-year period show a consistent story. The typical calendar year movements in EBITDARD a club manager could expect in a club are presented below.



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Strategic tips to help to improve EBITDARD:

» *Identify your business low and high periods*

By analysing your covers and gaming patronage statistics you will instinctively know when the business peaks and slows. Analysing data on an hourly, daily, weekly and monthly basis will give you an insight into the macro and micro trends of your business.

» *Wages - Know your minimum manning levels for each department*

Once you know how the ebbs and flows impact your business you can roster accordingly. Of course, knowing what the minimum manning levels are to operate your restaurants, cafes, bars and gaming floor is the first critical step. You want to avoid customer complaints and missing out on sales. Make sure the staff you engage to cover periods are qualified for the role and properly trained in the service standards you expect. That is, they are fast and efficient

» *Rostering*

Implementing costed rosters is the second critical wage control step to achieving control over wage expense relative to your forecasted outlet turnover.

» *Menu engineering*

There are numerous menu basics to follow when designing an effective menu. Pricing, layout and descriptions all sit front and centre. The strategy you use when listing the dishes on the menu is particularly important. Be sure to have your most popular dishes at the top and ensure they are the most profitable.

» *Menu Costing*

All ingredients on your menu can be costed. The price you charge customers must be high enough to achieve your required food cost percentage. Along with food cost, portion control is another important factor to help price your menu correctly.

Rule of Thumb:
Most People are after value for money, not cheap.

» *Cash flow*

Cash is king when it comes to managing the tough months. Utilising cash-flow forecasts to manage funding through non-peak periods, including fixed commitments such as rent and loan repayments.

» *Overdraft*

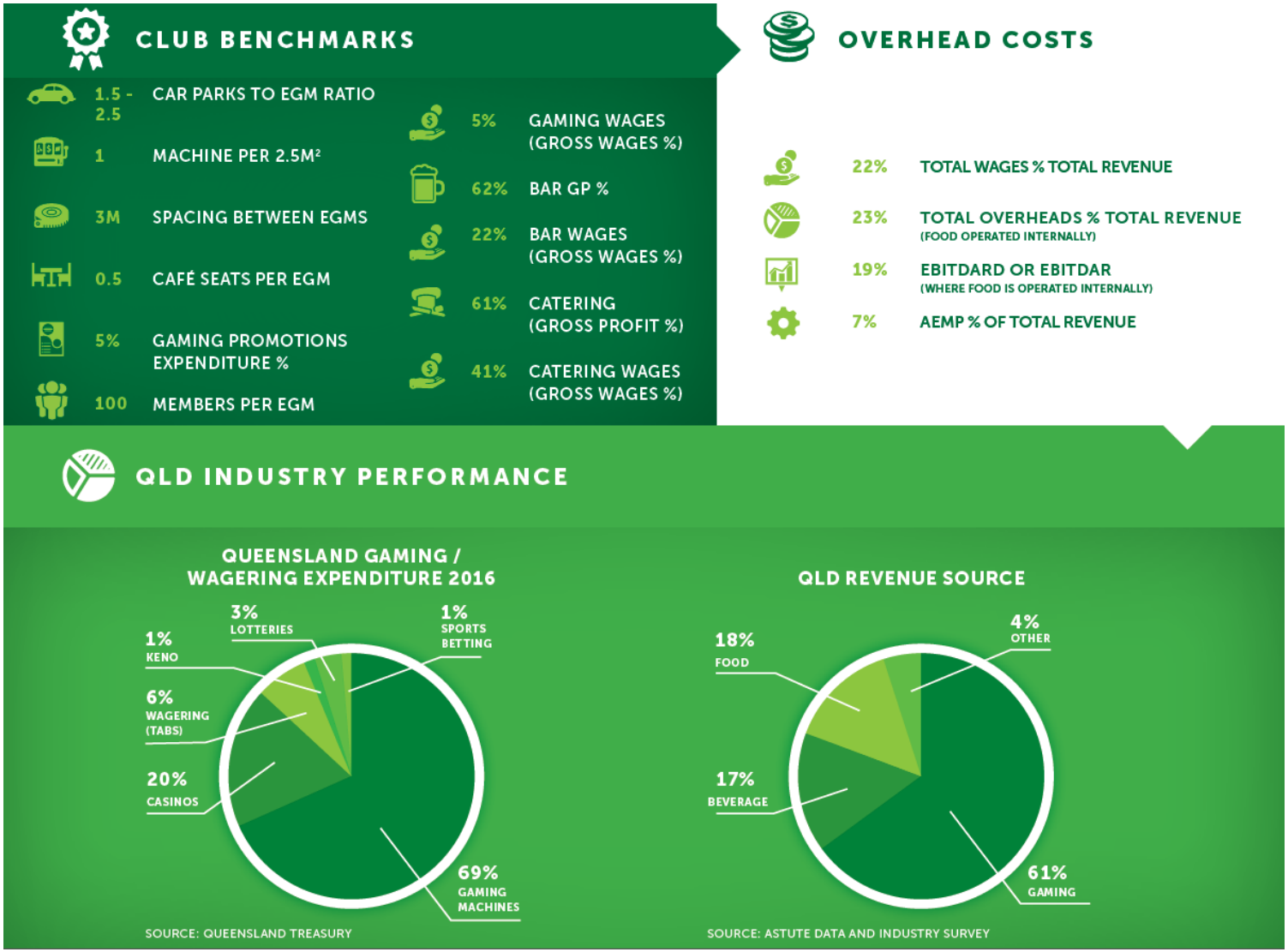
Plan B is the overdraft. If possible, have a funding facility in place, like an overdraft. Ideally it wouldn't be required, but as a backstop it forms an important consideration.

» *Inventory*

Are you carrying the right amount of beverage and food inventory? Carrying excess stock comes at a cost to your business and ties up cash unnecessarily. Revisit your par levels and stock turnover metrics. Reducing the stock levels will significantly reduce the stocktake time, electricity costs, spoilage, and theft.

» *Pricing*

Adjusting prices and potentially charging a premium during periods of peak demand can be an option. Outside those times, your pricing strategy could include bundling products or services. Consideration as to discounted member pricing, is it too generous?



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Methodology

This document has been compiled through a mix of desktop research, surveys and analyse of club financial results. This data has been used to determine industry benchmarks.

Qualifications

DWS is a specialist consulting firm, delivering a range of services to the tourism, leisure and hospitality sectors. Our clients include casinos, hotel chains, clubs, hotels, gaming and hospitality corporations, tourism operators and government departments. DWS comprises a highly qualified team of consultants that delivers over 300 consulting assignments to a wide range of hospitality clients each year.

Report Prepared by John Dickson

John Dickson, as Managing Director of DWS Hospitality Specialists. Whilst he now frequently works all over Australia in many facets of the hospitality industry, John is well-known to the Queensland club industry his home State; he has been an adviser to the club and hospitality industry throughout Australia for over 30 years since creating DWS. John holds a Bachelor of Business with Distinction, is a Certified Club Manager, a Fellow of the Catering Institute of Australia, a fellow of the Australian Institute of Management and a member of the Australian Institute of Company Directors. During his early club management career, he was a Club Manager of the Year and in 2015 was awarded the prestigious Service to Industry award 2015 at the Clubs Queensland Awards for Excellence.

Disclaimer and statement of independence

Warranties and disclaimer

The publication of this benchmark report is part of DWS commitment to the future of the club industry. It is emphasised that the findings of the study are based on sources indicated, and, as no independent verification is possible, neither Clubs Queensland or DWS Hospitality Specialists or any employee or member of these firms take responsibility for any errors which may have occurred, however caused.

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