



**Clubs
Queensland**

Strengthening Clubs.
Benefitting Communities.

COMMUNITY CLUBS INDUSTRY BENCHMARKING REPORT

Report Produced by
DWS Hospitality Specialists



INTRODUCTION

There are over 1,290 Community Clubs in Queensland, employing approximately 28,000 people in full and part time positions and contributing approximately \$850 million in cash and in-kind contributions per year. The Community Club industry contributes over \$2.2 billion in economic activity to the state's economy.

The last 15 years have seen significant social demographic, regulatory and commercial changes, and these have impacted the Community Club 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 and Casino sectors has continued to challenge Club revenue, with smaller Clubs (40 machines or less) the hardest hit.



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.

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 or table simulation games	Full table capability plus electronic Casino games
Maximum bet on gaming machines	\$5	\$5	Subject to legislative changes
Maximum return to player	92%	92%	Subject to legislative changes
Minimum return to player	85%	85%	Subject to legislative changes
Maximum cash feed into machines	\$199	\$199	Subject to legislative changes
Maximum jackpot	Up to \$60,000	Up to \$60,000	No maximum
Trading hours	10am-12am (extensions available outside these hours)	10am-12am (extensions available outside these hours)	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 Community Club industry.

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

DOES YOUR CLUB NEED A TAILORED BENCHMARKING REPORT?

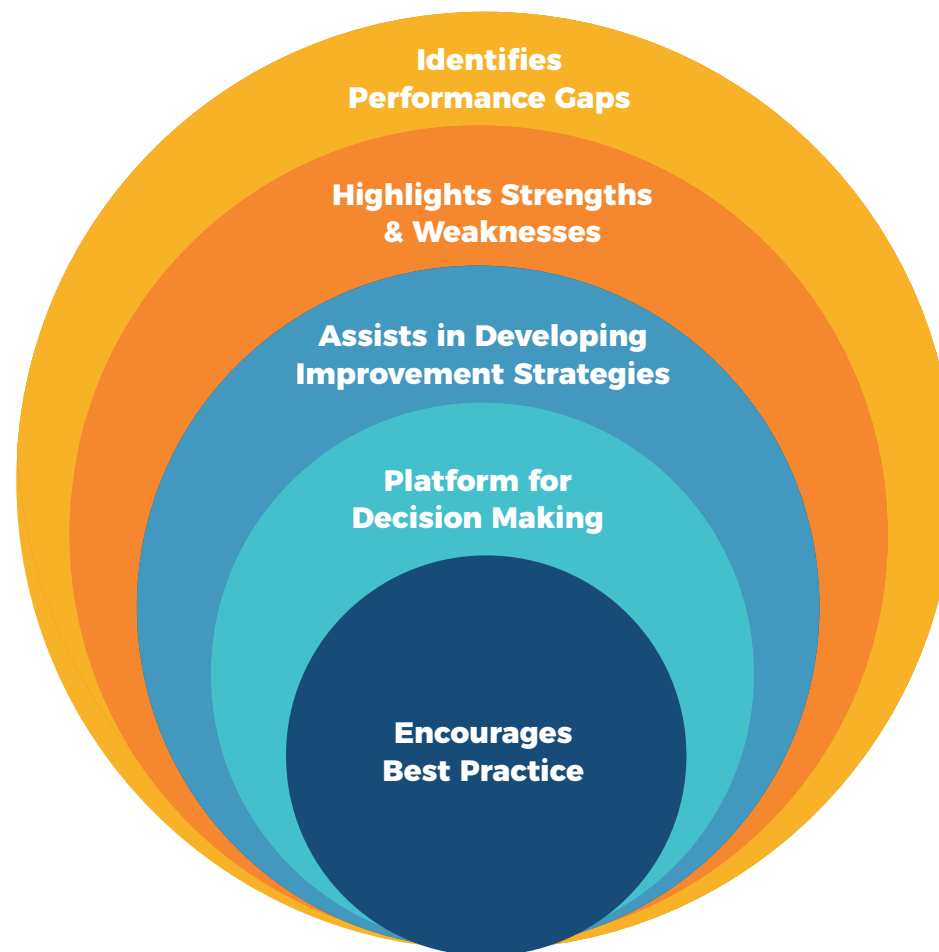
It is a strongly supported view that improving a Club's financial reporting and performance benchmarking will help strengthen the Club's financial viability.

Clubs should prepare detailed financial management accounts, supporting management in ongoing analysis. Analysis should be conducted in an ongoing and timely manner, comparing performance to industry benchmarks, allowing management to identify areas where there is scope to improve. If the analysis identifies areas of declining financial performance or its financial viability is at risk, the Club can then develop strategies to address them.

Do you need a tailored benchmarking report? DWS Hospitality Specialists can help. A tailored benchmark report includes a customised business analysis relative to other Clubs, and bespoke advice on areas to address.

Identifying areas to improve in your venue is critical to ensure ongoing growth and business sustainability. Knowing your own business and understanding your competition is crucial when making strategic business decisions.

BENEFITS OF BENCHMARKING FOR CLUBS



THE TRUE PICTURE - EFFICIENCY AND VIABILITY MEASURES?

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



Managing your business should not be a guessing game! Enjoy the clarity that comes from seeing the whole picture. By implementing benchmarking in your operational reviews, you will gain a deeper understanding of your venue's true performance, supported by industry research and evidence to assist you in developing strategic initiatives.

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



HOW DO YOUR OPERATIONS COMPARE?

To take advantage of and be prepared for constant opportunities and challenges facing any 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 b'shop)	33%	23%	15%	13%
Food Revenue	30%	24%	16%	14%
Other revenue	3%	3%	5%	5%
Total revenue	100%	100%	100%	100%
COST OF GOODS SOLD				
Bar COGS (no b'shop)	40%	40%	39%	39%
Food COGS	40%	40%	40%	40%
Total F&B COGS	40%	40%	40%	40%
GROSS PROFIT				
Bar (no b'shop)	60%	60%	61%	61%
Food	60%	60%	60%	60%
COST OF WAGES				
Gaming	8%	6%	6%	5%
Bar (no b'shop)	24%	25%	28%	28%
Food	44%	45%	47%	47%
Total Operational Wages	24%	20%	15%	14%
Source: DWS Survey and Astute Data				

	0-50 EGMS	51-100 EGMS	101-200EGMS	201+ EGMS
COST OF OTHER EXPENSES				
Gaming AEMP	2%	4%	6%	6%
Gaming Taxes	21%	24%	26%	29%
Gaming	6%	5%	4%	4%
Bar (no b'shop)	3%	5%	6%	6%
Food	6%	6%	7%	8%
Total Other expenses	13%	21%	25%	28%
CONTRIBUTION				
Gaming	63%	61%	58%	56%
Bar (no b'shop)	33%	30%	27%	27%
Food	10%	9%	6%	5%
Other	100%	100%	100%	100%
Total Net Contribution	38%	43%	47%	47%
OVERHEADS				
Admin	23%	22%	21%	21%
Marketing	4%	4%	6%	6%
Total Overheads	27%	26%	27%	27%
Total EBITDARD				
Total EBITDARD	11%	17%	20%	20%
Total Venue wages	36%	32%	26%	24%
Total AEMP	5%	7%	8%	10%
F&B Wages	34%	35%	38%	38%
F&B Contribution %	22%	19%	16%	16%
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 Club's 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	8%	6%	6%	5%
Bar	24%	25%	28%	28%
Food	44%	45%	47%	47%
F&B Wages	34%	35%	38%	38%
Overheads	12%	12%	11%	10%
Total Venue Wages	36%	32%	26%	24%

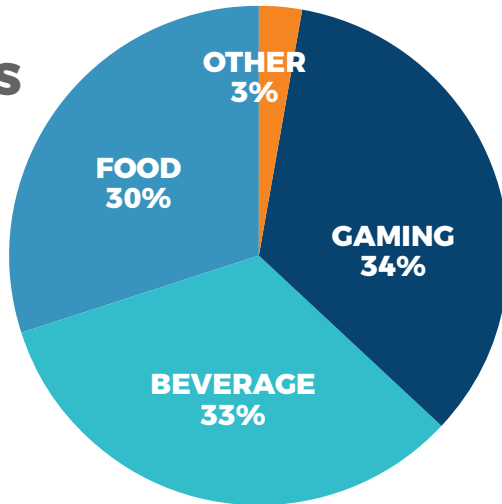
Source: DWS Survey and Astute Data

RULE OF THUMB:
**AIM TO REPLACE 20% OF YOUR GAMING FLOOR
 EVERY YEAR.**

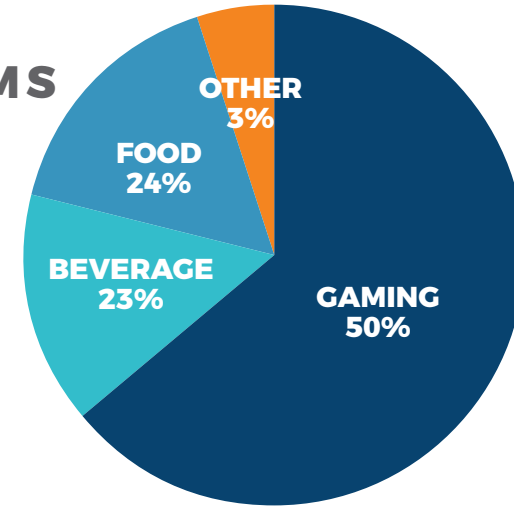
RULE OF THUMB:
**EVERY EXTRA \$1 ATTRACTED TO A GAMING MACHINE
 WILL ADD APPROXIMATELY \$0.60 TO EBITDARD.**

QUEENSLAND CLUB REVENUE

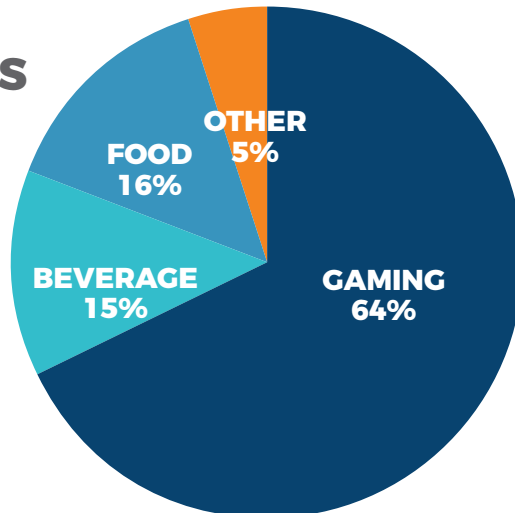
0 - 50 EGMS



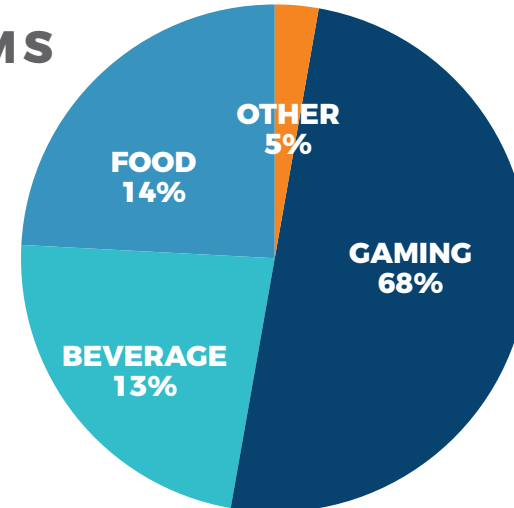
51 - 100 EGMS



101 - 200 EGMS



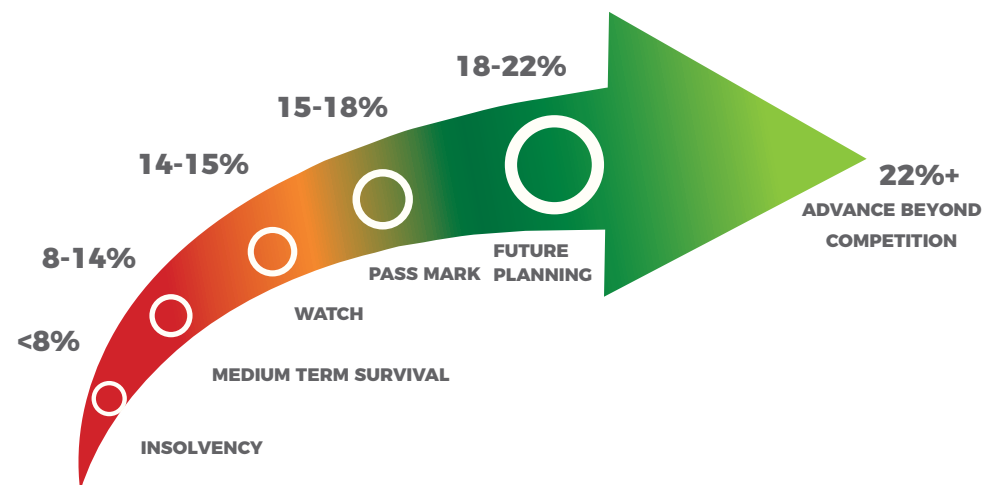
201+ EGMS



EBITDARD INDICATORS

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

Company XYZ Income Statement For the Year Ended Dec 31, 2xxx	
Sales Revenue	\$1,000,000
Other Expenses	\$600,000
Restructuring Costs	\$100,000
Earnings Before Interest, Taxes and Depreciation	\$300,000
Depreciation Expense	\$100,000
Earnings Before Interest and Taxes	\$200,000
Interest Expenses	\$50,000
Earnings Before Income Taxes	\$150,000
Income Tax Expense	\$50,000
Net Income	\$100,000



- » 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

RULE OF THUMB:
EBITDARD OF 15% OR MORE TO REMAIN FINANCIALLY VIABLE OVER THE LONG TERM.

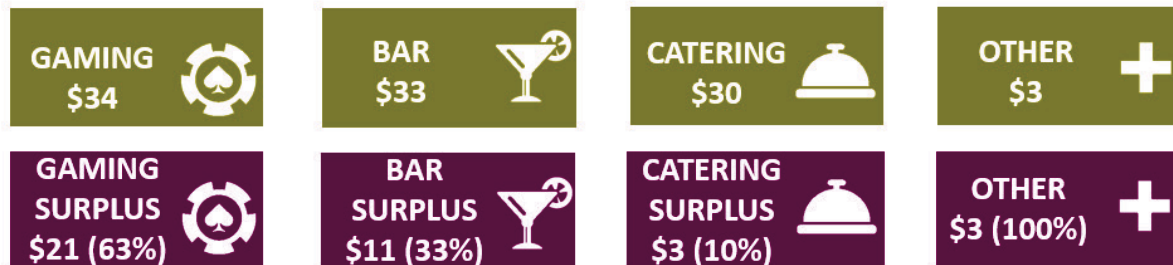
REMEMBER WHERE THE \$ COMES FROM

Location has a significant effect on EBITDARD, as does the number of gaming machines. Minimising costs though critical mass and the implementation of operational efficiencies should form part of your 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. Therefore, it is 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.**

QLD CLUB < 50 EGMS



FRONT OF HOUSE GP
\$38 (38%)

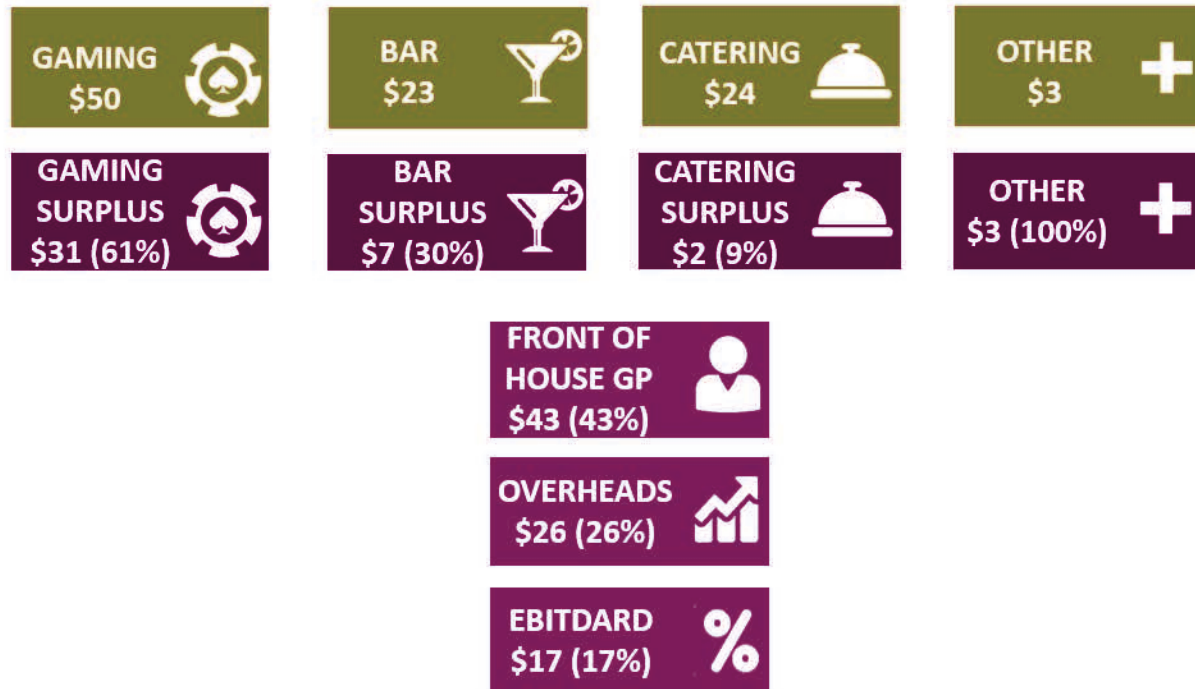
OVERHEADS
\$27 (27%)

EBITDARD
\$11 (11%)

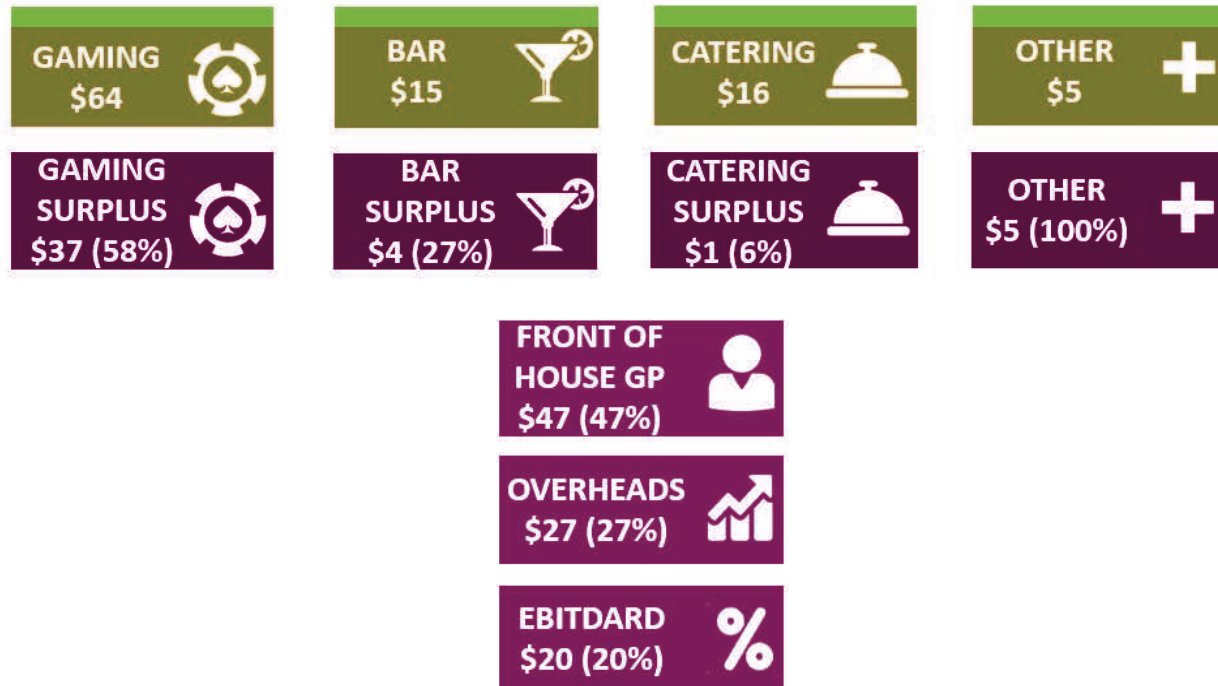
RULE OF THUMB:

GAMING PEAKS DURING (OR FOLLOWING) PEAK MEAL SERVICE PERIODS. ABOUT 20% OF CAFÉ, 15% OF RESTAURANT/BISTRO PATRONS, AND 5% OF FUNCTIONS CUSTOMERS WILL PLAY MACHINES.

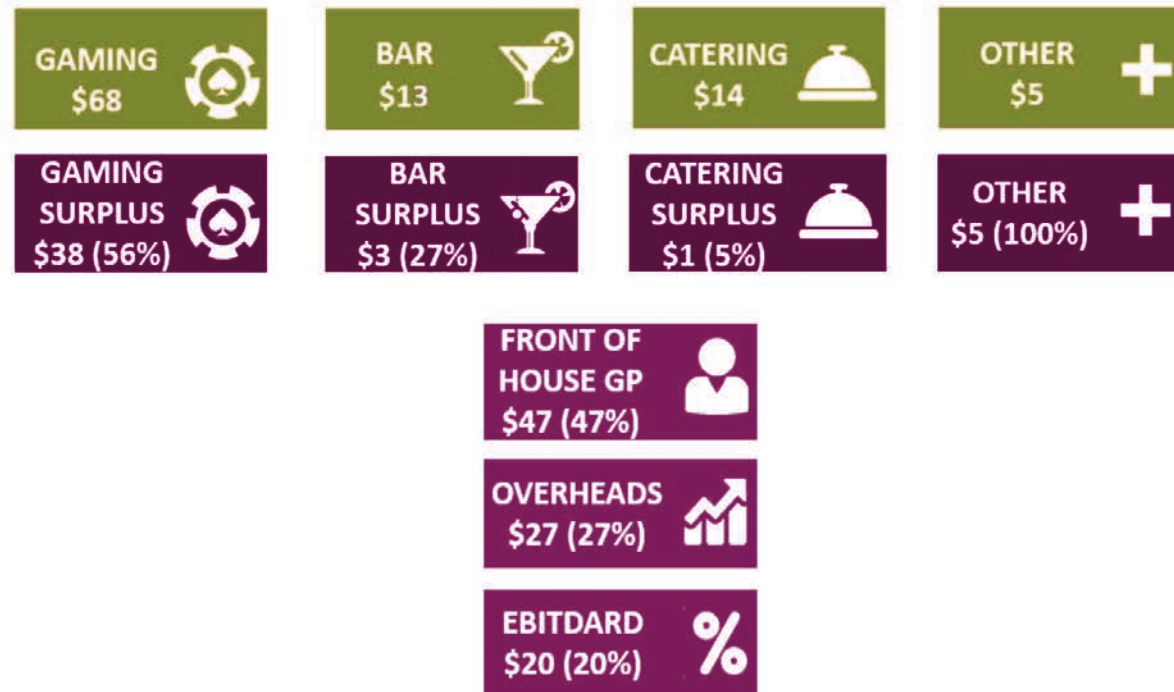
QLD CLUB 51 - 100 EGMS



QLD CLUB 101 - 200 EGMS



QLD CLUB 201+ EGMS



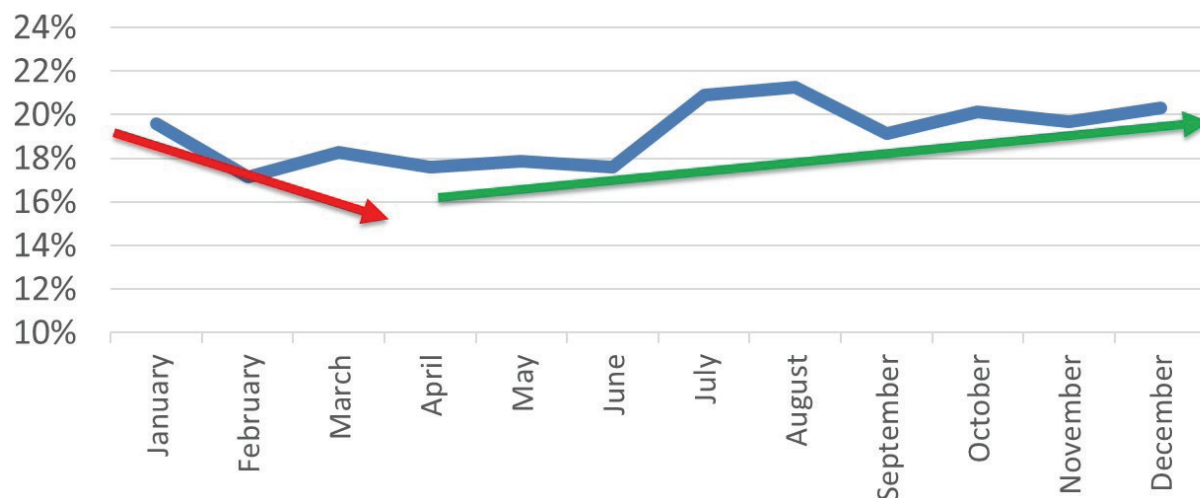
RULE OF THUMB:
80% OF REVENUES AND FOOT TRAFFIC
COME FROM WITHIN 5KM OF THE CLUB.

TRADING SEASONALITY

The Club industry is predictably seasonal. The catalyst for seasonality 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. Each Club will know if it has its own unique seasonal opportunities or threats, and need to consider maximising profits.

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 here.



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 understand the ebbs and flows impact your business, you can roster accordingly. Of course, knowing what the minimum staffing levels are to operate your restaurants, cafes, bars and gaming floor is the first critical step. A primary objective is to reduce customer complaints, and minimise lost sales opportunities. Ensure the staff you engage during peak 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. Further, food cost and portion control are equally important factors to assist in pricing your menu sustainably.

**RULE OF THUMB:
MOST PEOPLE ARE AFTER VALUE
FOR MONEY, NOT CHEAP.**

STRATEGIC TIPS TO HELP TO IMPROVE EBITDARD:

» 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 food and beverage 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 may be a viable option. Outside those times, your pricing strategy could include bundling products or services. Revisit your discounted member pricing, is it too generous?







CLUB BENCHMARKS 51- 100 EGMS

1.5 - 2.5 CAR PARKS TO EGM RATIO	 6% GAMING WAGES (GROSS WAGES %)
2.5 MACHINES PER M ² RATIO	 60% BAR GP %
3M SPACING BETWEEN EGMS	 25% BAR WAGES (GROSS WAGES %)
0.5 CAFÉ SEATS PER EGM	 60% CATERING (GROSS PROFIT %)
4% GAMING PROMOTIONS EXPENDITURE %	 45% CATERING WAGES (GROSS WAGES %)
100 MEMBERS PER EGM	

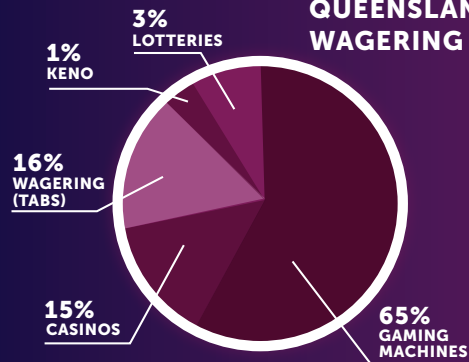


OVERHEAD COSTS 51-100 EGMS

 32% TOTAL WAGES % TOTAL REVENUE
 26% TOTAL OVERHEADS % TOTAL REVENUE (FOOD OPERATED INTERNALLY)
 17% EBITDARD OR EBITDAR (WHERE FOOD IS OPERATED INTERNALLY)
 7% AEMP % OF TOTAL REVENUE

QLD INDUSTRY PERFORMANCE

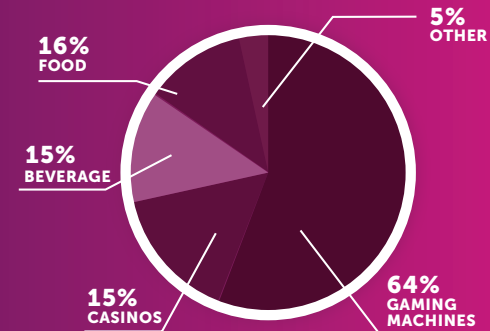
QUEENSLAND GAMING / WAGERING EXPENDITURE 2021



SOURCE: QUEENSLAND TREASURY



QLD REVENUE SOURCE: 100-200 EGMS



SOURCE: ASTUTE DATA AND INDUSTRY SURVEY

METHODOLOGY

DWS Hospitality Specialists are uniquely positioned to compile a Club industry report as we regularly review and study countless Financial Reports in the course of our Consulting Business. We regularly conduct surveys within the Club industry to gather additional data to analyse financial information. This data has been used to determine industry benchmarks.

QUALIFICATIONS

DWS Hospitality Specialists 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 Hospitality Specialists comprises of a highly qualified team of consultants, delivering over 300 consulting assignments to a wide range of hospitality clients each year.



REPORT PREPARED BY JOHN DICKSON

John Dickson is 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 at the Clubs Queensland Awards for Excellence.

WARRANTIES AND DISCLAIMER

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

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